LSEG STREETEVENTS

EDITED TRANSCRIPT

RPRX.OQ - Q1 2026 Royalty Pharma PLC Earnings Call

EVENT DATE/TIME: MAY 06, 2026 / 12:00PM GMT

OVERVIEW:

Company Summary

LSEG DATA & ANALYTICS

CORPORATE PARTICIPANTS

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

Pablo Legorreta *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Christopher Hite *Royalty Pharma PLC - Chairman, Partnering and Investments*

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

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

CONFERENCE CALL PARTICIPANTS

Hardik Parikh *JPMorgan Chase & Co - Analyst*

Michael Nedelcovych *Cowen and Company LLC - Equity Analyst*

Geoffrey Meacham *Citibank - Analyst*

Jason Gerberry *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Di Zhao *UBS AG - Analyst*

Nick Jennings *Goldman Sachs & Company Inc - Analyst*

Terence Flynn *Morgan Stanley & Co Ltd - Analyst*

Umer Raffat *Evercore Inc - Equity Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Royalty Pharma first-quarter 2026 earnings conference call. I would like now to turn the conference over to George Grofik, Senior Vice President, Head of Investor Relations and Communications. Please go ahead, sir.

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

Good morning and good afternoon to everyone on the call. Thank you for joining us to review Royalty Pharma's first quarter results. You can find the press release with our earnings results and slides of this call on the Investors page of our website at royaltypharma.com. On slide 2, 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 of these measures to our GAAP financials is provided in the earnings press release available on our website. And with that, please advance to slide 3. Our speakers on the call today are Pablo Legorreta, Chief Executive Officer and Chairman of the Board; Chris Hite, Chairman, Partnering & Investments; Marshall Urist, EVP, Head of Research & Investments; and Terry Coyne, EVP, Chief Financial Officer. Pablo will discuss the key highlights, after which Chris will discuss the growing opportunity for R&D co-funding. Marshall will then provide a portfolio update and Terry will review the financials. Following concluding remarks from Pablo, we will hold a Q&A session. And with that, I'd like to turn the call over to Pablo.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Thank you, George, and welcome to everyone on the call. I am happy to report a strong start to 2026 as we execute towards our goal to be the premier capital allocator in life sciences, with consistent compounding growth. Slide 5 summarizes our strong business momentum in the first quarter. Starting with the financials, we delivered 10% growth in Portfolio Receipts, our top line and 13% growth in Royalty Receipts, which are our recurring cash flows. The sustained double-digit momentum was driven by strength of our diversified portfolio. We also maintained strong returns in our business with Returns on Invested Capital of around 14% and Returns on Invested Equity of around 20%. By combining strong growth and attractive returns, we're confident that we have a clear path to drive shareholder value creation. Turning to capital allocation. We had a busy quarter with $1.25 billion of announced transactions on three attractive therapies, while capital deployed was in excess of $0.5 billion. We also repurchased one million shares for $50 million in the quarter and increased our dividend by 7%.

Moving to our portfolio. We're thrilled to see a number of positive clinical and regulatory updates, including the extraordinary Phase 3 results for Revolution Medicines' daraxonrasib in pancreatic cancer and FDA approval of Denali's Avlayah in Hunter syndrome. We also expanded our portfolio through R&D co-funding agreements with Teva, which we discussed on our previous earnings call and recently with J&J for their autoimmune therapy '4804. Chris will highlight the growing market opportunity for R&D co-funding with global biopharma. Lastly, we were pleased to acquire a royalty on Jazz and BeOne's Ziihera, an approved cancer therapy with blockbuster potential. Looking ahead, we're increasing our 2026 full year guidance based on the strong business momentum I just highlighted. Slide 6 is one that I keep coming back to each quarter as it demonstrates our consistent double-digit growth on average since our IPO. We have delivered this impressive record year in, year out, regardless of the market backdrop. This speaks to the quality of our investment selection and our unique business model. In the first quarter, we also took major steps to strengthen our global platform and capabilities in partnering the Asia Pacific region and artificial intelligence. We have brought in exceptional new leaders to our team with Greg Butz, Ken Sun and Lucas Glass. Their expertise will support our long-term growth ambitions and help to strengthen our competitive moats as the undisputed leader in the biopharma royalty market. Chris Hite, who has served as our Vice Chairman throughout our journey as a public company, has moved into a new role as Chairman, Partnering & Investments. In this role, he will continue to expand our global relationship network and play a central role in transactions. Chris has been an incredible partner, and I'm delighted that he will continue to provide strong leadership and leverage his relationships in this role.

With that, I will hand it over to Chris.

Christopher Hite - *Royalty Pharma PLC - Chairman, Partnering and Investments*

Thanks, Pablo. I'm genuinely excited about the new capabilities we're building and the opportunity to forge even stronger, more meaningful relationships across the biopharma ecosystem. For my section today, I want to focus on the major opportunity we see for R&D co-funding with global biopharma. Beginning on slide 9, we see R&D co-funding as a win-win solution for global biopharma and for Royalty Pharma. This market has enormous potential with over $1 trillion of cumulative projected R&D spend by global biopharma in the next five years.

Co-funding arrangements allow biopharma to share risk at scale, to enhance program return on investment, to expand R&D capacity and to diversify pipelines. From Royalty Pharma's perspective, we see multiple potential benefits. These include unlocking a new market opportunity, gaining access to high-priority clinical programs, leveraging our partners' global development and commercialization expertise and the ability to conduct deep diligence to drive high conviction in our investments. Slide 10 illustrates the strong momentum for this funding modality. The demand by biopharma was impacted by accounting uncertainty for the last decade. But over the last several years, more clarity around contra R&D accounting treatment has resulted in a surge for co-funding deals. As an example, in the first quarter alone, we signed deals with J&J and Teva totaling $1 billion in announced value. On the right-hand side of this slide, you can see that the number of global biopharma companies that have utilized this funding modality has doubled since 2020, which underscores the growing acceptance of this form of funding.

Slide 11 shows our capital deployment mix by funding modality and has -- and how this has changed over time and where we see it heading in the future. At the start of the 2000s, we were a business focused almost exclusively on acquiring existing royalties. Today, existing royalties remain a stable and important component of our capital deployment but we have evolved into a more diversified business with a

growing emphasis on providing capital through innovative funding structures, most notably synthetic royalties with emerging biopharma companies, which has been a key growth driver.

While R&D co-funding with large biopharma companies has historically represented a smaller share of our activity, we see a clear opportunity to scale this significantly in response to increasing demand. Importantly, this shift creates meaningful upside potential. In addition, potential business from acquiring existing royalties that have originated in China, where we are actively building a platform, represents another avenue for future growth that could drive the existing royalty market significantly.

Slide 12 highlights a number of the R&D co-funding agreements that we have entered into since 2022. Together, these five highlighted deals at the time of announcement had the potential to provide up to $1.8 billion in capital to our partners, including up to $1 billion alone in the Teva and J&J transactions that we announced in the first quarter this year, as I previously noted. As you can see, these deals check the core elements of our investment framework. Specifically, each transaction involves a biopharma with deep clinical expertise and global commercial infrastructure and provides Royalty Pharma with royalty rights to a potentially transformative therapy covering a diverse range of indications.

On slide 13, I want to close by highlighting why we are so confident that Royalty Pharma is well positioned to scale R&D co-funding. Remember that we have been partnering with biopharma for approximately 30 years as we pioneered the royalty market. When we think about the depth of our relationships, our brand reputation, our responsiveness and our flexibility in structuring, Royalty Pharma is the clear leader. In addition, we take a long-term view with royalties and milestones paid over many years, and we have a cost of capital similar to pharma, so we can offer competitive pricing and win more deals. For these reasons, we expect to be able to capitalize strongly on this tremendous growth opportunity in the coming years.

With that, let me hand it over to Marshall.

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

Thanks, Chris. I want to focus today on several exciting updates to our portfolio. First, our recent royalty deal for Ziihera, an approved cancer therapy; second, the incredible Phase 3 data that was recently disclosed by our partner, Revolution Medicines for daraxonrasib in pancreatic cancer; and third, a look forward to important upcoming events across our broad development-stage portfolio.

Beginning on slide 15, we entered into a strategic funding agreement in March with Zymeworks, where we provided $250 million upfront in return for 30% of their royalty on Jazz and BeOne's Ziihera, which translates to a low to mid-single-digit royalty for Royalty Pharma. For those less familiar, Ziihera is a HER2-targeted bispecific antibody, which is FDA approved for a rare tumor, metastatic biliary tract cancer. From a patient and commercial perspective, the real excitement here is that Ziihera was recently submitted for approval in gastric cancer, which represents a particularly high unmet need with a five-year survival rate of less than 10%. The pivotal study in this indication demonstrated an impressive five- to seven-month, or nearly 40% overall survival advantage over currently available therapies. In our view, this positions Ziihera to become the standard of care in this very tough-to-treat indication, supporting blockbuster potential. Consensus models include peak sales of Ziihera of greater than $2 billion. Based on this outlook, we expect the transaction to deliver attractive returns with an unlevered IRR in the low double digits.

Moving to daraxonrasib on slide 16. Revolution Medicines recently reported unprecedented results from the RASolute Phase 3 trial in second-line pancreatic cancer. On our last earnings call, I said that daraxonrasib has the potential to revolutionize this devastating disease, and these Phase 3 results certainly support this. The key headline is that daraxonrasib nearly doubled overall survival from just under seven months with chemotherapy to over 13 months. These are truly remarkable outcomes for patients in a disease that has seen no true innovation for decades.

The next step for Revolution Medicines is to submit for approval by global regulatory agencies, including the FDA under the Commissioner's National Priority Voucher that has the potential to speed the time to approval. In terms of the implications for Royalty Pharma, as a reminder,

we agreed in 2025 to provide up to $2 billion in long-term funding to Revolution Medicines to help the company aggressively pursue clinical development and commercialization of daraxonrasib.

With the positive data, Royalty Pharma has now invested a total of $500 million for a synthetic royalty that begins at 4.55% on sales up to $2 billion and then tiers down from there. Based on consensus peak annual sales of greater than $10 billion, we expect peak potential annual royalties to be in the range of approximately $180 million based on the currently funded amount and up to $340 million if they draw the additional $750 million of synthetic royalty funding. We are excited to see what the future holds for this incredible medicine backed by a phenomenal team.

Next, I'll turn to our development-stage pipeline and upcoming events. We're exceptionally well positioned for our next wave of value creation with a deep and innovative pipeline. Slide 17 shows that in addition to daraxonrasib, our portfolio has delivered a number of successful clinical readouts and regulatory approvals already in 2026. Just yesterday, we were thrilled to see the positive top line results for Myqorzo in its pivotal trial in non-obstructive hypertrophic cardiomyopathy. Other highlights include positive clinical trial results for Zenas' obexelimab in IgG4-related disease, positive Phase 2 results for Biogen's litifilimab in cutaneous lupus, FDA approval of Denali's Avlayah in Hunter syndrome and the filing of Nuvalent's neladalkib in ALK-positive non-small cell lung cancer. As you can see, there are plenty more events anticipated this year, and we expect these to lead to several new royalty-generating launches in 2026 and 2027. To highlight positive news on one of our pipeline products, last week, Teva announced the acquisition of Emalex for up to $900 million with regulatory submission planned for Emalex's ecopipam for Tourette's in the second half of the year. As a reminder, Royalty Pharma is entitled to royalties of 6% on ecopipam sales up to $400 million and 10% on sales of $400 million or greater. And we are excited to see ecopipam in the hands of Teva, a marketer with deep commercial expertise in neuroscience.

Expanding on this theme, slide 18 shows that there is much more to come from our development-stage pipeline with multiple major pivotal readouts expected over 2026 and 2027. Over the remainder of 2026, we'll see the results of the outcomes trial for Novartis' pelacarsen. We continue to believe that the Lp(a) class can be the next major class of drugs in cardiovascular disease, and we're perfectly positioned with the two lead pipeline products in pelacarsen and Amgen's olpasiran. We'll also see Phase 3 data for litifilimab in systemic lupus.

In 2027, we expect pivotal data from Sanofi's frexalimab in multiple sclerosis and from J&J's seltorexant in major depressive disorder. We also expect Phase 3 results from daraxonrasib in non-small cell lung cancer and litifilimab in cutaneous lupus. Each of these potentially transformative therapies would add significant royalties to our top line. So to close, we see tremendous potential for our pipeline to unlock substantial value in the near term.

With that, I'd like to hand it over to Terry.

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

Thanks, Marshall. Let's move to slide 20. This slide shows how our efficient business model generates substantial cash flow to be reinvested. Royalty Receipts grew by 13% in the first quarter, reflecting the strength of our diversified portfolio. Portfolio Receipts, our top line, grew 10% in the quarter, which was strong performance considering a sizable year-over-year decline in milestones and other contractual receipts.

As we move down the column, operating and professional costs were 3.9% of Portfolio Receipts in the first quarter. This is a clear reflection of the benefit of the cash savings we are delivering from the internalization transaction, which we completed last May.

Net interest paid was $167 million in the quarter. This reflects the semiannual timing of our interest payment schedule with payments primarily in the first and third quarters. Moving further down the column, we have consistently stated that when we think of the cash generated by the business to then be redeployed into value-enhancing royalties, we look to Portfolio Cash Flow, which is adjusted EBITDA less net interest paid. This amounted to $722 million for the quarter. Our net margin of around 78% again demonstrates the high underlying level of cash conversion and efficiency in the business. Capital deployment in the quarter of $528 million mainly reflected upfront payments for the Ziihera and Avlayah transactions and a milestone payment related to Trelegy. Lastly, our weighted average share count declined by approximately 4% in the quarter versus the prior year period, reflecting the impact of our share buyback program.

Slide 21 provides more detail on the evolution of our top line in the first quarter. Royalty Receipts, which we consider our recurring cash inflows, grew by 13%. Key drivers were the strong performances of Tremfya, Voranigo and Evrysdi. In the case of Evrysdi, on top of the underlying growth, we benefited from the additional royalties we acquired in December. I should also note that we were able to absorb a 3% headwind to Royalty Receipts due to the loss of exclusivity of Promacta and still delivered double-digit growth. Moving to Portfolio Receipts. These grew by 10%, reflecting the lower onetime milestones and other contractual receipts.

Slide 22 updates our portfolio return metrics for the quarter. Return on Invested Capital was 14.1% for the last 12 months ending in the first quarter of 2026 and Return on Invested Equity, which shows the impact of conservative leverage on our equity returns, was 19.7% for the last 12 months ending in the first quarter. As I've previously stated, we are in the returns business, and these metrics show that we are continuing to invest at attractive returns that will drive long-term value for our shareholders.

Slide 23 shows that we continue to maintain the financial flexibility to execute our strategy and return capital to shareholders. At the end of March 2026, we had cash and equivalents of $586 million. In terms of borrowings, we have investment-grade debt outstanding of $9.2 billion and weighted average -- the weighted average duration is around 12 years. Importantly, Fitch recently upgraded our credit rating to BBB from BBB-. Our leverage now stands at 2.9 times total debt to adjusted EBITDA or 2.7 times on a net basis. We also have access to our $1.8 billion revolver, which is undrawn.

Taken together, we have access to approximately $4 billion of financial flexibility through cash on our balance sheet, the cash our business generates and access to the debt markets. Turning to our capital allocation framework, we deployed $528 million of capital on attractive royalty deals in the quarter. At the same time, we returned approximately $186 million to our shareholders, including share repurchases of $50 million and our growing dividend.

On slide 24, we are raising our full year 2026 financial guidance. We now expect Portfolio Receipts to be in the range of $3.325 billion to $3.45 billion, up from $3.275 billion to $3.425 billion previously. This assumes growth in Royalty Receipts of around 4% to 8%, which reflects the strong underlying momentum of our diversified portfolio. Our guidance takes into account the loss of exclusivity for Promacta as well as the launch of biosimilar Tysabri in the United States and the potential impact of IRA.

It also reflects an expected decrease in milestones and other contractual receipts from $128 million in 2025 to approximately $60 million in 2026. Importantly, and consistent with our standard practice, this guidance is based on our portfolio as of today and does not take into account the benefit of any future royalty acquisitions.

For modeling purposes, we would remind you that several of our largest royalties, such as the CF franchise, Trelegy, Evrysdi and others are upward tiering royalties, which means they reset to a lower rate in the first quarter. As our Royalty Receipts lag reported sales by the marketers by one quarter, this has the effect of decreasing royalties sequentially in the second quarter. Given these dynamics, we are providing guidance for the second quarter Portfolio Receipts, which we expect to be between -- sorry, which we expect to be between $740 million and $760 million. Turning to expenses. Payments for operating and professional costs are still expected to be in the range of approximately 5.5% to 6.5% of Portfolio Receipts in 2026, reflecting cost savings from the internalization of the manager.

Interest paid is still expected to be around $350 million to $360 million in 2026. Based on our semiannual payment cycle, we anticipate interest paid to be around $175 million in the third quarter with de minimis amounts payable in Q2 and Q4. This guidance does not take into account interest received on our cash balance, which was $6 million in the first quarter. To close, we have had a great start to the year. We have again raised our guidance, and we expect to deliver another full year of strong financial performance in 2026.

Now before I hand it over to Pablo, I want to provide a brief update on the timing of the arbitration with Vertex. Based on the arbitration panel's final schedule, we now expect the dispute to be resolved by around the middle of 2027.

With that, I would like to hand the call back to Pablo.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Thanks, Terry. To conclude, I am delighted with our strong start to 2026. We have again delivered strong growth and returns. We've continued to diversify our portfolio of attractive biopharma royalties, and we have strengthened our leadership team and capabilities. I want to close on slide 26 with a reminder of why we believe we're well positioned to drive strong value creation.

First, we're the clear leader in the rapidly expanding biopharma royalty market with strong fundamental tailwinds, reflecting the huge demand for funding life sciences innovation. Second, we have a best-in-class platform for investing in the most transformative and innovative products marketed by premier biopharma companies, and we expect to remain the undisputed leader. I am confident that the expansion of our global platform and capabilities that I talked about today will further strengthen our position at the forefront of our industry.

Third, we expect to deliver strong, low volatility top and bottom-line growth through 2030 and beyond. Lastly, we have an incredible track record of delivering consistent and attractive returns, including an IRR and Return on Invested Capital in the mid-teens and Return on Invested Equity in the 20%-plus range.

With that, we will be happy to take your questions.

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

We will now open up the call to your questions. Operator, please take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Christopher Schott, JPMorgan.

Hardik Parikh - *JPMorgan Chase & Co - Analyst*

Hi. This is Hardik Parikh in for Chris Schott. Thank you for taking our question. I think you set, like, a Portfolio Receipts target for 2030 of approaching $5 billion. I was just wondering now with these recent updates you've had in your development pipeline, can you talk about how much of that 2030 target is derisked? And how much do you think it comes from investments that are already commercial? Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Terry, that's a question for you, if you can please take it.

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

Yeah. So Hardik, we feel like we're really on track to meet or exceed that target. The portfolio is doing really well. We've had a lot of positive developments. We've executed some great deals. So we haven't gotten into specifics on that at this point but feel like we're very much on track, feel very confident in meeting or exceeding that long-term guidance.

Operator

Mike Nedelcovych, TD Cowen.

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

Hi. Thanks so much for the questions. I have three, if you'll allow me. My first is on the arbitration update you just provided. Can you provide any insight into the reason for the pushout? Then my second question is on Myqorzo. How much of an advantage do you think approval in the non-obstructive HCM setting could be relative to Camzyos? And did you assume success of the ACACIA trial in your internal valuation? And then my third question is on frexalimab. The multiple sclerosis category is evolving somewhat rapidly, especially with the prospect of oral BTK inhibitors gaining approval. Has anything changed relative to your initial assumptions around frexalimab's competitive positioning, assuming it succeeds in the clinic? Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Thanks for the questions, Mike. And I guess, Terry, you can take the question on arbitration and then Marshall will take the question on Myqorzo and frexalimab.

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

Sure. So on the timing of the arbitration, it's just simply based on the availability of the arbitration panel.

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

Hi, Mike, good morning. So on your other two questions. So first, thanks for the question on Myqorzo. There were, I think, multiple parts to it, but just to give you our thoughts, we were really excited to see the data yesterday. And I think it's clear evidence that by the strength of the team in a well-designed trial and a really good medicine in aficamten. So multiple parts to your question. I think the first one was, did we assume that in our base thesis when we made the investment. The answer to that is no. The base investment was really premised on the obstructive, or the currently approved indication and its potential there. And I think the early evidence that we saw from the early launch with Cytokinetics yesterday is evidence of that, that the team is doing a great job launching into that market, and we're really excited to see where that goes. The adding non-obstructive to the label can only be helpful, right? It gives a broader label. It provides another patient population for doctors to use the medicine in. And overall, we will certainly be helpful in the launch and certainly upside to our original estimates when we made that partnership with Cytokinetics. Your third question was on frexalimab and on the multiple sclerosis market in general. No real change. I think if you go back in our view, despite some of the changes that are going on with oral medicines there. What we said at the time of that investment was what really excited us and what we saw as an unmet need and what continues to be an unmet need in that market is novel mechanisms that aren't solely focused on B cells. And so I think that opportunity in the market very clearly still exists, and we're really excited about frexalimab and seeing that data next year.

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

Thanks so much.

Operator

Geoff Meacham, Citi.

Geoffrey Meacham - *Citibank - Analyst*

Morning, guys. Thanks for the questions. I just had a couple. The first one, maybe for Terry. You guys had a higher level of capital deployment this quarter or last quarter looking forward. Are you at the upper end of the range leverage-wise? Or is there a capacity constraint or just status quo? And then the second one, I guess, maybe for Marshall. In deals like RevMed or Servier where the royalties could really ramp pretty quickly based on the strong launch. Are there considerations on some of these types of products where you could add additional royalty investments depending on the pace of the launch? I think that -- I don't know if that's been under consideration before, but that seems like you'd want to add capital to drugs that are launching pretty quickly. Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Terry and Marshall, do you want to go ahead?

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

Yeah. So Geoff, so on your leverage question, we're actually have quite low leverage right now, 2.9 times total debt to adjusted EBITDA. And so, we have a lot of financial flexibility. If deal flow increases, we feel like we absolutely will be prepared to invest if the right opportunities come along. I think we laid out in our slides that we have $4 billion of financial capacity, and that grows every quarter, as you can imagine. So we feel like we're -- the balance sheet has never been stronger. We're in a really great position there.

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

And Geoff, good morning, on your other two questions. So on launching products and opportunities to deploy additional capital. So nothing specific with respect to the ramp. But I would say that the Voranigo launch, as you pointed out, has gone incredibly well, and we're so excited to have that as part of the portfolio. As a reminder, there is a sharing component to that one. So we do share a portion of the royalty above $1 billion with -- back to Agios. And then second, RevMed, we are -- as we talked about in the prepared remarks, we are really excited about those data, agree with you that the unmet need is so great that this could be a really rapid launch. As a reminder, the RevMed deal, we've done $500 million of the $1.25 billion of synthetic royalty. There are additional opportunities that will come at FDA approval, which we expect to see this year and then with a certain sales milestone and then there's a label expansion later on. So there are other opportunities. However, the future tranches are all at the option of Revolution Medicines. So -- and it was one of the really, I think, attractive and exciting parts of our partnership with them that it gave our partner lots of flexibility in terms of access to capital going forward. So there certainly is that potential, and we will see what happens in the months and years to come.

Geoffrey Meacham - *Citibank - Analyst*

Thank you.

Operator

Jason Gerberry, Bank of America.

Jason Gerberry - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Hi. Good morning, guys. Thanks for taking my questions. First is the policy question. I'm just curious how you guys are thinking about forecasting underwriting value for OUS launches around MFN risk, just given that we haven't really seen how pharma companies' launch behaviors and pricing strategies are mirroring in those select OUS markets. So in the absence of that concrete information, I'm just kind of curious how you guys navigate that risk. And then on the R&D co-funding deals flagged in the slides, the two recent deals, can you help us

understand do the IRR expectations meaningfully differ at all for the co-funding structure versus, say, a traditional royalty acquisition? And if those two deals have like royalty payment capping mechanism embedded in them? Thanks.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Sure, Jason. Marshall, I think both questions are for you, the one on ex-US launches and also on co-funding.

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

Sure, Jason. Thanks for those two questions. So on your first policy question on MFN, it's certainly something that we, I think, like the rest of the industry is thinking through. Agree with you. There isn't a lot of precedent. So we've taken the approach that we always have, which is to think through a lot of different scenarios and make sure that given the wide range of possibilities in the future that we're still comfortable with the investment.

So I think certainly something that we are taking into account and making sure that we structure and protect us and all of our shareholders appropriately when we think about all the ways this could play out in the future. It is still very new. So I think we're in the same boat with everyone else trying to think this through. Your second question on R&D co-funding. So the first part of your question was on IRR expectations. I think as Chris outlined, our -- the answer to your question is no. We have said that our return expectations for products that are not approved are kind of greater than the low double digits. And so we certainly see returns in the IRR co-funding is very consistent with what we've communicated publicly in terms of return expectations. And so that's one of the reasons that we're really excited about that opportunity. In terms of capping, you asked about some of the structural features. We haven't disclosed all of the structural features for these. So it's a little hard to comment generally. But I think our philosophy when we put these together is we're investing in a Phase 3 program, and we certainly want to have every opportunity to explore and benefit from the full potential of these products, both in the near term as the indications that are certainly being pursued right now play out. But then in the long term, as there's potential for label expansion, geographic expansion and general market expansion of what we invest in.

So our philosophy and our discipline in terms of how we structure these and how we make sure that we're getting appropriate risk-adjusted returns for us and for our shareholders are very much consistent with how we've been operating.

Jason Gerberry - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Great. Thanks, guys.

Operator

Ash Verma, UBS.

Di Zhao - *UBS AG - Analyst*

Hi, good morning. This is Di, asking question on behalf of Ash. Congrats on the quarter. I have two questions. The first one, can you update us on your view on thoughts about like potential royalty stream from Myqorzo? So I guess with the positive result now on non-obstructive, do you believe there's a halo effect on their ongoing launch in the obstructive side? And then my second question is, what are your thoughts on the consolidation among the smaller royalty players like Ligand and then XOMA Royalty recently. Does this scale up in any way increase the competition for you in the smaller royalty transaction space?

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Sure. So maybe I'll take briefly your question on competition, and then I'll turn it back to Marshall to talk about the Myqorzo launch. And in terms of competition, we did -- I mean, we follow it all the time, and it's not news to us. And in fact, that consolidation might even reduce competition when you have Ligand acquired XOMA. There will be less competition, one entity consolidating two companies. But the reality is that if you just think of those two players in the market, we have very significant advantages versus companies that are in the royalty space. Obviously, we've talked to many of these advantages in the past. Scale is one. But also another issue that companies that are interested in acquiring royalties have is that they're taxpayers. And as you know, we have a very efficient tax structure. And then other things like access to capital, in our case, it's significantly lower cost of capital and access to a lot more capital than the smaller players. So it's no real big change in competition. And at the end, as we said in the past many times, we think competition is a good thing. We welcome it because it just expands the market. It makes a lot of the potential partners that we do business with have many alternatives, and it just gives them comfort to know that it's a very dynamic market.

So I'll turn it back to Marshall now for the question on Myqorzo.

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

Yeah. So on Myqorzo, certainly, yes, we believe that the positive data yesterday provide an advantage to aficamten in the marketplace. Having a broader label, having experience in a broader selection of patients can really only help the medicine as Cytokinetics launches it. So we're excited about the way Cytokinetics is going to execute in the current indication of obstructive disease and then certainly, the broader label and the non-obstructive data is only a tailwind to that.

Di Zhao - *UBS AG - Analyst*

Thank you.

Operator

Nick Jennings, Goldman Sachs.

Nick Jennings - *Goldman Sachs & Company Inc - Analyst*

Thanks. Hi, it's Nick on for Asad and the Goldman team. We have two questions. First, Chris, congratulations on the new focus with global biopharma R&D co-funding. Our question is on the implications of this as a growing part of the portfolio. Should we expect the complexion of the overall portfolio to shift over time as more of these partnerships are done with global biopharma companies?

And then second, how is the China market progressing? Any update on what types of assets you're looking at there? And when do you think we'll see the first deal? Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Sure. Chris, why don't you take both questions?

Christopher Hite - *Royalty Pharma PLC - Chairman, Partnering and Investments*

Okay. Great. Thanks for the question. In terms of the first one around the R&D co-funding, we have been investing in development-stage products since 2012. And for us, it's really just expanding the opportunity when we're now seeing more opportunity to co-fund R&D at the

large pharma stage. If you look at our capital at work slide, and it's -- I think it's in the appendix, you can see that roughly 85% of our capital at work is in approved products today and 10% is in -- roughly 10% is in development stage. And roughly 3% of those in development stage has already had positive pivotal results. So that's exciting for us. I mean it's a huge opportunity. These companies need a lot of money to fund their R&D. So we certainly are excited about the opportunity, and that certainly could lead to a greater percentage of capital work but we're going to be very disciplined in how we approach that.

In terms of China, I'd just remind you, BeOne, obviously, we did the transaction with them last year that -- for Imdelltra, which is roughly $900 million. Obviously, that caught the attention of a lot of companies in China that look at BeOne as a great company originally coming out of China.

We hired Ken Sun. He starts actually next week. He was the former Head of Asia at Morgan Stanley. We're super excited to have him on board. He will hit the ground running. We've obviously been to China a lot, the existing teams here at Royalty Pharma. So we are monitoring all of the out-licensing that's ongoing from China to Western multinationals. We have tracking those very aggressively. And I think the BeOne transaction evidences to those companies in China, what a great opportunity is to potentially monetize those royalties they've created over the last five years or so. So, we're super excited about China. Ken coming on board will really catalyze that effort.

Operator

Terence Flynn, Morgan Stanley.

Terence Flynn - *Morgan Stanley & Co Ltd - Analyst*

Hi. Thanks for taking the questions. I guess two for me. Maybe first for Marshall, you could just provide your perspective on the J&J DUET data and what this ultimately might mean for the Tremfya tail given the co-formulation approach there. And then on the use of AI, I think many investors view the company as a beneficiary here. Are you able to provide any kind of case studies of how you're implementing AI across your enterprise and in terms of your processes and what that means in terms of number of deals or efficiencies that you can comment on? Thanks so much.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Sure. I'll take the first question or the second question on AI, and then I'll let Marshall take the other one. But data is extremely, extremely important for our business and for this whole ecosystem. Everything is based on data, as you know. And Royalty Pharma has been making significant investments in data for many years, decades. And we had in our Investor Day, a slide that actually provided a perspective on what we really mean by investing in data. We have about 200 million people's claims data for 200 million Americans. And we have relationships with great data providers that are feeding us this data continuously. We have electronic medical records for 44 million Americans and about nine years of longitudinal data. And the way we use this is for our own internal purposes to make better investments, understand better what's going on with the products and how we forecast them. But one of the very exciting things for Royalty Pharma is to actually use data with our partners and share insights that we gain as we do our analysis and as we follow the ecosystem. And we think that is a differentiating aspect that is important to us because we don't see ourselves like others as purely capital providers but we see ourselves as partners with the companies that we're partnering with, where we can provide -- we add value by sharing data and insights with them, and they appreciate that. And in some cases, that has led to better terms on transactions.

And we do have case studies, actually, I'll refer you to our Investor Day deck, a couple of them, where we have through claims data and other sources of information have been able to identify asymmetry of information where we see drugs that we believe could have much stronger launches or peak sales than what others see based on data. One of those is, for example, Voranigo, where we realized when we made that investment that in that form of cancer, there were about 1,500 patients being diagnosed each year.

But on the sidelines, about 15,000 patients that were not returning to treatment because the options were not attractive, drugs that were toxic safety issues and not that effective. And obviously, when Voranigo came to market, it gave patients the opportunity to be treated with a drug that was very safe and very efficacious. And it brought into the market this warehousing of patients that existed. And that -- as a result of that, we were able to forecast a much stronger launch for Voranigo than I think anybody was seeing and then higher peak sales. And that's a case study.

But one of the -- I'll finish just by saying that we're very fortunate recently to have hired Lucas Glass as Head of AI for Royalty Pharma. And he's going to be responsible for developing and implementing AI capabilities across our business, including automating all of our diligence processes and strengthening how we evaluate and invest in royalties and also support our partners. Lucas comes from IQVIA, where he was the Head of AI for this huge company that serves our ecosystem. As you know, it's the biggest CRO with Quintiles, and also IMS Health, that part of the business was one of the biggest data providers in life sciences. So we're very excited about where we can take the business now with Lucas and the team that we're building in addition to the team that we already had.

And I'll turn it now to Marshall for the other question.

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

Hey, Terence, thanks for the question on the J&J deal. So maybe just a general comment. I think this is a great example of exactly what Chris was talking about, right, that we get the opportunity to participate at scale in a first-in-class biologic combination blockbuster market that's backed by the world-class, one of the premier marketers in that space. And those are exactly the kind of opportunities that we're so excited about the biopharma partnerships creating for us. Specifically on the data, obviously, that was something during diligence that we spent a good amount of time with.

And I think our view is we're excited about the biologics combination opportunity broadly. 4804 is the first of those. And I think you see the potential in what was a very refractory patient population who had been heavily, heavily pretreated, which when we look to continue Pablo's comments, when we look into our claims data is a really rapidly growing part of this market is patients who have been treated through multiple lines. And I think we see that growing. And certainly, by the time 4804 makes it to market, will -- is a really substantial opportunity that we're excited about.

And we think there will be other -- certainly other biologic combinations to come that will look at other patient populations and other combinations. And so excited to see how that continues to expand the market and we're excited to be partners with J&J there. The last part of your question on the tail. I think for our base Tremfya royalty, just a reminder there that our royalty there is based on a separate set of IP that we acquired from MorphoSys. And so we've communicated that, that IP will expire in the early 2030s, 2031, 2032 time frame. So given the likely timelines for 4804, probably won't have a significant benefit to the Tremfya royalty, but I think we've created a whole new royalty on this product, and we'll continue to be able to participate in it through 4804. So thanks for the question.

Operator

Umer Raffat, Evercore.

Umer Raffat - *Evercore Inc - Equity Analyst*

Hi, guys. Thanks for taking my question. I feel like there's been a good amount of discussion today on a lot of the effort Chris has been leading on R&D funding side. And I guess a question I have, maybe first for you, Pablo, how are you thinking about the split going forward for your capital deployment between R&D co-funding versus the traditional royalty investments? And to what extent is that driven by your heavier emphasis on doing larger checks? And then maybe a quick follow-up to that also. My understanding or at least the feedback I've heard from some of the big pharmas on their late-stage pipeline programs is that when they go into these R&D co-funding conversations, they're really talking high single-digit IRRs, type of thing. Could you maybe speak to your experience working on the J&J-4804? I don't want

to comp the Teva vitiligo in there because it's much earlier stage, so I think the 4804 is a good example of the type of IRR you guys got, and maybe you can expand on that. Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Umer, so thanks for the question on allocation of capital. And in reality, the way we approach things is with a significant amount of flexibility because our business has the capacity to invest a huge amount of money. And I think, again, during our Investor Day, we actually had a slide -- interesting slide that showed that from now until 2030, we have the capability of investing something like $30 billion, of which $12 billion or so are going to be -- is what we've guided to, the $2 billion to $2.5 billion per year. And then when you add to that, the share repurchases and dividends, it takes us to a higher level but there is an additional sort of $10 billion of capacity that the business has that we might -- if the opportunities are there, just increase the investments every year. And it gives us, as I said, a capability of deploying more like $20 billion over the next five years in royalty acquisitions.

But I think at the end of the day, as we've said in the past, the critical thing for us is the product. And that's really what drives our excitement for investments if we find really attractive differentiated products that we think are going to do really well in the long term. And whether we end up making the investment because it's a royalty that sort of already exists, there's a license and a royalty holder, and we just acquired that royalty like in the case of Imdelltra with BeOne or whether we create the royalty by funding a clinical trial. For us, it doesn't matter really where it comes from. Now I would point out just to finish that when we put together our guidance and our business plan, there were several things that were really not included in a major way in our sort of $10 billion to $12 billion capital deployment guidance. And those things are China. It was not in our minds, and we didn't see that as an important driver of capital deployment and growth. And that is definitely now a real market and one that we're very excited about. And then the second one is deals with big pharma. Again, we were super conservative and didn't really include in our forecast, our business plan guidance, much of any capital deployment with big pharma but that is definitely becoming a big opportunity for us and one that we're very, very excited.

And I think as more deals like this get done, and you talked about the J&J one and also Teva and there's others. We did a deal with Merck several years ago. It actually is really starting to open that market. And we have noticed very significant excitement from many big pharmas that are now really looking at funding their trials with structures that we've developed R&D funding structures. And also, what's helped there is the fact that we've been for years working with the accounting firms to make sure that we have the right accounting treatment for those transactions that they can be accounted for as contra R&D. But we have been proactive. There was a bad decision made years ago with one company going to the SEC and with an accounting firm that actually set back the field. But because it's important to us, we decided to hire an expert on accounting. And with him, we have completely turned the tide. And now it is something that is -- when you look at the accounting, it's accounted for correctly.

So I'll stop there. But the reality is that we're super excited about the opportunities -- the universe of opportunities, which is clearly expanding.

Umer Raffat - *Evercore Inc - Equity Analyst*

Thank you.

Operator

Thank you. And there are no further questions in the queue. I will now turn the call back over to Pablo for closing remarks.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer and Chairman of the Board*

Thank you, operator, and thanks to everyone on the call. And I'll just remind you that if there's any further questions or discussions you want to have, you should reach out to George Grofik and Dana, our IR team, and then we can get involved if it's appropriate. Thank you, everyone.

Operator

This concludes today's conference call. Thank you for participating, and you may now disconnect.