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RPRX.OQ - Royalty Pharma PLC at Morgan Stanley Global Healthcare Conference

EVENT DATE/TIME: SEPTEMBER 14, 2026 / 6:35PM GMT

OVERVIEW:

Company Summary

LSEG DATA & ANALYTICS

CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Terence Flynn *Morgan Stanley - Analyst*

PRESENTATION

Terence Flynn - *Morgan Stanley - Analyst*

Okay, great. Thanks for joining us, everybody. I'm Terence Flynn, Morgan Stanley's US biopharma analyst. For important disclosures, please see the Morgan Stanley Research Disclosure website at www.morganstanley.com/researchdisclosures.

If you have any questions, please reach out to your Morgan Stanley sales representative. I'm very pleased to be hosting this afternoon Royalty Pharma. Presenting from the company, we have Pablo Legorreta, the company's CEO and Chairman. Thank you, and we have Marshall Urist, who is Head of Research and Investments. Thank you both so much for being here today to join us on the first day of our conference, really looking forward to it. I thought maybe we'd start high level, Pablo. And then again, we'll go to some of the pipeline portfolio questions later on for Marshall.

QUESTIONS AND ANSWERS

Terence Flynn - *Morgan Stanley - Analyst*

But again, as I look back, your five-year deployment target that you set was $10 billion to $12 billion back in 2022 at your Investor Day, you hit that about a year ahead of schedule now. So how are you thinking about the next set of targets here and the deployment goal as you think about the business?

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

First of all, thank you for the invitation to participate in your conference. And for the relationship with you and Morgan Stanley, which has been key to our growth over decades. And so, yes, we have been able to invest the amount we guided when we went public $10 billion to $12 billion quicker, a year quicker. And that's obviously because the deal flow has been really robust. It continues to be very active. There's a couple of things that have become real opportunities for us that I think we did not guide to when we went public in 2020. And the guidance just for everyone, so we are all on the same page, was $2 billion to $2.5 billion per year and $10 billion to $12 billion over five years.

But the two things -- and a lot of that guidance was based on deals that we have been doing for decades, buying royalties from universities, hospitals, foundations, biotechs, pharmas on approved product, but also funding late-stage trials and what we call synthetic royalties that have become a really important part of our business. The two things that are new that were not that important at the time were deals with Big Pharma and China, and those have materialized. And I will briefly mention, talk a little bit about both.

So in the case of a Big Pharma, you saw us last year do a deal with Biogen funding a really exciting lupus drug that they refer to as the crown jewel of the company, a deal with Teva on an LAI, a long-acting injectable for schizophrenia, and then this year a deal with Teva on a drug for vitiligo, $0.5 billion deal, and then a deal with J&J, a really exciting deal where they are combining two antibodies. It's a market we know extremely well because we have been investing in this therapeutic area for decades, with Humira, Remicade and Cimzia and the early stage drugs and then Tremfya and this one is a combination of Tremfya and Simponi essentially to try to treat patients that are

progressing. A half a billion dollar investment and we have done deals in the past with Merck and other companies but I think the fact that a company as important as J&J has decided to do this with one of their top programs really sends a signal to the industry that this is something that is worth doing for Big Pharma and that has resulted in so many discussions we are having daily with Big Pharmas globally, not only in the US.

And so it's very active. I think we have a decent chance of this really becoming an important driver of growth for Royalty Pharma and it's a whole new thing. We're very excited about it because it will require many billions of dollars per year. Obviously, we have to be very selective and see what we want to fund. And then the other opportunity is China that we actually have now really made steps to be present in that market, hiring one of the top bankers in Hong Kong focused on China. He's in the room, Ken Sun, and he's going to help us build the business there. And we did a large deal last year with BeOne for $900 million plus upfront buying a royalty on Amgen's Imdelltra in that product.

And we can talk later if you want to more details as to why China and what we see exciting in China and also Big Pharma. But obviously the capital deployment has been very strong and we think it is going to maybe accelerate. So I think are we going to invest more than $2 billion, $2.5 billion per year? We have been doing that, but I think we will continue to do it. But we still want to be conservative in terms of the guidance. And I think how much capital we deploy is important. I think another metric that is important for us is the top-line growth and we've guided to double-digit top-line growth through 2030. I think it will go on for much longer than that given all of this growth drivers.

Terence Flynn - *Morgan Stanley - Analyst*

Okay, great. We'll unpack a bunch of these over the next half hour or so here. I guess the R&D co-funding opportunity, I know we talked a lot about in the past on the synthetic opportunity. R&D co-funding we haven't spent as much time on, but again, sounds like you're seeing a real change here. So maybe just remind us like why does pharma want to do these deals? Like what are they trying to solve for? Again, you guys always like to be the go-to party for these kind of transactions, but what are they solving for?

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

So we started this in 2012 when we decided to actually, in addition to investing in approved products where there was already a license in place and we said we're going to fund late-stage clinical trials for biotech and pharma and we practically started that in 2012.

Since then, we've deployed $28 billion of which about $18 billion is in approved products and $10 billion, $11 billion is in products in development so it has become an important part of our business and we started to talk to Big Pharma back then and I had a meeting one on one earlier today when someone was asking is there a negative bias there with Big Pharma that they may want us to fund the less interesting products in their pipeline and absolutely there was a negative bias initially. We would go and talk to these big companies, and I am going to give some numbers just to illustrate but. Big company that might have 80/90 programs in Phase 1, Phase 2 and Phase 3 and they might have in their P&L, it's not about cash because they have cash, they might have $30 billion of cash, $20 billion of cash, it's about the P&L and they might have a P&L budget where they have R&D of $12 billion per year and that all $12 billion allows them to fund 60 programs but they cannot fund programs 60 to 90, 30 programs that get delayed or shelved and they wanted, when we started to talk to them, they would say, oh look at the bottom 30 and we would say thank you but no thank you. How are we going to get excited with a program that you're not excited about, you've decided not to fund? And eventually we managed to figure out how to persuade them to open up and let us look at the more interesting programs.

And what I would say to them is, we want to win with you. And if you want us to be your partner in five years, 10 years, we need to win with you. So we need to be funding the top program and we're going to be able to put a lower discount rate on something that is priority. And the math also works, Terence, because if you think of us funding one of the bottom programs, we're not going to do it because there's no interest. Why would we do it? But just as a mathematical exercise, if the drug is going to be smaller, $0.5 billion, for us to put a lot of money on the table, hundreds of millions, so that it really matters for them, we would require a high royalty, big burden. It doesn't work. If we are able to fund some of the top programs, multi-billion-dollar drugs, we can put hundreds of dollars -- hundreds of millions of dollars on the table, and that's for a mid-single-digit royalty. The math works, so everything works. Now how does this work?

Years ago, there was a transaction that was taken to the SEC by a Big Pharma and unfortunately the conclusion after analyzing the accounting was negative and it really put, it slowed down building this business for us. And we didn't like it and we said no, we need to fix this because we want to build a business funding Big Pharma. So we had to go out, hire a guy that used to work in one of the top accounting firms that his job was to work with Big Pharma how they account for deals, brought him in. With him we spent four or five years trying to fix this and we managed to do it. We were able to change the way that FASB and the accounting firms account for these transactions.

And the solution is that it's contra R&D. If, like in this deal we did with J&J where we committed $0.5 billion we're going to spend that say over three years and in one quarter and it's going to be every quarter we would write a check for half of the money spent and if in one quarter the amount was $80 million we would write a check for $40 million and that $40 million that we spent becomes contra R&D for the Big Pharma it lowers their R&D expenditure so what happens is that we essentially by doing that created $500 million of capacity for them to go and fund another program. That might be program 61, 65, they can decide. But by doing that, what we're really doing is we're expanding the P&L bandwidth. Now the other important thing is risk mitigation. If it doesn't work, they're not going to lose $1 billion. They will lose half.

Obviously for us that would be a negative thing and we want to make sure that that doesn't happen, but it's both things, risk mitigation and allowing them to fund more things. I think there's many things in our business that when I started were just not the case they it was you know a green field investing in royalties was not done before I started and it's been a question of just focusing trying to get you know the market and players to change their mentality and accept things and for those things to become mainstream. I think the idea for example of us funding biotech companies has become mainstream. I think the idea of us funding Big Pharma could become mainstream and that will be a huge source of opportunity for us.

Terence Flynn - *Morgan Stanley - Analyst*

So it sounds like if it's not mainstream yet, it's not as competitive. Is that a fair assumption?

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

It's a good question. We've always kind of existed in a competitive environment. I think there are other people who are doing this. It's a smaller group. There's no question. But I don't think we're super focused on competition right now in this space.

I think to Pablo's point, it's really about growing the pie and trying to make this a large, ongoing source of business for us. And honestly, having multiple players in the market is a good thing, where if there's depth of the market, it gives all the pharmas out there confidence that they're getting sort of good competitive tension and a good price.

Terence Flynn - *Morgan Stanley - Analyst*

And then maybe just talk about the return profile for those. I'm assuming because it's pre-commercial that would require a higher return, essentially, because you're taking on risk?

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

So since we went public, we guided investors to a high single-digit, low double-digit return on approved products unlevered. The reality when we look at what's happened over the last three-ish years, maybe a bit longer, when we look at capital that has been deployed in approved products is that the returns are higher than that. It's probably ranging in the 12%-13% unlevered, which we're very happy about. But then in unapproved, the returns are in the high teens and even into the 20s depending on the asset and the risk. But they are higher and those returns are unlevered.

And what I've seen happens with our business all the time is we make an investment that was modeled at high teens, low 20s, it gets approved and all of a sudden that asset now can be levered, not before, but once approved they can be levered. And if you add leverage at our cost of debt, which is right now it's 3.7, the weighted average coupon is 3.7, it really boosts the returns to a much higher level. So it's become part of our – an important part of our business and with very attractive returns. Now obviously there are things that don't work. You saw what happened with Pelacarsen. It was a $150 million investment. It's part of a portfolio, there's many, and we would expect that in a portfolio there's something that are not going to work and obviously the ones that work have and that have compensated for the ones that have not worked.

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

But these pharma R&D deals are without question in the target that we've set out for unapproved, for unapproved projects. And I think something that is maybe overlooked a little bit is having a partner where the scale and the people and the infrastructure to run Phase 3 to commercialize globally is a massively positive thing, right?

When we work with smaller companies, part of our calculus is what is achievable, is someone going to come along and buy them. So here, we don't -- it's a very different way of thinking.

Terence Flynn - *Morgan Stanley - Analyst*

Makes sense. Maybe just on Pelacarsen, I have some other questions first, but maybe there just given the timeliness. Maybe just anything you want to share in terms of your views. I know it's early, Marshall, but like we haven't seen the data, but what was your kind of big picture takeaway?

I know you guys put out a press release kind of to frame the financial impact, but just maybe from a high level, how do you think about what that means for Olpasiran, I guess?

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

The negative outcome for Pelacarsen, obviously a disappointing thing for us. I think like we outlined, we did, of course, buy it in a very kind of risk-protected way, which I think is an important lesson for all of our shareholders about how we think about structuring and when we deploy capital.

It's very early to say. I mean, I think we can have a much more informed conversation about this once we see the full data here in a couple of months, but there are certain reasons to think that -- Olpasiran could have a better outcome, wouldn't be the first time that the first person who runs a big cardiovascular outcome study, everyone else coming behind them, learns the lessons of their unfortunate outcome. So we're excited to see it and we can have a conversation when we know more.

Terence Flynn - *Morgan Stanley - Analyst*

Yeah, okay. Maybe just.

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

The one important thing there is that the deal with the Olpasiran and the Amgen drug is for much bigger dollars, we put a lot more money in that investment and also the royalty is higher. So there is a scenario here where if that one does work, which we think there are reasons to believe why it will work, Amgen could end up for a period of time dominating the space, bigger drugs because there is not going to be a competition and us having a bigger royalty and also. Have invested more money could result in a very attractive outcome for us.

Terence Flynn - *Morgan Stanley - Analyst*

Maybe going back to the high level, I think another thing you guys have talked about in terms of a competitive advantage is just your data platform. You guys have spent a lot of time building that out. And so as you think about kind of layering AI on top of that data platform, maybe just talk to us kind of like how that's going, what are the advantages that you see in terms of your kind of business model leaning into that. And how you think that really sets you apart from some of that.

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

I'll give you some top-level comments and then maybe Marshall can drill into how we're using it and what the team does on a day-to-day basis. But we've been investing in data since I started the business 30 years ago. Initially it was like IMS data on prescriptions. And a decade ago we started to buy data from many data providers and as you know we have data on 200 million Americans, claims data, which is really interesting data, gives you much more information than for example historically other sources. Electronic medical records for 44 million Americans, we have longitudinal data. So we've been investing, we've been building a data science team. And we have a team in place for five years and we hired a guy that used to be the CTO of Verisk, this company that actually gathers insurance policy and casualty information for the entire insurance industry and then gives data back to the insurance companies. He was CTO of Verisk; he came to work with us like three or four years ago and started to help us take the data science part of our business to the next level.

But more recently, I was very excited because we wanted to bring to Royalty Pharma someone with a lot of AI expertise and we looked at, I think we interviewed like 30 people and at the end of the process, we found one person that, top of the list, and I was super happy that he agreed to join us and he was the guy that was responsible for AI of IQVIA. So this is the biggest CRO in the world that has 1,200 clinical trials running at any point in time. And then they have the data side of the business which used to be IMS Health. IQVIA is the merger between Quintiles and IMS Health. So Lucas Glass had about 300 people under him and he was introducing AI throughout all of IQVIA, the company with 100,000 people and he decided to join a company with 100 people, Royalty Pharma, so you understand the scale.

Now the reality is that in conversations, what we concluded was that he was the right person because of a lot of things. He's a guy that loves to code, really hands-on versus other people. We had interviewed that were not of that nature. But also, what I think he concluded was that he wanted to join a company smaller, more entrepreneurial that could really drive how AI is going to impact this entire ecosystem. And he thought that with our platform, he could really help us to take this to the next level. And that is already happening. I mean, he's already starting to have an impact in our business with a lot of things that we're doing. And I'm super excited. When I had the interview with him, I showed him two slides. One slide, many more, but he focused on two. One that had 1,700 opportunities that we have reviewed over the last three years, 450 in oncology, 250 in CNS, and so on.

And I said, Lucas, we get, we get patient-level data for all of these assets that we review, we get FDA minutes, and many more information. And the way we used to do things is you would put clinical trials side by side and compare and say, okay, this trial worked, this didn't, what are the, what happened? And the human brain cannot connect the dots when you have, 450 trials in oncology, maybe they're looking at specific cancers, could be 40 trials and also so many variables, right?

But you apply AI to that and the insights that you gain are really interesting. And that is going to help us, again, make us a better investor but we can share those insights with the companies we are working with. That is a big distinction between us and our competitors where we are trying to position Royalty Pharma not only as a capital provider but also as a partner that can share insights based on data with our partners to help them think about their clinical trials, about commercial.

But I showed him that slide, and he said absolutely, like anyway. And then I showed him another slide which has all of the modules of all of the diligence. All of the things we do, 20 different modules. And he basically concluded every one of the things we do with diligence, with doctors, with payers, every one of those things can be made more efficient with AI.

And I think what's going to happen with our business over the next years, it's going to evolve. And we're going to embrace AI. But maybe you want to talk a little bit about how it's helping the diligence process and the --

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

Yeah, absolutely and I think it's a good example, maybe you start at a high level, of how we have really been dedicated to investing and extending a competitive advantage, right? Like Pablo said, I think we were out ahead in our part of the world on use of data and data investments.

Now we've made a big investment on the -- we continue to invest there, adding, investing aggressively in AI behind that to again, just be really committed to innovating and being at the forefront of how we do what we do. I think specifically what we've seen is it's very early, but it's been really exciting to see on how we've gotten better in two ways.

I think one is depth, right? You can -- how much data you can analyze at scale, right? Pablo mentioned individual patient data. That is extremely time consuming, but once some of the tools we're developing really makes it sort of tractable at scale so we can do more deeper work, important as we think about pharma R&D deals and other things like that.

And then the second is speed, right? I think the other important thing is we continue to want to position structured finance or royalty financing as an alternative to other things that are out there. The extent to which we can be faster, more responsive, give people confidence that we have an outline of an economic deal that we're going to run really hard towards executing, we are an increasingly attractive alternative to other things. And so I think we're pushing, we're at the very beginning I think what we're seeing is super exciting and it's only going to get better from here.

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

What we're doing now and it's going to take time is train the models, right, because we have so much information of three decades of looking at deals and products and we can feed all of that into models, train them and it's going to be incredibly helpful and people are always asking is it going to make you change the business in a positive way or a negative? I think it will change it in a positive way. Because you still need the human intelligence, judgment, in a lot of these things, but you also, we have an advantage because we have a lot of data that we've collected over decades that is going to be very useful.

Terence Flynn - *Morgan Stanley - Analyst*

What about the number of deals? Does it increase like the throughput through the funnel? I know you want to maintain a high level of discernment as you look at these deals, but does it allow you to scale and essentially do more deals? I know you guys are constrained by the number of people, obviously, that you have working on these things, but does it help you look at more deals effectively?

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

I don't think we see it as necessarily a path to be doing more because I think we feel pretty good that we've identified the quality, important things and investments we wanted to go after. It certainly does help with our sort of first path, so things can be deeper and quicker. I think a lot of people are kind of applying in that way. And we'll see where it takes us. But I think the important things for shareholders that we can do are, again, depth and quality of our work right, when we bring it to bear, and then I think that's going to, as Pablo said, filter through to our partners that we're a better partner, a more constructive partner, and I think that's going to be a win-win for everybody.

Terence Flynn - *Morgan Stanley - Analyst*

Maybe I want to go to one of your other recent pipeline wins is the RevMed deal and the approval, this is a synthetic opportunity. So maybe just, Pablo, outline for us why you're excited about these synthetic opportunities. And again, this is like the latest example, I think. But then Marshall, maybe you could just elaborate on kind of the approval, the label, and how you think about the commercial opportunity for this asset?

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

So I think this is a synthetic deal where we agreed to fund a biotech with a really exciting program and we have been doing that for a decade. What's different about this one is the scale and also the asset, there's a lot of differences okay and we had been in contact with Revolution Medicines for a while and have been following them. In about late '24, early '25, we started to hear that they were looking to raise, they wanted to raise a lot of money, $2 billion and they were potentially considering a Big Pharma partnership. Obviously with that asset they had in their hands, the data they had, this was an incredibly attractive asset, probably one of the most attractive if not the most in biotech and we decided to engage. And I flew with Marshall and the team to San Francisco March of last year, '25, came to see Mark Goldsmith and his team and essentially said to him we will deliver the $2 billion to you and we are going to propose something that is going to be much more attractive than a Big Pharma partnership. Because in our case, we'll give you the $2 billion, it will be a 7% royalty, and the $2 billion is $1.25 billion for the 7% royalty, and Marshall can explain how the royalty deal is structured.

But then $750 million as debt that can be pulled once the drug is approved. And what I told Mark is we will give you that money, commit it. And the economics we will get are far lower than a Big Pharma partnership. Big Pharma partnership will be a 50-50 deal.

Could have different versions of that, the US, non-US, whatever, but roughly, in our case, it's going to be much less. So you're going to keep 93% plus of the economics. And then the other thing is that we will be passive. We can share data with you, we can share insights, we'll be your partner, but we will essentially be passive, no need for a steering committee.

And I told him one thing, I was at Lazard for 10 years before starting Royalty Pharma, and there was this very wise man, Felix Rohatyn, that had incredible quotes. Felix used to say, one of many quotes, the problem with partners is that partners have opinions. So what I told Mark is you're going to have a Big Pharma partner, they're going to have an opinion, their opinion is going to be different than yours. They're going to want to design the Phase 3 in a certain way, maybe not the same as yours. Commercial, they'll have a view. And you're going to have to compromise. You're going to have to have a steering committee and they might slow you down. And I said, we're going to be passive. So at the end, they agreed. The deal was announced in June. In my quote, the day we announced the deal, I said this really shows that Royalty Pharma can be the alternative to a Big Pharma partnership.

$2 billion. We had a lot of calls from many biotechs in the months that followed that wanted to potentially do a deal like that. What's interesting for the company is that if you looked at the market cap of Revolution Medicines, before the deal, between March, June, whatever, it was $6 billion, $7 billion, $8 billion, somewhere in that range. And by January of '25, at the JP Morgan Conference, the market cap had gone up to $20 billion. Why? Because I think investors realize they have the money now, $2 billion. They can do it by themselves. They'll capture all of the upside. They've gone to $20 billion. By the time the data came out was already at $30 billion. And I had a conversation with Mark at the time, and I said, wow, your investors went from $7 billion, $8 billion to $30 billion.

If you have done a Big Pharma partnership, it will be probably half of $30 billion and maybe less because then you know like you have one Big Pharma partner and in any takeout situation you know you have a buyer, maybe not many and now it's $45 billion some number like that. So it's been an incredible deal for them, for us. Obviously in our case you know we're delighted to be involved with this incredible product that is going to change patients' lives. There was a recent article in the Wall Street Journal which I think talked about the fact that what they did was really an interesting deal that allowed them to stay independent, not have to do a big Pharma partnership. So that's why I think it was a really attractive deal for us. And hopefully, there will be many more like that where we can really help companies achieve their goals but also create a lot of value and also help patients, which is really why we're all here.

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

Yeah, I think the other things that were definitely innovative about it, about that structure, as we talked through it, so Pablo mentioned it had two parts, one was a one and a quarter billion synthetic royalty that was divided into five different $250 million tranches.

The first one was at close; the second one was when the Phase 3 trial read out positively and that was so $500 million of synthetic royalty and that gets us we now own a downward tiering royalty that starts at 4.5%.

The remaining $750 million is at their option, right? So it gives them the ability to think about at important points in time, one just happened actually the approval, there's a sales milestone and another one is on the frontline approval.

So what's interesting about that is the flexibility, number one, right? It's huge scale capital, but they have flexibility to kind of curate capital structure as they move through time. The second really innovative thing about it was each of the individual tranches actually had a lower cost of capital, right? Because at each of those points in time, right, these are positive developments for the company for the product, the risk comes down that has to be reflected in each of those tranches. So that declining cost of capital as the company progresses was hardwired into the deal, which is another, I think, very cool kind of innovative part of it.

So yeah, so everything from here is at RevMed's option. On the debt side, that $750, $250 of that is required now based on the approval and the rest of it is at their option. So I think it's a great way to show our flexibility, to show how we can design something that works for one of the most innovative companies in the space. And then lastly, how we can commit over a really long period of time, right? It's first dollar in to the last tranche trigger is going to be, I don't know what the most recent timelines are, but many years right? And so us as an institutional partner is a different kind of investor in a different way than we can partner than what else is available out there.

Terence Flynn - *Morgan Stanley - Analyst*

And then just anything on the market opportunity that you want to highlight for us in terms of the initial label approval?

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

Look, I think it's exciting. We definitely didn't -- we thought it was a great drug. I think the data has certainly surprised the upside. I think the breadth of the label also surprise to the upside as well. Obviously, I think it's no secret, it's probably going to be a great launch, so we're excited to see it happen.

Terence Flynn - *Morgan Stanley - Analyst*

Maybe just in the last few minutes, because you touched on it early in your remarks, Pablo, is just your strategy in China that's obviously a new endeavor for you guys. And so how should we think about the timelines and the scale of that business? I mean, is this something that could reach the scale of what your current business is here in the US? I know it took you long time.

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

It will take time. So Marshall and I and other members of our team went to China about ten years ago, exploratory trip. We met the VCs, the companies. At the time we said it's a bit premature, but then as time went by and we started to see how science was progressing, maturing, we said we need to pay attention. That led to the deal we did last year with BeOne where we bought the Imdelltra royalty for $900 million plus.

And then what we ended up doing is going out and trying to build a business. And that's when we decided to go and hire Ken who's here. And we went through a process. Again, we looked at many people and we were so fortunate that the number one guy on our list was him and he agreed to join us.

And we're going to build this business. What's so interesting about China for us is in conversations with Ken and others, what they pointed to me is that there's something like 3,000 biotech companies in China according to them. Huge number. 8,000 was the number I had in my head globally, but maybe the number is bigger because there's 3,000 in China. And when you think about it, except for a few companies that are potentially global and can run global trials, BeOne, one of them, and maybe there's a few others, the vast majority of these companies are local companies, great science, good management teams, but they need a US and European partner to run the trials and to commercialize.

So that will lead to transactions where they license the drugs and for the European and US companies to do a deal with a Chinese company, what they also want to see generally is for the IP to be outside of China. So the IP generally is put into a subsidiary that could be in Cayman or Jersey or whatever.

So the deals that get done generally are also done based on contracts, based on US or European laws. So from our perspective, if we invest in a royalty like the one from BeOne or we buy a royalty from another biotech company in China, it is very likely that the product is going to be in the hands of a US or European company. So it is no different and the contract will be, the IP will be a subsidiary, the contract will be US or European law contract.

And the payer will be, like in the case of Imdelltra, it's Amgen paying us directly, the cash flows don't go to China, the credit worthiness of the payer is Amgen, so it's no different. Now what's so interesting, when I look back at how the business started when I was buying royalties from academic institutions in the US, the royalties were generally single-digits, 2%, 4%, 7% was a big royalty. And what we've seen now with these Chinese companies is that the royalties are higher in the teens and 20s. Why are they higher? Because theyadd value. They take the drugs through Phase 1, Phase 2, so there's more value. There's also a competitive process. There's scarcity for attractive assets, so big companies that are licensing the drugs have paid higher, they share more.

So it's a very interesting business. The last thing I would say is that it's a royalty not equity and investing in equity is more complicated to structure the deal. Sometimes governments have negative views about investments in equity. Hurdles, other issues. A royalty is under the radar, it is a contractual agreement and now the last thing also is the capital needs of Chinese companies are very significant and the capital markets even though Ken did an amazing job taking companies public, it is still a more limited market, not as big as the US or other markets and the capital needs are so big that we can really become a funder of these companies through structures like the ones we've been applying in the US all the time and it's very exciting.

I think it will be big. I think we're going to be patient because we want to find the right product but it's a big source of revenue growth for us. That and as I said Big Pharma and those things were not in our guidance in the past and I think we need to start to think of how that's going to impact our business because I think they could become really important.

Terence Flynn - *Morgan Stanley - Analyst*

Great. Well, I think we're up against time, but Pablo, Marshall, appreciate it.

Pablo Legorreta - *Royalty Pharma US Partners LP - Chief Executive Officer, Founder*

Thank you.
