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OVERVIEW:

Company Summary

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CONFERENCE CALL PARTICIPANTS

Richard Wagner *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

PRESENTATION

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Good morning. My name is Richard Wagner. I work with Jason Gerberry, covering US large cap pharma based in London. On his behalf, I'm pleased to welcome Terry Coyne, CFO of Royalty Pharma; and Greg Butz in Managing and Partnering for a 40-minute fireside chat. So thank you both.

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

Thanks for having us.

QUESTIONS AND ANSWERS

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

My pleasure. So if we could start with pharma policy, what are you paying close attention to ahead of the midterm elections that would be impactful on the biopharma ecosystem?

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

Yes, it's a great question. I think there's a lot of moving pieces on the policy front. And I wouldn't point to anything, any one thing in particular, obviously, MFN continues to come up. But I think, we're paying attention to sort of the broad trends that are coming out of DC. It kind of comes in waves, it seems, and we don’t have any strong views one way or another on how this all shakes out, but we're definitely paying close attention.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

You mentioned MFN, and this question is from the OUS impact, so there was a publication in Lancet that argued that biopharma was under pressure to increase US launch prices, but potentially forego commercialization in certain EU countries. So in the past, Royalty framed the OUS impacts from MFN as TBD.

Are these dynamics becoming clearer, one? And then second, are they factoring into your deals?

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

So I would still say it's largely TBD. I don't think we have full clarity. There's going to be some important launches coming up over the next year or so that I think will help inform that a bit more. But as far as the deal models go, we absolutely are factoring in -- factoring this in. I don't think we have -- I don't think we know exactly how it's going to shake out. But when we think about pricing as an important lever, and obviously, geography, as an important lever of sales of our products, we try to take kind of a scenario-based approach, look at a lot of different scenarios. Do they launch? Do they not launch? Does the price -- is the price a fraction of the US price? What does that do to the US price? And so we try to sort of look at it in a lot of different ways.

I think for the most part, we're pretty aligned with the marketers. They obviously want -- they want to sort of maximize the sales of these drugs. And so I think that there is strong alignment there. But yeah, I don't think we have a crystal ball to know exactly how it all plays out and I think the safest thing is to kind of look at a lot of different scenarios and get comfortable that if it plays out to the downside, we're still okay with the investment that we made.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thank you. So you said on AI that it would deepen and accelerate diligence rather than simply increasing the deal count. So if it's not throughput that's the constraint, where would the benefits show up? Would it be win rate? Would it be pricing discipline, lower loss rate, partner access?

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

Yeah, I think so. I think it's a number of things. I mean, enhancing the quality of the diligence that we can do will obviously lead to better forecasts, better investments, higher probabilities of success, although I think we're already pretty high on our ability to pick things that are going to do well. I think speed of -- for the ability to process multiple deals at the same time. For example, if there's a -- when we're working directly with a pharma or biotech company, there's a lot of data that they can give us access to. And the extent that we can use AI to help process that data can allow us to get through it more quickly, more rapidly, catch things, earlier. So I think that all of those things are things that can really enhance the process. I think longer-term, it's something -- so we have made big investments in AI. We hired somebody to run our AI effort earlier this year. He came from IQVIA where he was running AI at IQVIA. So obviously, huge data firm, and we're really happy to have him joining us to lead that effort. And I think, yeah, we see it initially being something that enhances the due diligence process internally. But longer-term, we think that it can also be a tool that we provide to our partners as well and so -- to help them with clinical trial design, for example, things like that. So I think we're still right in the earlier stages, but it's a big focus of ours.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

That would be within the context of a partnership around an existing model?

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

Yeah. I think the way we see an opportunity to differentiate ourselves, we want to be viewed -- we don't want to be viewed as a purely financial partner. We want to be viewed as sort of a strategic partner to help our partners grow and to the extent that we can bring resources to the table to help them with -- make their products bigger, make their products launch better, help them design clinical trials that increase the probability of success that accrues to them and it accrues to us. And it makes us very different than just a capital provider, which, anyone can do. And I think that's part of the reason why you see such consistent sort of repeat partners. We have a track record of repeat business with the same people. And I think that that speaks to us bringing more to the table than just capital, but bringing in sort of a true partnership mentality.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

That's a point that Roche often speaks about when it works with smaller companies, is that from the perspective of the smaller company, they're looking who's the best partner. So would that be again, the proper way to think about the profile? That this would be a pre-launch biotech company rather than a large pharma?

Well, you're also doing R&D funding.

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

Yeah. And that's a separate thing. I mean, I think the reality is large, big pharma probably doesn't need our advice. They're usually pretty qualified to run these trials, stay down on the margins. But I think that in general, that they want -- they're looking for something different. But for a smaller biotech company that has less resources, I think we can bring a lot of our resources to the table to help.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

And then for our AI, you mentioned analyzing a massive amount of data. So it seems like those R&D funding deals that you're doing with pharma would be a great case study for sure.

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

Yeah, absolutely. We're happy to talk more about that pharma R&D co-funding as well. But it is an area where we see a lot of growth.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So if we could focus on China. So you've done a transaction around Imdelltra with [BeOne] (corrected by company after the call). You're building out your Asia presence. I guess the question is, what do you think is the pace at which China can become a repeatable source of transactions for you?

Greg Butz - *Royalty Pharma PLC - Executive Vice President - Partnering & Investments*

Sure, yeah, I'll start. So first off, you made a point around team. So we're investing in the team. We got Ken Sun from Morgan Stanley. He's building a team there. Much like large pharma, we think having local presence is very important, which is why Ken's there in Hong Kong. So the investment team is out there.

Point two, the investment in education on royalty financing, as an alternative for companies as they think about how to monetize this growing pool of passive royalties. So it's educating the market in China about what we can do. Obviously, our competitors are doing the same thing as well, and then educating them on who we are. Again, I think very analogous to how we built out in Western markets over the last 25 years.

And then, I think from a focus perspective, it is on the passive royalties that have been created over the last five, six years, through just the explosion in licensing activity between Chinese companies and Western multinationals that have gone there to source innovation. And so the pool of passive royalties has grown immensely, as everyone here has seen. We think that will only continue, and you are probably hearing that from a lot of the multinationals that are here today.

And that will be our focus, is on that passive set of royalties that are owned by the Chinese companies, against products that will be developed and ultimately commercialized in Western markets. Again, those are the same partners, the large biopharmas and large pharmas that we work with now. So from the standpoint of their skill set in developing and commercializing these things, that ultimately is exposure that we want to have.

So we think it's going to take some time to make those investments. The team, the education, again, against a growing opportunity set. It's why we do not include China contribution in that $2.0 billion to $2.5 billion in capital deployment that we have spoken about. But I think you should hear from us the excitement and the opportunity, the team, the education that is going on, and that in time will contribute to growth.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So you mentioned essentially the historic deal structure would be there would be retained royalty for the China company that could be monetized by the Chinese company. So that's the landscape as it exists. But as you continue to create this market segment, is that the best risk adjusted entry point for Royalty Pharma, buying the retained royalty? Could you also consider funding the Western licensee or structuring with both of the partners?

Greg Butz - *Royalty Pharma PLC - Executive Vice President - Partnering & Investments*

Sure, I think for us now, it's passive royalty opportunity set. In terms of funding the Western multinational for development, I think that's analogous to the co-funding that Terry just spoke about. And again, we see that as a as a growth opportunity for us in the US. But I think for our team now, it's focusing on education on royalties in that market and the passive royalties that exist. And again, what is going to happen is those royalties will all mature, meaning those are products that are going to continue through development, ultimately become approved. And that's, I think, where we see the intersection between the risk profile, the investment returns, and then our ability to transact in that market.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

The out-licensing royalties for China can be structurally higher than traditional academic royalties. So how much of that yield is compensation for the earlier stage risk or contract complexity? Is it true excess return? Or is it simple? Can it be explained by those other effects?

Greg Butz - *Royalty Pharma PLC - Executive Vice President - Partnering & Investments*

Yeah. I think it's really case by case. I don't think there's necessarily a reason those royalties are structurally higher or lower than just when those deals were struck with the Western marketing partner. So we'll look at each deal, on its own merits from the risk profile, who the partner is, the forecast that we have conviction in, and then, is the return attractive from our standpoint? So like we do with our other investments, it's on a case-by-case basis. So the same criteria that we apply from a return profile for assets in Western markets are applicable to how we think about the Chinese opportunity.

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

And when you think about sort of typical academic royalty, those are -- they're usually -- there's probably a drug, but it's probably not in the clinic yet. It's probably not in patients. So they kind of, at that stage, they're getting low to mid-single-digit royalties. As you move into the clinic, and you have proof of concept, and you have a sort of a maybe a validated target, you're able to get higher royalty. So that I think that that's why, a lot of the Chinese royalties are just a little further along. And so royalties tend to be a little bit higher.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Compensation for the investment.

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

Yeah, exactly. And there's a -- there has been a level of derisking along the way.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So as we know, there's a lot of debate around US-China policy specifically with regard to these partnerships. So how could -- how do you underwrite the possibility that there can be changes in policies that would have impact on your deals during the royalty lifetime? I know at second quarter, you mentioned domiciling outside of China could mitigate this.

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

Yeah. I think, honestly, if you think about what we're buying, it's no different than what we already -- what we do every day. These are products that are in the hands of Western companies. The royalties generally sit outside of China structurally. So there isn't like a direct transaction with China.

But I think the question is more, does deal activity slow? Like, because there's already this pool of royalties that are there and still a little early. They're not quite there yet. There's not -- I don't think there's really any products yet that have come to market from this crop of royalties, but they're coming. So in the next couple of years, there's going to be some things that come to market. And as we see Phase 3 data, this will be very transactable for us. It's hard to imagine policy getting in the way of those types of deals. Longer term, does policy slow down the pace of in-licensing by Western multinationals of Chinese assets? It's possible. It hasn't happened yet. And so I think it's just a little early to say, but there's clearly a big pool of things that already exists that we see an opportunity.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So transitioning to the newer deal structures. So RevMed, for example, potential new model for funding late-stage development without, in this case, RevMed going to pharma for a partnership, how scalable are these types of opportunities? First question. And could you see additional transactions of similar size over the next 12 months?

Greg Butz - *Royalty Pharma PLC - Executive Vice President - Partnering & Investments*

Sure. So first off, we're very excited about that transaction. And now, like all of us, going to watch the early stages of the launch. And I think you can imagine on the back of that structure and the data now approved, we've gotten a lot of inbound interest from others that saw a lot of the attributes of that transaction and thought that they were applicable to their situation, late-stage development capital, capital to pursue an independent commercialization. And so we view that as a structure as, yes, repeatable. From a scale perspective, we have the financial means to pursue multiple types of deals. But again, just like in China, we'll look at it on a case-by-case basis and make sure that the risk and the return profile matches and is consistent with our hurdle rates. And as you think about then just the reproducibility, we think this trend will continue in terms of helping companies fund products, stay independent longer, really pursue that path to value creation that they can do on their own.

And for our (inaudible), maybe this is an opportunity that is meaningful along with, Terry mentioned, the co-funding deals that we can spend some time talking about.

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

I mean, it's unique. It's the first time that you've seen a true scaled alternative to pharma, right? Historically, the company would raise equity along the way, and then if you really, really need capital at scale, partner with pharma. A lot of times you sell yourselves to pharma. But now, we're able to come in and say we can step in the shoes of that pharma partnership.

I mean, equity is available, and equity would've been available to Revolution Medicines, but at a certain point, you want to supplement that with additional sources of capital. And the reality is royalties are lower cost than equity. They certainly were for RevMed. And so adding royalties to the mix and sort of pushing off that decision point of pharma until you've turned that card over and -- or you're into your launch and you're showing that you can do this on your own, that tremendous value can accrue to the equity of those companies when they do that. And so we're excited about the potential. It doesn't fit every company. There's some companies that simply can't go it alone, and they kind of know that. But for the companies that really can or can go further alone, this is -- we think it would be a very powerful tool.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So you had mentioned that the royalties have made a comparison to the cost of equity. So that's a significant share of the announced deal value. Is there a natural upper bound to how large synthetic royalties can become within your portfolio? Does broader adoption risk -- does it make terms less favorable over time?

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

So it's tough. I mean, at this point, we don't see an upper bound. It's not obvious. It's not like we're feeling we've saturated the market. We've got 5% share of the market. Synthetic royalties, for small mid-cap biotech companies, are 5% share. It's nothing. There is a lot of room to go from that perspective.

In terms of competition, I think the reality is the market is growing a lot faster than the competition is growing, and we have a lot of competitive differentiators. It's still risky. You cannot forget that. So you have to be prepared to lose. You're going to have some things -- you're going to have some misses. So from our perspective, we obviously hate when things do not work, but it is not going to change our business one way or another. We have huge scale, huge diversified cash flows that is reproducing every quarter.

We know that we are going to be able to, over time, generate really attractive returns across the entire portfolio. And so if you invest a couple hundred million dollars, $1 billion, $2 billion in development-stage investments, it is not going to change the overall outlook of Royalty Pharma, but it is going to open up a whole new pool of opportunities that we may not have otherwise seen. So I do not think this is going to be for everyone, but there will certainly be some competition at this level. It's complicated.

Greg Butz - *Royalty Pharma PLC - Executive Vice President - Partnering & Investments*

Richard, I think that the competition is as much from other capital allocators as it is from alternate forms of capital. I know Terry mentioned equity. There is convertible debt. There is licensing dollars. And we view that pool of alternatives to be as much competition to our dollars, and we want them viewed as a strategic partner. So we are replacing the capital that otherwise would come to a company through a licensing transaction. And then, I think we can successfully make the cost of capital argument, next to common equity or convertible debt. Again, a complement. I do not think there is always going to be a case where we are truly substituting, but as a complement, to help companies scale their capital base, I think is the way we see it.

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

Yeah, it's totally right. It's not one or the other, but it should be a piece of the puzzle. For every successful, really successful biopharma company, I think we see a future where royalties are just part of the mix. Not the whole thing, but a healthy part of the mix. Supplementing that with equity and once they get to the later stages, debt. And we've seen it with Revolution Medicines. We saw it with Cytokinetics, we saw it with Immunomedics. We saw it with the original Biohaven. Probably a couple others that I am not thinking of. But where royalties were 20%, 30% of the total capital that they raised, I think that is a roadmap for the industry.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Now, going back to the RevMed transaction, the contingent payments, payouts. So to confirm that future tranches under that kind of an agreement, do you apply against the guided $2 billion to $2.5 billion of target deal flow?

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

Yeah. So when we say $2 billion to $2.5 billion, that is capital that we -- that is straight from our cash flow statement, capital that we deploy every year. So there are going to be years where it is a mix of deals we signed up in prior years and deals that we announced that year. And so there is an element of, for example, the Johnson & Johnson deal we announced earlier this year is a $500 million commitment to co-fund the clinical trials. A portion of that will hit our capital deployment this year, a portion of it will hit next year, and I'm not sure exactly how long that goes, but definitely next year.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

And so the annual run rate of $2 billion to $2.5 billion. Should investors understand it as a conservative proxy that Royalty can surpass if the right deals come along? I guess the question is really, is there an incentive to guide higher because that would commit yourself to a higher deal?

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

That's exactly it. I mean, we're going to take the opportunities as they come. We feel like $2 billion to $2.5 billion is kind of -- we don't need to do a lot to achieve that each year. So we've described that as more of a conservative modeling assumption. There's a lot of reasons to believe that the number could be much higher, but if it's not, it's because we're patient and we're waiting for the right opportunities.

We don't want to ever feel forced to deploy capital. That's a very bad situation to be in. It would impact returns. It would impact probabilities of success, and we're just not in that business. We want to be making investments in the right products. And I think if you look at where we've invested, take last year, we had a funnel of 480 opportunities that we looked at the top of the funnel, and we did eight transactions. And you look at those products that we invested in, they're going to be amazing. Almost across the board, they're going to be amazing products. And so the bar is high. It was a 2% rate that we invest of the total amount of deals we've looked at. The bar's going to stay that high. I think that sort of pull-through rate is going to stay probably very low.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Your total debt to adjusted EBITDA, your leverage is about 2.8. You have significant liquidity. Is there a hard leverage ceiling? Would you move, for example, to 3.5 for a particularly compelling transaction?

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

Absolutely. Yeah. I mean, we wouldn't go above 4. It'd have to be really, really compelling to go above 4, but we would need to know that we're going to de-lever pretty quickly from there. We're now BBB rated across all -- by all three agencies. It's something we're really happy about. It's been a long time coming, but I think it just speaks to the quality of the predictability of the portfolio.

But look, we want to always have the right things come along. We've been really clear with both our lenders and our equity investors that we would take leverage up, but critical to maintain that investment grade credit rating.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

On buybacks, I understand that you apply your capital to deals and to buybacks. So internally, when considering when to engage in buybacks, what are you comparing? Is it the internal rate of return on new deals versus the implied rate of return repurchasing your own shares, implying that there might be a stock price revaluation where buybacks again become preferred use of capital?

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

Yeah, so it's dynamic. I think we're looking at the relative value of our equity and comparing that directly against the relative attractiveness of royalty opportunities. So I think 2025 is a really good example of how we think about it. So first half of that year, particularly in the first quarter, our stock was, we thought, very depressed. Deal flow was a little bit slower for whatever reason. And so we dialed up buybacks, and in the first half of the year, we bought back $1 billion of stock. And then as we got into the second half of the year, deal flow picked up in a huge way. We did the RevMed deal. We bought the Imdelltra royalty that you mentioned earlier from BeOne. And we were just seeing a lot of opportunities, and so we dialed down buybacks and dialed up investments.

I think as we've continued from second half of 2025 into 2026, we're just continuing to see really, really interesting deal flow. So that's where our focus has been. We're still doing buybacks, but it's not been at the same scale as it was in the first half of 2025.

But look, if we see a pullback, deal flow slows down, we'll dial that back up again, and that's a really kind of nice tool to have, I think. I think we've been pretty good about where we bought back. We probably bought back $2 billion of stock, and it's been in the $30s per share. The stock is close to $60 now, so I think we've been pretty disciplined about that, and I think our investors have been very happy how the policy's worked.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So you've guided 2030 cash flow target of $7.50 per share. That implies a certain level of return, an 11% CAGR, highlighting conservatism around your deployment assumptions, and you're also planning for downside on the Vertex royalty resolution with Alyftrek. If either factor were to be more favorable for Royalty, so either faster deployment of capital or positive arbitration outcome in the first half of '27, would there be potential upside, and how should investors think about it?

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

Yeah. Just to clarify, we are not planning for the downside for Vertex, but for that arbitration, we just are comfortable that we can hit that target regardless of what happens with that. If the downside case comes, we are still comfortable that we can exceed that $7.50.

But I think that we feel really good about it. We have been deploying capital in really great deals. The portfolio is performing really well. Just amazing performance from things like Tremfya and Voranigo, and Trelegy, and we are both very excited to see this launch of daraxonrasib. So I think that we feel like we are in a really good position. Deal flow continues to be strong as well. It has been a year since we gave that guidance, but we feel like we are in a very nice spot right now.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So you had mentioned some of the top five products that contributed a meaningful share of the receipts. Does your late-stage pipeline portfolio reduce that concentration quickly enough? Or conversely, does it become skewed to a few binary assets like olpasiran?

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

Yeah. It's not going to be driven by any one asset. That's the amazing thing about our business, is that right now, the top three products account for around 45% of our top line. Compare that to pharma, it's around 55%. So we are a little better than pharma, but as we get towards the end of this decade, we think the top three products are going to be around 30%. And pharma is probably going to stay about the same at around 50%. So we feel like we are confident that that is going to happen under a range of scenarios, just sort of naturally as we have a lot of products that are ramping significantly, making new investments every day. Not every day, but every quarter, every year. And we feel really confident that the diversification is going to improve pretty significantly by the end of this decade. And then as you get into the following decade, it's just going to continue to improve. And the other thing that I think is worth pointing out is that when you look at our diversification on the top line, it's the exact same on the bottom line, versus a pharma company where everyone knows that their biggest products are such outsized contributors on the bottom line to their profits. We don't have that issue. So there's a lot more predictability and safety in our earnings as well from that diversification, which I think is something that oftentimes gets overlooked.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

You mentioned your pipeline. What are the three to four most important readouts in the next 18 months?

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

Yeah, so one that we're looking forward to later this year is litifilimab, a Biogen product. We're going to have a readout, cutaneous lupus by the end of the year, getting into 2027, we'll see data in systemic lupus. And then the other big ones that we're focused on in 2027, daraxonrasib in lung, which is pretty interesting, and then frexalimab in multiple sclerosis.

We're also going to be looking forward to seeing the full data for pelacarsen. We know what happened with pelacarsen. That was a disappointing outcome, but we'll see the data, and I think it will probably have some read-through to olpasiran, which is a little bit longer. I think that's 2028. I could be mistaken, but it's a little further out there, but it's obviously something that we think could still be a pretty big drug.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Are there any questions in the room? So if I could continue, so that when an asset is acquired by major pharma, this is a common exit for biotech, how do you -- how does Royalty think about those takeouts impacting future value? You can imagine settings like migraine, where it would be positive for the asset value to have large pharma marketing support, as opposed to a targeted specialty market where the takeout might be.

Greg Butz - *Royalty Pharma PLC - Executive Vice President - Partnering & Investments*

So every investment we make is done on the premise that the marketing partner that we have at the time of the investment is the one that will be commercializing the drug and doing so independently. So when an acquisition occurs, as is common in biopharma and the marketing partner then becomes a large pharma, large biotech that has, in most cases, a positive impact on our expectations on the forecast being achieved in the timeframe that we model it. That's an upside driver in our investments.

But that's not something that we can predict (inaudible) for the win. And so I think that's why we have to have conviction in the marketing partner at the time of the deal. Do they have the right team? Do they have the right plan? Do we have conviction in the product? Do they have enough capital to see their way through a successful commercialization? Those are the attributes that we have to have conviction in at the announcement.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Going back to the '26, '27, so you mentioned with litifilimab, is one or the other indication more important to the value for the transaction? So then later --

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

It's tough for me to say right now. I think CLE is certainly differentiated because there's no approved therapies for CLE, but SLE is also a very large market. I think we're excited about both.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Any pushes and pulls in the portfolio in 2027 before considering the new deals? LOE headlines, I think mostly the '26?

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

Yeah, so in '26 and even in '25, we have Promacta LOE, but amazingly, and I think, again, it speaks to the strength of the business is that we're growing through that just fine. And we've seen it before. I actually think that this proving out has been something that's very helpful for our investors to understand is we're different than Pharma. We have an easier time managing through the bottom-line impact for sure but also on the top-line managing through LOEs.

So in 2021, we lost our fourth largest royalty stream. It was Gilead's HIV franchise. '22, we lost maybe our fifth largest, that was Merck's Januvia. Over that period, we also had some headwinds from Imbruvica was underperforming, and we grew, I think our CAGR from 2020 to 2025 was, like, 13%. We grew right through that, sailed right through it. And now in 2025, we saw Promacta going generic, and that had an impact in the second half of '25 and even more in 2026. And again, continuing to grow through that. So I think it's an amazing strength of the business is our ability to grow through LOEs, something that would be much harder for a pharma to achieve.

When we look at '27, as you get towards the end of the year, I don't think it's really going to have much of an impact. It could be a little bit, but Xtandi goes generic in the US in late summer, so it could have kind of a little bit of an impact in the fourth quarter. Then we're pretty clean in 2027. Then just some sort of normal running those LOEs through the end of the decade.

Richard Wagner - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay. If no questions, I think we're done. Thank you very much for explaining. It was special.

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

Thank you. Appreciate it.
