LSEG STREETEVENTS

EDITED TRANSCRIPT

RPRX.OQ - Q2 2026 Royalty Pharma PLC Earnings Call

EVENT DATE/TIME: AUGUST 05, 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, Founder*

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

Christopher Hite *Royalty Pharma PLC - Chairman of Partnering & Investments*

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

CONFERENCE CALL PARTICIPANTS

Geoffrey Meacham *Citigroup Inc. - Analyst*

Terence Flynn *Morgan Stanley - Analyst*

Christopher Schott *JPMorgan Chase & Co - Analyst*

Michael Nedelcovych *Cowen and Company LLC - Equity Analyst*

Ashwani Verma *UBS AG - Equity Analyst*

Michael DiFiore *Evercore Inc. - Analyst*

Asad Haider *Goldman Sachs Group Inc - Analyst*

Jason Gerberry *BofA Securities - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Royalty Pharma's second 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 second 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; Marshall Urist, EVP, Head of Research and Investments; Chris Hite, Chairman, Partnering and Investments; and Terry Coyne, EVP, Chief Financial Officer. Pablo will discuss the key highlights, after which Marshall will provide a portfolio update, Chris will then discuss our development stage pipeline and Terry will review the financials. Following concluding remarks from Pablo, we will hold the Q&A session.

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

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Thank you, George, and welcome, everyone. I am pleased to report another quarter of strong financial performance and disciplined execution. Our 25th consecutive quarter as a public company with strong predictable double-digit growth and we're achieving this as we continue to deliver on our goal of being the premier capital allocator in life sciences, driving consistent compounding growth. Slide 5 summarizes our strong business momentum in the second quarter. Starting with the financials. We delivered 6% growth in Portfolio Receipts, our top line, and 14% growth in Royalty Receipts, which are our recurring cash flows. Our top line performance was ahead of our guidance for the quarter and reflects the tremendous momentum of our diversified portfolio. We also maintained attractive returns in our business with Return on Invested Capital of 14.2% and Return on Invested Equity of 20.1%. By consistently delivering strong growth and superior returns, we believe we have a clear path to drive continued shareholder value creation.

Turning to capital allocation. We have deployed $1.1 billion of capital on royalty acquisitions so far this year, with an announced value of $1.7 billion. Most importantly, we acquired a royalty on AstraZeneca's cliramitug, a potential blockbuster therapy for transthyretin amyloid cardiomyopathy. As we look ahead, our deal pipeline remains robust. Under our value-driven capital allocation framework, we also returned around $370 million to shareholders in dividends and share repurchases in the first half of the year.

Moving to our portfolio. We continue to see a number of positive updates. Our partner Revolution Medicines completed its rolling submission for daraxonrasib in pancreatic cancer with accelerated review also underway in Europe. We were also delighted to see key regulatory approvals for Gilead's Trodelvy, GSK's Jideytro and Amgen's Imdelltra. We look forward to these therapies contributing to our top line in the years ahead. Looking ahead, we're increasing our 2026 full year guidance for the second consecutive quarter based on the strong business momentum I just highlighted.

Slide 6 is one that I return to each quarter as it demonstrates our consistent double-digit growth on average since our IPO. We have delivered this impressive record year in and year out, regardless of the market backdrop. This reflects the quality of our asset selection and our unique business model.

Slide 7, my final slide underscores the quality of our diligence process and our deep understanding of the life sciences ecosystem. In short, we've been ahead of the curve in identifying some of the most exciting innovators. Nuvalent and Emalex are just the latest examples of companies whose therapies we acquired royalties on that were subsequently acquired by large pharma companies. This, of course, validated our internal views of their programs and will also likely increase the value of our royalties as large pharma brings significant clinical resources and commercial scale.

With that, I will hand it over to Marshall.

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

Thanks, Pablo. I want to focus today on our recent royalty deal for cliramitug, which is our second investment in TTR amyloidosis. Beginning on Slide 9, we recently acquired a portion of Neurimmune's royalty interest in AstraZeneca's cliramitug for up to $425 million. The transaction was structured to include $125 million upfront payment to Neurimmune, an additional $125 million payment in the first quarter of 2027 and up to $175 million payable on key clinical and regulatory milestones. In return, Royalty Pharma will receive a royalty of 3.75% on worldwide net sales.

Cliramitug is a highly novel therapy for TTR amyloidosis with cardiomyopathy for ATTR-CM. ATTR-CM is an age-associated progressive disease in which misfolded TTR proteins accumulate in the heart, severely impacting heart function and ultimately survival. There are several approved therapies for this indication, including Amvuttra, our first investment in this indication. The approved therapies slow disease progression by preventing ATTR accumulation, but they do not impact the amyloid deposits that have already accumulated in the heart.

As a first-in-class TTR fibril depleting antibody, cliramitug is designed to remove amyloid and potentially reverse the course of the disease, a clearly differentiated role for cliramitug with significant benefit for patients. The early clinical data for cliramitug are impressive, Phase 1 demonstrated strong amyloid clearance via biomarkers that correlate with improved cardiovascular outcomes. A Phase 3 outcomes trial is fully enrolled around 1,200 patients and results are expected in 2028.

We see clear blockbuster potential for cliramitug in an expanding market, which was more than $7 billion last year. There are over 0.5 million patients worldwide with ATTR-CM, including around 200,000 in the US, and of these, around 80% of patients are untreated, underscoring the scale of the unmet need and the scope for market growth.

AstraZeneca has provided peak annual sales for cliramitug of between $3 billion to $5 billion. Based on this, we would expect to generate an internal rate of return in the teens consistent with our development-stage target range and peak annual royalties of approximately $110 million to $190 million based on AstraZeneca's peak sales expectations.

Moving to Slide 10. This latest transaction is a compelling example of how Royalty Pharma builds significant therapeutic expertise over many years, allowing us to invest in the best potentially transformative medicines often across multiple products in the same class. In the case of ATTR, we've been closely following this therapeutic category over the past decade and have evaluated many of the therapies that are now approved. Our first investment was Amvuttra in 2025, which has had a strong launch in cardiomyopathy. With the addition of cliramitug to our portfolio, we now have two differentiated approaches to this serious rare disease. As you have seen us do this, in many other indications, such as prostate cancer, spinal muscular atrophy, immunology and multiple sclerosis, this ability to build a portfolio with multiple therapies in a category is unique to Royalty Pharma. When combined with our proven deep diligence, we are well positioned to invest in the most practice-changing and innovative therapeutic categories in the industry for years to come.

With that, let me hand it over to Chris.

Christopher Hite - *Royalty Pharma PLC - Chairman of Partnering & Investments*

Thanks, Marshall. My section of today's presentation, I want to highlight the significant expansion of our development-stage pipeline, together with important upcoming events across the portfolio. You can see on Slide 12 that we have achieved strong, consistent growth in our development-stage pipeline since our IPO in June 2020. At that time, we had 3 potential therapies in the pipeline. Today, we have 19, a more than sixfold increase. More importantly, the peak royalty potential of our pipeline has increased by more than 30-fold over the period with peak potential royalties from our late-stage pipeline now totaling approximately $2 billion. We have also demonstrated an excellent success rate with around 90% of our development-stage investments ultimately achieving regulatory approval which provides us confidence that these products will be an important driver of growth into 2030 and beyond.

The track record of success is underscored by Slide 13 which shows that in addition to daraxonrasib, our portfolio has delivered a number of successful clinical readouts and regulatory events so far in 2026. These include positive clinical trial results for Cytokinetics Myqorzo, Zenas' obexelimab and Biogen's litifilimab. FDA approvals of GSK's Jideytro, Denali's Avlayah and Gilead's Trodelvy as well as a number of FDA regulatory submissions.

Expanding on this theme, Slide 14 shows there is much more to come from our development-stage pipeline with several major pivotal trial readouts expected through 2027. In 2026, we expect to see the results of the outcomes trial for Novartis' pelacarsen. We continue to believe that the Lp(a) class could be the next major class of cardiovascular disease drugs, and we're strongly positioned to leverage this with the two lead pipeline products in pelacarsen and Amgen's olpasiran. We'll also see Phase 3 data for Biogen's litifilimab in systemic lupus.

In 2027, we expect Phase 3 results from daraxonrasib in lung cancer and litifilimab in cutaneous lupus. We also expect pivotal data from Sanofi's frexalimab in MS and from J&J's seltorexant in major depressive disorder. Each of these potentially transformative therapies would add significant royalties to our top line. Taking a step back, when looking at these opportunities that we are currently evaluating, we are pleased to see a balanced opportunity set that includes both attractive, approved products as well as exciting development-stage opportunities across a range of potential partners.

To finish, I want to provide context on the composition of our portfolio, which is broadly unchanged and remains well balanced. Slide 15 illustrates that we currently have around $22 billion of total invested capital at work with around 84% of either products which were approved when we invested or were development-stage assets which have gone on to receive approval. Additionally, while 12% of our current invested capital work is in development-stage therapies, roughly one-third of that capital at work has been invested in development-stage programs that have already had positive pivotal results. This means that despite the expansion of our pipeline, our overall capital at work for development-stage therapies is relatively small. Furthermore, we have a great track record when investing in development-stage therapies, which reflects the quality of our diligence and asset selection.

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

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

Thanks, Chris. Let's move to Slide 17. This slide shows how our efficient business model generates substantial cash flow to be reinvested. Royalty Receipts grew by 14% in the second quarter, reflecting the strength of our diversified portfolio. Milestones and other contractual receipts, which are more variable, declined substantially reflecting a one-time payment in the prior year period. As a result, Portfolio Receipts, our top line, grew 6% in the quarter to $773 million, slightly ahead of our expectations.

As we move down the column, operating and professional costs equated to 4.8% of Portfolio Receipts in the second quarter. This line continues to demonstrate the benefit of the cash savings we are delivering from the internalization transaction, which we completed in May of 2025. Net interest paid was de minimis in the quarter. This reflects the semiannual timing of our interest payment schedule with payments primarily in the first and third quarters, together with the interest we received from the cash on our balance sheet.

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 $736 million for the quarter. Our margin of around 95% again demonstrates the high underlying level of cash conversion and efficiency in the business. Capital deployment in the quarter of $349 million mainly reflected royalty funding for daraxonrasib and R&D funding for J&J-4804 and litifilimab.

Lastly, our weighted average share count declined by approximately 5 million shares or 1% in the quarter versus the prior year period, reflecting the impact of our share buyback program. Slide 18 provides more detail on the evolution of our top line in the second quarter. Royalty Receipts, which we consider our recurring cash inflows grew by 14%. Key drivers were the strong performances of Tremfya, Voranigo, Imdelltra and Evrysdi. Importantly, as we saw in the first quarter, we were able to absorb significant headwinds from Promacta and Imbruvica and still delivered double-digit growth in Royalty Receipts. Moving to Portfolio Receipts. These grew by 6%, reflecting lower milestones and other contractual receipts given a one-time payment in the prior year period, as I already noted. Slide 19 updates our portfolio return metrics for the quarter. Return on Invested Capital was 14.2% for the last 12 months ending in the second quarter of 2026, and Return on Invested Equity, which shows the impact of conservative leverage on our equity returns, was 20.1% for the last 12 months. The remarkable stability of these metrics demonstrate that we are continuing to invest at attractive returns that will drive long-term value for our shareholders.

Slide 20 shows that we continue to maintain the financial flexibility to execute our strategy and return capital to shareholders. At the end of June 2026, we had cash and equivalents of $812 million. In terms of borrowings, we had investment grade debt outstanding of $9.2 billion with a weighted average duration of around 12 years. Our leverage now stands at 2.8 times total debt to Adjusted EBITDA, or 2.6 times on a net basis. We also have access to our $1.8 billion revolver, which was undrawn at the end of the second quarter.

Following S&P's rating upgrade in June, I am delighted to say that Royalty Pharma is now BBB rated across all major credit rating agencies. This important milestone reflects the tremendous progress we have made as a company since our IPO, including our consistent strong top-line growth, improved diversification and growing cash flows. For financial capacity, we have access to over $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 $877 million of capital on attractive royalty deals in the first half of 2026. At the same time, we returned approximately $367 million to our shareholders, including share repurchases of around $100 million. In total, we have returned about 25% of our Portfolio Cash Flow this year to shareholders.

On Slide 21, we are again raising our full year 2026 financial guidance. We now expect Portfolio Receipts to be in the range of $3.4 billion to $3.5 billion up from $3.325 billion to $3.45 billion previously. This assumes growth in Royalty Receipts of around 7% to 10% compared with 4% to 8% previously which reflects the strong underlying momentum of our diversified portfolio. This 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.

Turning to expenses. Payments for operating and professional costs are still expected to be in the range of 5.5% to 6.5% of Portfolio Receipts in 2026, reflecting cost savings from the internalization of the manager. We continue to expect interest paid 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 a de minimis amount payable in Q4. This guidance reflects repayment of the $380 million term loan in July but does not take into account interest received on our cash balance, which was $11 million in the first half. To close, we've had a great first half. We have again raised our guidance, and we expect to continue to deliver another full year of strong financial performance in 2026.

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

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Thanks, Terry. To conclude, I am delighted with our continued execution against our strategy in the first half of 2026. We have again delivered compelling growth and returns. We further diversified our portfolio of attractive biopharma royalties, and we have continued to strengthen our leadership team and capabilities.

On that note, I want to close on Slide 23 with a reminder of why we believe we're well positioned to drive continued strong value creation. First, we're the clear leader in the rapidly expanding biopharma royalty market with powerful 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.

By expanding our global platform and capabilities, we expect to remain the undisputed leader in our industry. We further strengthened our platform with the addition of Greg Raskin to lead our academic royalty effort. Greg is uniquely qualified to lead work with academic partners, having led the technology transfer group at Memorial Sloan Kettering for 12 years. I continue to be amazed by the level of talent we're able to attract to Royalty Pharma.

Third, we expect to deliver strong, low volatility top line 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 a 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*

Thanks, Pablo. I will now open up the call to questions. Operator, please take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Geoff Meacham, Citi.

Geoffrey Meacham - *Citigroup Inc. - Analyst*

Hey, guys. Thanks for the question. I got a couple for you, Terry. So we've seen a big step-up in pharma to biotech M&A, and maybe there's some pharma to pharma M&A to come. The question is, what is the flexibility to tilt your deal structure with increasing weight on equity? Is there any preference by the companies. And the second question is, does your credit rating, which you've cited is improving or the direction of rates downward does that bias you to put more money to work each quarter? It seems like you could be more opportunistic here? Thank you.

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

Sure, Geoff. So Yes. I think -- look, we highlighted on in my section that we have a lot of financial flexibility. And so to the extent that some of the M&A across the sector creates opportunities, which it certainly could, we feel like we are in a really great position to sort of partner with these companies in any way that they need and sort of add great royalties for Royalty Pharma. So yes, we'll see how that plays out over time.

As far as rates, I think that the way that we view rates is we truly are agnostic to the rate environment. Rates over a couple of years were rising. We deployed a lot of capital, generated great returns in excess of our cost of capital, to the extent that rates start going down, we still feel like we can deploy capital and generate great returns. So we really do feel like we're agnostic, and we'll continue to access the debt markets from time to time when we need it with a very strong focus on maintaining that investment grade rating. And we're really happy that we're now BBB rated across all three agencies.

Operator

Terence Flynn, Morgan Stanley.

Terence Flynn - *Morgan Stanley - Analyst*

Great. Thanks for taking the question. This one is probably for Marshall. The recent cardio transform data created some questions in the TTR market, recognize you guys have a multidrug portfolio approach here. But just high-level thoughts on implications for Amvuttra as you think about the forward outlook here. And then again, maybe for Chris, would just be curious, any update on kind of the synthetic royalty opportunity in terms of those -- the level of discussions or openness for boards to go down that path? I know you guys have talked about the longer-term opportunity, but just curious to get kind of a mark-to-market. Thanks.

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

Yes. Thanks, Terence. So on your first question on the implications of cardio transform. At a high level, we're really happy now with the two investments we have in TTR amyloidosis. And really, I think that's still a very interesting market, and we added something highly novel and potentially transformative in cliramitug, as I discussed. Specifically to your question on cardio transform, we're kind of uniquely positioned here for -- with the royalty in Amvuttra in the sense that we think there still is a lot of physician interest and potential in that product certainly I'm excited to see what Alnylam does. But it is unique in the sense that it is positioned in some ways to drive at least some benefit from the

unfortunate outcome of cardio transform, which we certainly are never sort of welcome seeing trials fail for patients, but specifically with Amvuttra certainly does take away a near-term competitor. And because our royalty is specific to Amvuttra and not Alnylam's follow-on, if there is any delay or other changes in the expectations for the follow-on product nucresiran, that would also uniquely accrue to the benefit of Amvuttra. So I think we're really excited about where we stand, and we'll certainly as we talked about today, continue to look for opportunities like cliramitug to build our innovative portfolio.

Christopher Hite - *Royalty Pharma PLC - Chairman of Partnering & Investments*

And then, Terence, on the question on synthetics. Thanks for the question. We are still very excited about the synthetic royalty opportunity. Last year, we announced synthetics for just over $2 billion, including the Rev Med deal, which was really one of the largest synthetics ever. So that was a great deal. The growth rate in the synthetic marketplace is, I think, around 40% since 2015. Last year was the biggest year ever, just under $5 billion for the product itself. And the synthetic royalty opportunity only really represents about 5% of the capital raised by biopharma funding over the last five years, so not even really penetrated into that marketplace of capital formation. And given all the clear advantages of synthetics, nondilutive, lower cost of capital, program-specific funding, independent valuation -- validation, excuse me, there's a lot of advantages to it. And as our survey of all the biotech CFOs and CEOs really showed, it's really taking hold, and we're super excited about the opportunity. So it still is a big growth driver for our business.

Operator

Chris Schott, JPM.

Christopher Schott - *JPMorgan Chase & Co - Analyst*

Great. Thanks so much for the question. I just want to go -- like I think on Slide 15, you highlighted invested capital spend has been split kind of two-third approved one-third development stage over time. I guess as Royalty has grown, you've built out a broader team, you have even more ability to diligence assets. Is there any interest in leaning more into the development-stage side of the business where returns could be higher or is this kind of two-third, one-third mix, the right balance, I guess, if we think about risk versus return. And then maybe just a second question. I know you've been building out more of a presence in China. Just any updates in terms of initial learnings as you've kind of targeted that market, what type of opportunities you see for Royalty? And does that maybe skew towards larger deals or some of these JV assets or more towards some of the smaller earlier-stage businesses there?

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Sure. Thanks for the question. So regarding the split between unapproved and approved I think that ratio of 65%, 35% has been sort of consistent over the last 5, 10 years. And we -- the way we look at this is not looking at independent years, but looking at what's going on over a sort of rolling two-, three-year period, and we think it's going to be maintained at a relatively similar level. Now when you look at our invested capital, the $22 billion or so that we have of invested capital. The amount invested in unapproved, as you can see, is relatively low. It's about 12%. That number could trend up to mid- to high teens. And it would still be a portfolio that has relatively low risk. So we -- this figure could increase over time. And we would be very, very comfortable with that kind of risk on the overall portfolio in unapproved investments.

Regarding China, it's sort of early days for us in terms of capital deployed. We've been paying attention to that market for several years now. And as you know, we hired a really top, top player in the market. And we have started to get much more active there participating in many conferences that are being organized in China with teams present. I'm personally going to be going to China to meet with biotech, biopharma CEOs and really make sure that our model is understood by many and build a market. It takes time but we're totally committed to building that market because we believe it's actually pretty attractive and large. So I think you should just -- we are going to be patient and people should be patient about how this develops. But we think it can be a really large opportunity for us in the long run.

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

Thank you. Operator, next question, please.

Operator

Michael Nedelcovych, TD Cowen.

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

Hi. Thanks for the questions. I have two. My first relates to operating costs, apologies if I missed it, but what was the reason for relatively low operating costs in Q2? And given that guidance was reiterated for this line, what will be the reason for an apparent increase in the second half? It's my first question.

My second question is something of a bigger picture question for Pablo. Pablo, on one of our recent meetings, when you received a question about competition, you suggested that if given the opportunity today, even you would not be able to build a new competitor that resembled Royalty Pharma. So could you remind us of your reasons for that view? Why is it that investors should not be concerned about the emergence of a competitor that has the same form, function and scale as Royalty Pharma?

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Yes, maybe I'll take that question first and then turn it over to Terry to address the other question about the expenses. My point is that when you look at what Royalty Pharma is today, we had -- there's a lot of barriers to entry, right? So obviously, scale is important. And you saw -- we just talked about the scale of our sort of capital at work, $22 billion. That's the amount of capital that has been invested in those royalties. The portfolio is worth a lot more than the $22 billion, that's cost. But -- so scale is one. Cost of capital is another one. The team that we have is superb. And we just added another really great individual to our team that's going to head our academic initiatives. And it's a team that we have this incredible culture at Royalty Pharma that gets stronger and stronger. But the comment and the point you made about how difficult it is to replicate Royalty Pharma is more or less the following. And what I say is that if people said to me, can you replicate Royalty Pharma today, if you -- someone gave you $20 billion. My answer is absolutely not. It would be impossible for me to replicate Royalty Pharma the way it is today. And it's not only because it takes time to build the team and all of the other things, but there's just one aspect that is really interesting.

When you look at the portfolio that Royalty Pharma has today, it's a portfolio that produces $3.2 billion last year of recurring revenue, predictable recurring revenue from a very well-diversified portfolio of products and its top products marketed by top companies. It took us over a decade to assemble that portfolio. And as examples, for example, we have a royalty in what is becoming one of the top drugs that J&J markets Tremfya. It's a large royalty or for that matter, Trelegy or cystic fibrosis. And when you look at those assets, we made those investments 5 to 10, even 15 years ago, and they're producing cash flow today. And there's only one Tremfya royalty, and we own it. And there's one Trelegy royalty, and we own it. There's one -- there will be one daraxonrasib royalty, the investment we made last year in this pancreatic cancer drug, and we own it. So it's impossible, they're sort of one-of-a-kind assets. And it's -- the portfolio is sort of irreproducible, you cannot find another Tremfya royalty. You cannot find another dara royalty. And what I would also say is that when you look at our pipeline today, that has this incredible group of products that have -- could be blockbusters, many of them generating billions of dollars of revenue for us in sort of a 5-year time frame, 5- to 10-year time frame. It took us 5 years, 6 years, 7 years to assemble that portfolio of the pipeline. And again, they're unique. It's hard to see how there's going to be other royalties like that. And those are the assets that are going to be producing revenue and driving the growth in the next decade or so.

And again, so I think that is what is so difficult to replicate. It would be impossible to do it spontaneously even if you had $20 billion, $30 billion of capital, it's the work of decades. So that's my answer to your question. And I hope you appreciate the huge moat and barrier to entry that, that provides us.

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

And then, Mike, on operating costs, we are very happy to see that we are realizing the synergies of the internalization transaction. But specifically as it relates to first half versus second half, I think there's just some seasonality to it. And since this is completely cash-based, the second half is going to tend to be a little bit higher than the first half. So that's what's going on there.

Operator

Ash Verma, UBS.

Ashwani Verma - *UBS AG - Equity Analyst*

Thanks for taking your questions and congrats on the quarter. Maybe just first one, just going back to Slide 15, the invested capital at work. Can you remind us what type of IRR are you able to drive in the development-stage assets versus the approved? I know you've given these numbers before just where you are at the latest. And then secondly, on the Lp(a) readout for pelacarsen, just latest thoughts if you can provide on what level of MACE risk reduction would be clinically meaningful. It seems like a lot of debate on this. And then if your answer changes in the high baseline Lp(a), would love to know that. Thanks.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Marshall, why don't you take the two questions?

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

Sure. Thanks, Ash. So your first question on our return expectations. So just to level set for everyone. So what we've communicated is that for approved products are -- or on-market products our unlevered IRR expectations or are in the high single to low double-digit range. And we've indicated we're really more typically, very typically investing these days at the higher end of that range.

For things that are unapproved, our IRR expectations are above that. So in the teens, and that can range depending on the specifics of the product at this stage, the risk profile, the counterparty, all of those things. But as we talked about at our Investor Day, I think it's important to remember that those are unlevered IRR expectations. And so to reference back to what Pablo said something very unique about Royalty Pharma because of our capital structure, our ability to use leverage in our capital structure, the levered returns that we see, which are the returns that our shareholders actually enjoy, are significantly higher than that. So thanks for that question, and we remain very comfortable with those ranges for our new investments today.

Your question on pelacarsen. Yes, there has been a lot of discussion these days about what our -- about expectations and what would be clinically relevant. And I think we're very excited after waiting for several years for these results to be on the doorstep here of seeing the first trial readout. I think Novartis has been pretty explicit about their expectations for what is clinically relevant. So we would certainly defer to them. But I think you bring up a really important point, which is this is the first outcome study where the world is going to see for Lp(a). So there's certainly a lot we will learn in terms of benefit what to your question specifically, what is the higher -- what does higher baseline levels of Lp(a) mean for mean for patients and their ability to benefit from these therapies. So we are eagerly awaiting the results with everyone else and look forward to discussing them once we have some data to talk about.

Operator

Umer Raffat, Evercore.

Michael DiFiore - *Evercore Inc. - Analyst*

This is Mike DiFiore in for Umer. Two for me. For the cliramitug transaction, the royalty is ultimately dependent on the Phase 3 cardiovascular outcomes trial. Perhaps walk us through how you handicap Phase 3 based on the Phase 1 biomarker effects as well as the existing correlation data, given the unproven mechanism.

And then more general, my second question is regarding R&D co funding. It's a very large, underpenetrated opportunity. So my question is, as R&D co-funding scales, how do you prevent adverse selection where partner companies retain the programs with the best internal risk-adjusted returns and offer you those with perhaps less favorable hidden biology or commercial optionality.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Marshall will take your first question on cliramitug and then Chris will take the question on this other huge opportunity of R&D funding.

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

Thanks, Mike. So we were really happy to add cliramitug to our portfolio. And what underlies our enthusiasm for this. I would talk about it in a couple of different areas. First is there are some really intriguing biomarker data across from the earlier studies across imaging data of the heart to show that you're actually removing amyloid, other important biomarkers like NP proBNP, which is a marker of heart wall stress and many others in the data that are consistent with cliramitug doing what we think it does, which is remove amyloid from the heart. And just to remind everyone, TTR amyloidosis is a disease where every product has gone into a Phase 3 outcome study based on biomarker data. And as we've seen with the two oral therapies that are out there with the -- and with Amvuttra, which is in our portfolio, you've certainly seen that biomarker data translate into positive-- end up positive CV benefit in an outcome study.

And then maybe a little bit further a little bit less direct is just really interesting data that we've seen with amyloid depletion in other amyloid driven diseases like Alzheimer's disease, where we're learning we're increasingly learning that removal of amyloid can drive clinical benefit. And then in an unrelated amyloidosis condition called AL amyloidosis, AstraZeneca has recently shown some very interesting data with another amyloid depleter product in that disease, which suggests a benefit on -- which suggests the cardiovascular benefit from depleting that form of amyloid. So certainly, we put all those together to really inform our confidence and excitement about this.

Christopher Hite - *Royalty Pharma PLC - Chairman of Partnering & Investments*

And then on your second question, Mike, on adverse selection and co-funding of pharma R&D. It's a good question, and it's something that we emphasize on every initial call we have with pharma. Some of the opportunities we look at with pharma co-funding we're going to them and saying, this is what we want to fund. Some of those conversations are initiated by pharma and them saying what they want to fund. But in -- I just want to remind you that our bar is extraordinarily high when we're making these investments, right? We're putting lots of capital, deploying a lot of capital in those transactions as evidenced by the two transactions we did this year with Teva and J&J. And we really emphasized in every situation that we want to fund their most exciting assets. And that is a key criteria for us, and we're very disciplined about that. And I think if you look at the two deals we did this year with Teva and J&J, you can see that is exactly what's happening.

Michael DiFiore - *Evercore Inc. - Analyst*

Thanks so much.

Operator

Nick Jennings, Goldman Sachs.

Asad Haider - *Goldman Sachs Group Inc - Analyst*

It's Asad, sorry about that. Congrats on the performance. One for Terry first. Just in light of the continued strong results over the past few quarters, just curious as to how you're tracking towards the $4.7 billion portfolio receipts 2030 and if and when you're thinking of potentially updating that?

And then for Marshall, you noted in the slides that there are several therapeutic areas where you've built expertise and have conviction in, oftentimes placing multiple bets at the same -- in the same space. So just maybe looking across the landscape, what are some of the emerging TAs that are catching your interest today and that we could see you moving into over time? Thank you.

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

Sure. So on our long-term guidance of $4.7 billion or more on the top line by 2030, we feel really good about where we're tracking. I think it's -- really focused on that guidance at our Investor Day in September. So it's probably still early to be thinking about any changes there, but we feel like we're tracking really well. We're really happy with how the portfolio is performing. And feel really good about the opportunities to deploy capital in new royalties as well. So overall, we're in a really good place there.

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

And Asad, on your second question, thanks for that question, and it's a good one. And without being specific, I think it does -- I think what's informative maybe is how we think about it and how we approach it. I think as Pablo mentioned, we couldn't be prouder of the team that the team that we have built our culture around investing the discipline that we've shown in terms of how we approach investing. And the way we have set up the team to get to your question, is we want to have the ability to be as broad as we possibly can be, to be generalists in the sense that we are open and ready to analyze any therapeutic area, any product, really anywhere in the world now that we see that could be interesting. So like we've always said, we don't necessarily think about the portfolio from a top-down perspective, we want to be open to great products in whatever TA and whatever form they come to us and make sure our team is ready to set up and execute and for us to be a great partner.

Operator

Jason Gerberry, Bank of America.

Jason Gerberry - *BofA Securities - Analyst*

Hey guys, thanks for taking my questions. Just a follow-up on China and the commentary about just taking a patient approach with respect to that market and leveraging innovation coming out of Chinese biotech companies. Just thoughts on US policy risk and proposed any proposed license restrictions? I know pharma and bio are both opposed to these measures. But do you view this as a risk? Is this something -- when you think about taking a patient approach just taking a wait to see how the dust settles sort of thought there.

And then I appreciate the commentary on milestone dynamics first half '26 versus prior year. As we look to the second half, I know there's a couple of PDUFAs, including like Ziihera. So wondering if it's realistic to be thinking about milestones being a more meaningful contributor in second half?

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Yes. So I'm just going to make a very quick comment about China, but Chris is going to add and then Marshall will pick up the other question. China is a really interesting opportunity. And I've talked in the past about why. And if you think about it, the innovation is really extraordinary, and there's so many companies there with attractive assets, but they all need US and European partners to actually run the clinical trials that are necessary in these markets to get approval by FDA and EMA. And they also need a commercial partner.

So what's going to happen, and it's been happening is that they're going to out-license their product, and that creates royalties. And what also happens is that, for the most part, the IP is put into an offshore entity. It's not left in a Chinese entity and the transaction is entered into between a Cayman company or an offshore entity owned, obviously, by the Chinese company and Western US or European pharma company. And the contract is not a Chinese contract, but it's a contract based on US or European laws.

So -- and if you look at the deal we did last year with Amgen, where we bought Imdelltra, it's like no different than the typical royalty transactions we do, where we're getting paid by Amgen, and it was a contract again, in the jurisdictions where we are very comfortable and experienced. So it's a very similar business to what we do today. I think the other last comment I would make is that royalties are different than equity. And you can see how sometimes it's more public equity, it's more complicated, more visible, and it's easier for governments actually to put restrictions on equity investments. But a royalty is a contract and that gives rise to payments. So very different sort of more under the radar.

But Chris, do you want to add anything?

Christopher Hite - *Royalty Pharma PLC - Chairman of Partnering & Investments*

Yes. Just to add, I mean, we're obviously monitoring what's going on with the Coins Act and the proposed amendments and the BINSA Act and whatnot. And it's really sort of too early to comment on the specifics. And -- but we are obviously following that closely. The bottom line is we're very committed to the opportunity there. We've hired Ken Sun, super excited about that hire and building out that opportunity. We'll continue to monitor the situation here in Washington but it's important to have a local presence there and the opportunity, I would note that the opportunity already exists because the last five or six years of all the out-licensing the Western multinationals, there is a substantial number of royalty agreements that already are in place regardless of what happens in Washington. So that's a pretty big opportunity already.

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

And then, Jason, your question on milestones, just to sort of reiterate what we said previously, we continue to expect milestones and other contractual receipts to be around $60 million for the year.

Operator

I am showing no further questions. At this time, I will now turn the call back to Pablo for closing remarks.

Pablo Legorreta - *Royalty Pharma PLC - Chief Executive Officer, Founder*

Thank you, operator, and thanks to everyone on the call for your continued interest in Royalty Pharma. Just want to finish with one quick comment, which is that looking back to this business that we've been building over 30 years and also then our public offering in 2020. It's

just remarkable to me how this business has performed with incredible very, very high consistency in growth and profitability and very high level of predictability.

And I mentioned at the beginning of the call that we -- this is our 25th quarter after our IPO in 2020. So more than 6 years of being a public company. And with this extraordinary record of predictable strong growth. So anyway, I just thought I would mention that. And again, if anybody has any questions, please feel free to reach out to George Grofik and his team. But thank you very much.

Operator

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