

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-39329

Royalty Pharma plc

(Exact name of registrant as specified in its charter)

England and Wales

98-1535773

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer Identification No.)

110 East 59th Street

New York, New York 10022

(Address of principal executive offices and zip code)

(212) 883-0200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A ordinary shares, par value \$0.0001	RPRX	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 1, 2024, Royalty Pharma plc had 444,301,661 Class A ordinary shares outstanding and 144,881,122 Class B ordinary shares outstanding.

ROYALTY PHARMA PLC

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “target,” “forecast,” “guidance,” “goal,” “predicts,” “project,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective assets, our industry, our beliefs and our assumptions. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of the numerous risks outlined in Part II under Item 1A. under “Risk Factors.”

These risks and uncertainties include factors related to, among other topics:

- sales risks of biopharmaceutical products on which we receive royalties;
- the ability of RP Management, LLC (the “Manager”) to locate suitable assets for us to acquire;
- uncertainties related to the acquisition of interests in development-stage biopharmaceutical product candidates and our strategy to add development-stage product candidates to our product portfolio;
- the assumptions underlying our business model;
- our ability to successfully execute our royalty acquisition strategy;
- our ability to leverage our competitive strengths;
- actual and potential conflicts of interest with the Manager and its affiliates;
- the ability of the Manager or its affiliates to attract and retain highly talented professionals;
- the effect of changes to tax legislation and our tax position; and
- the risks, uncertainties and other factors we identify elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the U.S. Securities and Exchange Commission (“SEC”).

Although we believe the expectations reflected in the forward-looking statements are reasonable, any of those expectations could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Quarterly Report on Form 10-Q should not be regarded as a representation by us that our plans and business objectives will be achieved. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our prior statements to actual results or revised expectations.

PART 1. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROYALTY PHARMA PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(Unaudited)

	As of September 30, 2024	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 950,052	\$ 477,010
Financial royalty assets	765,773	738,438
Available for sale debt securities	48,500	18,300
Other royalty income receivable	24,901	22,405
Other current assets	4,969	18,040
Total current assets	1,794,195	1,274,193
Financial royalty assets, net	14,968,074	14,088,655
Equity securities	228,867	199,487
Available for sale debt securities	657,300	437,100
Equity method investments	351,017	375,894
Other assets	42,789	6,522
Total assets	\$ 18,042,242	\$ 16,381,851
Liabilities and shareholders' equity		
Current liabilities		
Distributions payable to legacy non-controlling interests	\$ 79,149	\$ 83,155
Accounts payable and accrued expenses	22,055	15,165
Interest payable	38,412	51,682
Current portion of long-term debt	996,942	—
Other current liabilities	31,200	11,375
Total current liabilities	1,167,758	161,377
Long-term debt	6,610,437	6,135,285
Other liabilities	5,580	900
Total liabilities	7,783,775	6,297,562
Commitments and contingencies		
Shareholders' equity		
Class A ordinary shares, \$0.0001 par value; issued and outstanding: 2024—446,038 and 2023—446,692	45	45
Class B ordinary shares, \$0.000001 par value; issued and outstanding: 2024—144,881 and 2023—150,743	—	—
Class R redeemable shares, £1 par value; issued and outstanding: 2024—50 and 2023—50	63	63
Deferred shares, \$0.000001 par value; issued and outstanding: 2024—390,502 and 2023—384,640	—	—
Additional paid-in capital	4,107,742	4,011,435
Retained earnings	2,764,685	2,517,583
Non-controlling interests	3,388,589	3,557,792
Treasury interests	(2,657)	(2,629)
Total shareholders' equity	10,258,467	10,084,289
Total liabilities and shareholders' equity	\$ 18,042,242	\$ 16,381,851

See accompanying notes to these unaudited condensed consolidated financial statements.

ROYALTY PHARMA PLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Income and other revenues				
Income from financial royalty assets	\$ 533,166	\$ 508,657	\$ 1,587,577	\$ 1,674,689
Other royalty income and revenues	31,524	27,656	82,358	83,797
Total income and other revenues	564,690	536,313	1,669,935	1,758,486
Operating (income)/expense				
Provision for changes in expected cash flows from financial royalty assets	(227,604)	277,137	568,425	637,169
Research and development funding expense	500	50,500	1,500	51,500
General and administrative expenses	56,720	57,234	169,080	190,563
Total operating (income)/expense, net	(170,384)	384,871	739,005	879,232
Operating income	735,074	151,442	930,930	879,254
Other (income)/expense				
Equity in (earnings)/losses of equity method investees	(10,407)	5,222	2,039	(28,614)
Interest expense	66,506	46,033	159,751	139,932
(Gains)/losses on derivative financial instruments	(3,000)	8,680	(3,000)	2,290
Gains on equity securities	(50,849)	(1,541)	(81,455)	(31,994)
Gains on available for sale debt securities	(57,680)	(7,300)	(103,900)	(122,500)
Interest income	(17,508)	(23,436)	(38,306)	(65,791)
Other non-operating expenses/(income), net	1,654	1,707	(661)	3,429
Total other (income)/expense, net	(71,284)	29,365	(65,532)	(103,248)
Consolidated net income before tax	806,358	122,077	996,462	982,502
Income tax expense	—	—	—	—
Consolidated net income	806,358	122,077	996,462	982,502
Net income attributable to non-controlling interests	262,371	49,963	345,693	342,008
Net income attributable to Royalty Pharma plc	\$ 543,987	\$ 72,114	\$ 650,769	\$ 640,494
Earnings per Class A ordinary share:				
Basic	\$ 1.22	\$ 0.16	\$ 1.45	\$ 1.43
Diluted	\$ 1.21	\$ 0.16	\$ 1.44	\$ 1.43
Weighted average Class A ordinary shares outstanding:				
Basic	447,628	448,439	449,085	448,162
Diluted	592,726	601,138	595,683	604,717

See accompanying notes to these unaudited condensed consolidated financial statements.

ROYALTY PHARMA PLC
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share amounts)
(Unaudited)

	Class R													
	Class A		Class B		Redeemable				Additional		Non-		Total	
	Ordinary Shares		Ordinary Shares		Shares		Deferred Shares		Paid-in	Retained	Controlling	Treasury	Shareholders'	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	Interests	Interests	Equity	
Balance at June 30, 2024	449,065	\$ 45	145,328	\$ —	50	\$ 63	390,055	\$ —	\$ 4,100,554	\$ 2,378,251	\$ 3,275,566	\$ (2,661)	\$ —	\$ 9,751,818
Contributions	—	—	—	—	—	—	—	—	—	—	2,245	—	—	2,245
Distributions	—	—	—	—	—	—	—	—	—	—	(113,182)	—	—	(113,182)
Dividends (\$0.21 per Class A ordinary share)	—	—	—	—	—	—	—	—	—	(94,061)	—	—	—	(94,061)
Other exchanges	447	—	(447)	—	—	—	447	—	38,407	—	(38,411)	4	—	—
Share-based compensation and related issuances of Class A ordinary shares	3	—	—	—	—	—	—	—	525	—	—	—	—	525
Repurchases of Class A ordinary shares	(3,477)	—	—	—	—	—	—	—	(31,744)	(63,492)	—	—	—	(95,236)
Net income	—	—	—	—	—	—	—	—	—	543,987	262,371	—	—	806,358
Balance at September 30, 2024	446,038	\$ 45	144,881	\$ —	50	\$ 63	390,502	\$ —	\$ 4,107,742	\$ 2,764,685	\$ 3,388,589	\$ (2,657)	\$ —	\$ 10,258,467

	Class R													
	Class A		Class B		Redeemable		Deferred Shares		Additional		Non-		Total	
	Ordinary Shares		Ordinary Shares		Shares		Deferred Shares		Paid-in		Retained		Controlling Treasury Shareholders'	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	Interests	Interests	Equity	
Balance at June 30, 2023	450,352	\$ 46	152,896	\$ —	50	\$ 63	382,487	\$ —	\$ 4,031,242	\$ 2,252,945	\$ 3,532,019	\$ (2,629)	\$ 9,813,686	
Contributions	—	—	—	—	—	—	—	—	—	—	2,850	—	2,850	
Distributions	—	—	—	—	—	—	—	—	—	—	(120,198)	—	(120,198)	
Dividends (\$0.20 per Class A ordinary share)	—	—	—	—	—	—	—	—	—	(89,751)	—	—	(89,751)	
Other exchanges	350	—	(350)	—	—	—	350	—	18,454	—	(18,459)	5	—	
Share-based compensation and related issuances of Class A ordinary shares	3	—	—	—	—	—	—	—	581	—	—	—	581	
Repurchases of Class A ordinary shares	(4,862)	(1)	—	—	—	—	—	—	(43,519)	(100,628)	—	—	(144,148)	
Net income	—	—	—	—	—	—	—	—	—	72,114	49,963	—	122,077	
Balance at September 30, 2023	445,843	\$ 45	152,546	\$ —	50	\$ 63	382,837	\$ —	\$ 4,006,758	\$ 2,134,680	\$ 3,446,175	\$ (2,624)	\$ 9,585,097	

See accompanying notes to these unaudited condensed consolidated financial statements.

ROYALTY PHARMA PLC
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share amounts)

(Unaudited)

	Class R													
	Class A		Class B		Redeemable		Deferred Shares		Additional		Non-		Total	
	Ordinary Shares		Ordinary Shares		Shares		Deferred Shares		Paid-in		Retained		Controlling Treasury Shareholders'	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	Interests	Interests	Equity	
Balance at December 31, 2023	446,692	\$ 45	150,743	\$ —	50	\$ 63	384,640	\$ —	\$ 4,011,435	\$ 2,517,583	\$ 3,557,792	\$ (2,629)	\$ 10,084,289	
Contributions	—	—	—	—	—	—	—	—	—	—	6,797	—	6,797	
Distributions	—	—	—	—	—	—	—	—	—	—	(367,320)	—	(367,320)	
Dividends (\$0.63 per Class A ordinary share)	—	—	—	—	—	—	—	—	—	(282,809)	—	—	(282,809)	
Other exchanges	5,862	1	(5,862)	—	—	—	5,862	—	154,400	—	(154,373)	(28)	—	
Share-based compensation and related issuances of Class A ordinary shares	78	—	—	—	—	—	—	—	1,819	—	—	—	1,819	
Repurchases of Class A ordinary shares	(6,594)	(1)	—	—	—	—	—	—	(59,912)	(119,750)	—	—	(179,663)	
Net income	—	—	—	—	—	—	—	—	—	650,769	345,693	—	996,462	
Purchase of non-controlling interest in RPCT	—	—	—	—	—	—	—	—	—	(1,108)	—	—	(1,108)	
Balance at September 30, 2024	446,038	\$ 45	144,881	\$ —	50	\$ 63	390,502	\$ —	\$ 4,107,742	\$ 2,764,685	\$ 3,388,589	\$ (2,657)	\$ 10,258,467	

	Class R													
	Class A		Class B		Redeemable		Deferred Shares		Additional		Non-		Total	
	Ordinary Shares		Ordinary Shares		Shares		Deferred Shares		Paid-in		Retained		Controlling Treasury Shareholders'	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	Interests	Interests	Equity	
Balance at December 31, 2022	443,166	\$ 44	164,058	\$ —	50	\$ 63	371,325	\$ —	\$3,666,160	\$1,964,689	\$3,897,223	\$ (2,806)	\$ 9,525,373	
Contributions	—	—	—	—	—	—	—	—	—	—	9,690	—	9,690	
Distributions	—	—	—	—	—	—	—	—	—	—	(386,590)	—	(386,590)	
Dividends (\$0.60 per Class A ordinary share)	—	—	—	—	—	—	—	—	—	(268,989)	—	—	(268,989)	
Other exchanges	11,512	2	(11,512)	—	—	—	11,512	—	415,972	—	(416,156)	182	—	
Share-based compensation and related issuances of Class A ordinary shares	54	—	—	—	—	—	—	—	1,740	—	—	—	1,740	
Repurchases of Class A ordinary shares	(8,889)	(1)	—	—	—	—	—	—	(77,114)	(201,514)	—	—	(278,629)	
Net income	—	—	—	—	—	—	—	—	—	640,494	342,008	—	982,502	
Balance at September 30, 2023	445,843	\$ 45	152,546	\$ —	50	\$ 63	382,837	\$ —	\$4,006,758	\$2,134,680	\$3,446,175	\$ (2,624)	\$ 9,585,097	

See accompanying notes to these unaudited condensed consolidated financial statements.

ROYALTY PHARMA PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Cash collections from financial royalty assets	\$ 2,205,933	\$ 2,454,054
Cash collections from intangible royalty assets	14,420	1,067
Other royalty cash collections	79,334	84,275
Distributions from equity method investees	13,396	18,823
Interest received	37,447	63,135
Development-stage funding payments - ongoing	(1,500)	(1,500)
Development-stage funding payments - upfront and milestone	—	(50,000)
Payments for operating and professional costs	(163,804)	(188,839)
Interest paid	(158,765)	(165,841)
Net cash provided by operating activities	2,026,461	2,215,174
Cash flows from investing activities:		
Distributions from equity method investees	20,397	39,225
Investments in equity method investees	(10,955)	(10,550)
Purchases of equity securities	(62,500)	—
Proceeds from equity securities	98,575	—
Purchases of available for sale debt securities	(150,000)	—
Proceeds from available for sale debt securities	7,200	—
Proceeds from sales and maturities of marketable securities	—	24,391
Acquisitions of financial royalty assets	(2,009,283)	(1,113,283)
Acquisitions of other financial assets	(18,000)	—
Milestone payments	(50,000)	(12,400)
Other	2,039	—
Net cash used in investing activities	(2,172,527)	(1,072,617)
Cash flows from financing activities:		
Distributions to legacy non-controlling interests - Portfolio Receipts	(281,078)	(284,637)
Distributions to continuing non-controlling interests	(93,711)	(95,045)
Dividends to shareholders	(282,809)	(268,989)
Repurchases of Class A ordinary shares	(177,044)	(274,559)
Contributions from legacy non-controlling interests - R&D	527	455
Contributions from non-controlling interests - other	3,329	5,915
Repayment of long-term debt	—	(1,000,000)
Proceeds from issuance of long-term debt, net of discount	1,471,235	—
Debt issuance costs and other	(12,316)	—
Other	(9,025)	—
Net cash provided by/(used in) financing activities	619,108	(1,916,860)
Net change in cash and cash equivalents	473,042	(774,303)
Cash and cash equivalents, beginning of period	477,010	1,710,751
Cash and cash equivalents, end of period	\$ 950,052	\$ 936,448

See accompanying notes to these unaudited condensed consolidated financial statements.

ROYALTY PHARMA PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Purpose

Royalty Pharma plc is a public limited company that was incorporated under the laws of England and Wales to facilitate the initial public offering ("IPO") of our Class A ordinary shares. "Royalty Pharma," the "Company," "we," "us" and "our" refer to Royalty Pharma plc and its subsidiaries on a consolidated basis.

We control Royalty Pharma Holdings Ltd ("RP Holdings"), a private limited company incorporated under the laws of England and Wales and U.K. tax resident, through our ownership of RP Holdings' Class A ordinary shares (the "RP Holdings Class A Interests") and RP Holdings' Class B ordinary shares (the "RP Holdings Class B Interests"). We conduct our business through RP Holdings and its subsidiaries.

RP Holdings is the sole owner of Royalty Pharma Investments 2019 ICAV ("RPI 2019 ICAV"), which is an Irish collective asset management vehicle, and is the successor to Royalty Pharma Investments, an Irish unit trust ("Old RPI"). RP Holdings is owned by Royalty Pharma plc, and, indirectly, by RPI US Partners 2019, LP, a Delaware limited partnership, and RPI International Holdings 2019, LP, a Cayman Islands exempted limited partnership (together, the "Continuing Investors Partnerships"). Prior to the Exchange Offer (defined below), Old RPI was owned by various partnerships (the "Legacy Investors Partnerships").

RP Management, LLC (the "Manager"), a Delaware limited liability company, is responsible for our management, including our day-to-day operations, pursuant to advisory and management agreements (collectively, the "Management Agreement").

We are the largest buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry. We fund innovation in the biopharmaceutical industry both directly and indirectly—directly when we partner with companies to co-fund late-stage clinical trials and new product launches in exchange for future royalties, and indirectly when we acquire existing royalties from the original innovators.

2. Summary of Significant Accounting Policies

Basis of Preparation and Use of Estimates

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

In the opinion of management, all adjustments considered necessary to present fairly the results of the interim periods have been included and consist of normal and recurring adjustments. Certain information and footnote disclosures have been condensed or omitted as permitted under GAAP. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2023 included in our Annual Report on Form 10-K.

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income, revenues and expenses during the reporting period. Actual results may differ from those estimates. The results for the interim periods are not necessarily indicative of results for the full year.

ROYALTY PHARMA PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Basis of Consolidation

The unaudited condensed consolidated financial statements include the accounts of Royalty Pharma and all majority-owned and controlled subsidiaries, as well as variable interest entities, where we are the primary beneficiary. We consolidate based upon evaluation of our power, through voting rights or similar rights, to direct the activities of another entity that most significantly impact the entity's economic performance. For consolidated entities where we own or are exposed to less than 100% of the economics, we record *Net income attributable to non-controlling interests* in our condensed consolidated statements of operations equal to the percentage of the economic or ownership interest retained in such entities by the respective non-controlling parties.

We consummated an exchange offer on February 11, 2020 (the "Exchange Offer") to facilitate the IPO. Through the Exchange Offer, investors which represented 82% of the aggregate limited partnership in the Legacy Investors Partnerships exchanged their limited partnership interests in the Legacy Investors Partnerships for limited partnership interests in the Continuing Investors Partnerships. Following the Exchange Offer, we became the indirect owner of an 82% economic interest in Old RPI through our subsidiary RPI 2019 Intermediate Finance Trust, a Delaware statutory trust. We are entitled to 82% of the economics of Old RPI's wholly-owned subsidiary RPI Finance Trust, a Delaware statutory trust ("RPIFT"), and 66% of Royalty Pharma Collection Trust, a Delaware statutory trust ("RPCT"). Prior to December 29, 2023, the remaining 34% of RPCT was owned by the Legacy Investors Partnerships and Royalty Pharma Select Finance Trust, a Delaware statutory trust ("RPSFT"), which was wholly owned by Royalty Pharma Select, an Irish unit trust.

In 2022, we became an indirect owner of an 82% economic interest in Royalty Pharma Investments ICAV ("RPI ICAV"), which was previously owned directly by Old RPI.

In December 2023, RPI 2019 ICAV acquired the remaining interest in RPCT owned by RPSFT and, as such, RPSFT no longer holds a non-controlling interest in RPCT. Prior to December 2023, we reported non-controlling interest related to a de minimis interest in RPCT held by RPSFT (together with the Legacy Investors Partnership's interest in Old RPI and RPI ICAV, the "legacy non-controlling interests"), which also existed prior to our IPO.

We report three non-controlling interests: (1) the Legacy Investors Partnerships' ownership of approximately 18% in Old RPI and RPI ICAV, which existed prior to our IPO, and, following the consummation of our IPO, (2) the Continuing Investors Partnerships' indirect ownership in RP Holdings through their indirect ownership of RP Holdings Class B Interests (the "continuing non-controlling interests") and (3) RPI EPA Holdings, LP's ("EPA Holdings") ownership of the RP Holdings' Class C ordinary share (the "RP Holdings Class C Special Interest"). Income will not be allocated to EPA Holdings until certain performance conditions are met.

All intercompany transactions and balances have been eliminated in consolidation.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

Concentrations of Credit Risk

Financial instruments that subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, available for sale debt securities, financial royalty assets, derivatives and receivables. Our cash management and investment policy limits investment instruments to investment-grade securities with the objective to preserve capital and to maintain liquidity until the funds are needed for operations. Our cash and cash equivalents balances as of September 30, 2024 and December 31, 2023 were held with Bank of America, State Street, TD Bank, Citibank, U.S. Bank, DNB Bank and Scotiabank. Our primary operating accounts significantly exceed the Federal Deposit Insurance Corporation limits.

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The majority of our financial royalty assets and receivables arise from contractual royalty agreements that entitle us to royalties on the sales of underlying biopharmaceutical products in the United States, Europe and the rest of the world, with concentrations of credit risk limited due to the broad range of marketers responsible for paying royalties to us and the variety of geographies from which our royalties on product sales are derived. The products in which we hold royalties are marketed by leading industry participants, including, among others, Vertex, GSK, Roche, Johnson & Johnson, Biogen, AbbVie, Astellas, Pfizer, Novartis and Gilead. As of September 30, 2024 and December 31, 2023, Vertex, as the marketer and payor of our royalties on the cystic fibrosis franchise, accounted for 33% and 32% of our current portion of financial royalty assets, respectively, and represented the largest individual marketer and payor of our royalties.

We monitor the financial performance and creditworthiness of the counterparties to our royalty agreements so that we can properly assess and respond to changes in their credit profile. To date, we have not experienced any significant credit losses with respect to the collection of income or revenues on our royalty assets.

Significant Accounting Policies

There have been no material changes to our significant accounting policies from our Annual Report on Form 10-K for the year ended December 31, 2023.

3. Available for Sale Debt Securities

Funding Arrangements with Cytokinetics

In May 2024, we expanded our funding collaboration with Cytokinetics, Incorporated ("Cytokinetics") to provide up to \$ 575 million. As part of the expanded funding collaboration, we provided funding of \$100 million ("Cytokinetics Development Funding") for Cytokinetics' Phase 3 clinical trial of omecamtiv mecarbil and amended the funding agreement that we entered into with Cytokinetics in 2022 to provide two additional funding tranches (as amended, "Cytokinetics Commercial Launch Funding"). Following the amendment in May 2024, the Cytokinetics Commercial Launch Funding is comprised of seven tranches with a total funding of up to \$ 525 million.

Our return on the Cytokinetics Development Funding depends on the outcome of omecamtiv mecarbil's Phase 3 clinical trial and approval by the U.S. Food and Drug Administration (the "FDA"). If omecamtiv mecarbil's Phase 3 clinical trial is successful and approval by the FDA is received within a specific timeframe, we will receive a return of \$100 million and the greater of an incremental 2.0% royalty on annual net sales of omecamtiv mecarbil or quarterly fixed payments for 18 quarters and an incremental 2.0% royalty thereafter. If FDA approval is not received within a specific timeframe, we will receive a return of 2.4 times the Cytokinetics Development Funding over 18 quarters. If the Phase 3 clinical trial is not successful within a specific timeframe, we will receive a return of 2.3 times the Cytokinetics Development Funding over 22 quarters.

Out of the seven tranches of the Cytokinetics Commercial Launch Funding, tranches one and six have been funded. Tranches two and three are no longer available because the related regulatory milestones were not met. Tranches four, five and seven are available for draw upon the occurrence of certain regulatory and clinical development milestones ("Cytokinetics Funding Commitments"). In April 2024, the contingency for the fourth tranche was met, triggering the requirement that Cytokinetics draws at least \$50 million, with the ability to draw an additional \$25 million within one year. For tranches one, four, five, six and seven, we expect to receive a return of 1.9 times the amount drawn over 34 consecutive quarterly payments beginning on the last business day of the seventh quarter following the quarter of the funding date of each tranche. In the fourth quarter of 2023, we began receiving quarterly repayments on the first tranche.

We elected the fair value option to account for the Cytokinetics Development Funding and the Cytokinetics Commercial Launch Funding (collectively the "Cytokinetics Funding Arrangements") as it most accurately reflects the nature of the funding arrangements. The funded Cytokinetics Funding Arrangements are recorded within *Available for sale debt securities* on the condensed consolidated balance sheets. The Cytokinetics Funding Commitments, which include options and forwards, are recognized at fair value within *Other liabilities* on the condensed consolidated balance sheets. The changes in the fair value of the funded Cytokinetics Funding Arrangements and Cytokinetics Funding Commitments are recorded within *Gains on available for sale debt securities* in the condensed consolidated statements of operations.

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Further, as part of the expanded funding collaboration in May 2024, we provided funding for the clinical trials of CK-586 in exchange for a royalty and purchased Cytokinetics common stock, both of which are further described in Note 4—Fair Value Measurements and Financial Instruments. Lastly, the funding collaboration also included a royalty restructuring on aficamten.

The table below summarizes the components of our funding collaboration with Cytokinetics and related funding status as of September 30, 2024 (in thousands):

	Funded	Required Future Draw	Potential Future Draw	Total
Cytokinetics Commercial Launch Funding ⁽¹⁾	\$ 100,000	\$ 50,000	\$ 300,000	\$ 450,000
Cytokinetics Development Funding	100,000	—	—	100,000
Cytokinetics R&D Funding Derivative ⁽²⁾	50,000	—	150,000	200,000
Cytokinetics Common Stock	50,000	—	—	50,000
Total	\$ 300,000	\$ 50,000	\$ 450,000	\$ 800,000

(1) Total excludes \$75 million for two tranches that are no longer available. Total reflects \$225 million for two additional tranches under the expanded funding collaboration in May 2024.

(2) Related to our funding for the clinical trials of CK-586. We have the option to fund up to an additional \$50 million. See Note 4—Fair Value Measurements and Financial Instruments for additional discussion.

MorphoSys Development Funding Bonds

In September 2022, we provided MorphoSys AG (“MorphoSys”) funding of \$ 300 million (“MorphoSys Development Funding Bonds”). We expect to receive a return of 2.2 times the MorphoSys Development Funding Bonds, payable on a quarterly basis over nine years, with the first payment beginning in the fourth quarter of 2024.

We elected the fair value option to account for the MorphoSys Development Funding Bonds as it most accurately reflects the nature of the instrument. The MorphoSys Development Funding Bonds are recorded within *Available for sale debt securities* on the condensed consolidated balance sheets. The changes in the fair value of the MorphoSys Development Funding Bonds are recorded within *Gains on available for sale debt securities* in the condensed consolidated statements of operations.

The table below summarizes our available for sale debt securities recorded at fair value (in thousands):

	Cost	Unrealized Gains	Fair Value	Current Assets	Non-Current Assets	Non-Current Liabilities	Total
As of September 30, 2024							
Debt securities ⁽¹⁾	\$ 512,554	\$ 193,246	\$ 705,800	\$ 48,500	\$ 657,300	\$ —	\$ 705,800
Funding commitments ⁽²⁾	(12,300)	7,700	(4,600)	—	—	(4,600)	(4,600)
Total	\$ 500,254	\$ 200,946	\$ 701,200	\$ 48,500	\$ 657,300	\$ (4,600)	\$ 701,200
As of December 31, 2023							
Debt securities ⁽¹⁾	\$ 359,667	\$ 95,733	\$ 455,400	\$ 18,300	\$ 437,100	\$ —	\$ 455,400
Funding commitments ⁽²⁾	(7,300)	6,400	(900)	—	—	(900)	(900)
Total	\$ 352,367	\$ 102,133	\$ 454,500	\$ 18,300	\$ 437,100	\$ (900)	\$ 454,500

(1) The cost related to tranches one and six of the Cytokinetics Commercial Launch Funding and the cost for the Cytokinetics Development Funding reflect the fair values on their respective funding dates. The cost related to tranche one of the Cytokinetics Commercial Launch Funding is amortized as quarterly repayments are received. The cost of the MorphoSys Development Funding Bonds represents the amounts funded.

(2) Related to Cytokinetics Funding Commitments for which certain tranches remain available as of the respective balance sheet dates. The costs associated with the Cytokinetics Funding Commitments represent the fair values on their respective transaction dates.

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4. Fair Value Measurements and Financial Instruments

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	As of September 30, 2024				As of December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds ⁽¹⁾	\$ 354,930	\$ —	\$ —	\$ 354,930	\$ 157,420	\$ —	\$ —	\$ 157,420
Available for sale debt securities ⁽²⁾	—	—	48,500	48,500	—	—	18,300	18,300
Total current assets	\$ 354,930	\$ —	\$ 48,500	\$ 403,430	\$ 157,420	\$ —	\$ 18,300	\$ 175,720
Equity securities ⁽³⁾	175,968	—	52,899	228,867	199,190	—	297	199,487
Available for sale debt securities ⁽²⁾	—	—	657,300	657,300	—	—	437,100	437,100
Derivative instrument ⁽⁴⁾	—	—	21,000	21,000	—	—	—	—
Royalty at fair value ⁽³⁾	—	—	5,323	5,323	—	—	1,778	1,778
Total non-current assets	\$ 175,968	\$ —	\$ 736,522	\$ 912,490	\$ 199,190	\$ —	\$ 439,175	\$ 638,365
Liabilities:								
Funding commitments ⁽⁵⁾	—	—	(4,600)	(4,600)	—	—	(900)	(900)
Total non-current liabilities	\$ —	\$ —	\$ (4,600)	\$ (4,600)	\$ —	\$ —	\$ (900)	\$ (900)

(1) Recorded within *Cash and cash equivalents* on the condensed consolidated balance sheets.

(2) Related to tranche one of the Cytokinetics Commercial Launch Funding and the MorphoSys Development Funding Bonds. As of September 30, 2024, amount also includes tranche six of the Cytokinetics Commercial Launch Funding and the Cytokinetics Development Funding.

(3) The amounts reflected within Level 3 are related to equity securities and a revenue participation right acquired from ApiJect Holdings, Inc. ("ApiJect"), a private company. We estimated the fair values related to the instruments acquired from ApiJect using a discounted cash flow with Level 3 inputs including forecasted cash flows and the weighted average cost of capital. The revenue participation right was recorded within *Other assets* on the condensed consolidated balance sheets. See Note 7—Non-Consolidated Affiliates for additional discussion. As of September 30, 2024, the amount reflected within Level 3 also includes the Cytokinetics common stock that we purchased as part of the expanded funding collaboration described in Note 3—Available for Sale Debt Securities.

(4) Related to the Cytokinetics R&D Funding Derivative (as defined below) recorded within *Other assets* on the condensed consolidated balance sheet.

(5) Related to the Cytokinetics Funding Commitments recorded within *Other liabilities* on the condensed consolidated balance sheets.

For the third quarter and first nine months of 2024, we recognized gains of \$ 50.8 million and \$33.3 million, respectively, on equity securities still held as of September 30, 2024. For the third quarter and first nine months of 2023, we recognized gains of \$4.7 million and \$14.4 million, respectively, on equity securities still held as of September 30, 2024.

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The tables presented below summarize the change in the combined fair value (current and non-current) of Level 3 financial instruments (in thousands):

For the Three Months Ended September 30, 2024					
	Equity Securities	Debt Securities	Funding Commitments	Derivative Instrument ⁽²⁾	Royalty at Fair Value
Balance at the beginning of the period	\$ 52,322	\$ 668,400	\$ (22,000)	\$ 18,000	\$ 5,323
Gains on equity securities	577	—	—	—	—
Gains on derivative financial instruments	—	—	—	3,000	—
Gains on available for sale debt securities	—	40,280	17,400	—	—
Redemption ⁽¹⁾	—	(2,880)	—	—	—
Balance at the end of the period	\$ 52,899	\$ 705,800	\$ (4,600)	\$ 21,000	\$ 5,323

(1) Amount relates to the quarterly repayment on tranche one of the Cytokinetics Commercial Launch Funding.

(2) Related to the Cytokinetics R&D Funding Derivative (as defined below).

For the Three Months Ended September 30, 2023					
	Equity Securities	Debt Securities	Funding Commitments	Derivative Instruments	Royalty at Fair Value
Balance at the beginning of the period	\$ 5,718	\$ 348,800	\$ (8,500)	\$ 8,680	\$ 16,583
Losses on equity securities	(1,546)	—	—	—	—
Losses on derivative financial instruments	—	—	—	(8,680)	—
Gains/(losses) on available for sale debt securities	—	10,100	(2,800)	—	—
Other non-operating expense	—	—	—	—	(252)
Balance at the end of the period	\$ 4,172	\$ 358,900	\$ (11,300)	\$ —	\$ 16,331

For the Nine Months Ended September 30, 2024					
	Equity Securities	Debt Securities	Funding Commitments	Derivative Instrument ⁽³⁾	Royalty at Fair Value
Balance at the beginning of the period	\$ 297	\$ 455,400	\$ (900)	\$ —	\$ 1,778
Purchases	46,500	150,000	—	18,000	—
Gains/(losses) on initial recognition ⁽¹⁾	—	5,000	(5,000)	—	—
Gains on equity securities	6,102	—	—	—	—
Gains on derivative financial instruments	—	—	—	3,000	—
Gains on available for sale debt securities	—	102,600	1,300	—	—
Other non-operating income	—	—	—	—	3,545
Redemptions ⁽²⁾	—	(7,200)	—	—	—
Balance at the end of the period	\$ 52,899	\$ 705,800	\$ (4,600)	\$ 21,000	\$ 5,323

(1) Represents purchase price allocation to arrive at the appropriate fair value on initial recognition.

(2) Amount relates to the quarterly repayment on tranche one of the Cytokinetics Commercial Launch Funding.

(3) Related to the Cytokinetics R&D Funding Derivative (as defined below).

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For the Nine Months Ended September 30, 2023

	Equity Securities	Debt Securities	Funding Commitments	Derivative Instruments⁽¹⁾	Royalty at Fair Value
Balance at the beginning of the period	\$ 8,472	\$ 227,600	\$ (2,500)	\$ 96,610	\$ 14,500
Losses on equity securities	(4,300)	—	—	—	—
Losses on derivative financial instruments	—	—	—	(2,290)	—
Gains/(losses) on available for sale debt securities	—	131,300	(8,800)	—	—
Other non-operating income	—	—	—	—	1,831
Settlements	—	—	—	(94,320)	—
Balance at the end of the period	\$ 4,172	\$ 358,900	\$ (11,300)	\$ —	\$ 16,331

(1) Represents the embedded derivative instruments related to our option to accelerate the zavegepant milestone payments into a single payment. In March 2023, the FDA approved Zavzpret, the intranasal formulation of zavegepant, and we received a \$475 million milestone payment which resulted in partial settlement of the derivative instruments.

Valuation Inputs for Recurring Fair Value Measurements

Below is a discussion of the valuation inputs used for financial instruments classified as Level 3 measurement as of September 30, 2024 and December 31, 2023 in the fair value hierarchy. As of September 30, 2024 and December 31, 2023, we did not have any financial instruments recorded at fair value using Level 2 inputs.

Cytokinetics Common Stock

In May 2024, we purchased approximately 980 thousand shares of Cytokinetics common stock. As part of the transaction, we are restricted from selling the Cytokinetics common stock for six months following the close of the transaction. The fair value of the Cytokinetics common stock as of September 30, 2024 was based on the closing stock price and adjusted for the transfer restriction, which was determined by calculating the value of a put option over the Cytokinetics common stock to match the duration of the transfer restriction. This methodology incorporates Level 3 inputs, including the estimated volatility of the Cytokinetics common stock, which requires the use of significant judgement. Our estimated volatility could be reasonably different than the actual volatility for the Cytokinetics common stock which would mean that the estimated fair value for the Cytokinetics common stock could be significantly higher or lower than the fair value determined by management at any particular date.

Cytokinetics Research & Development ("R&D") Funding Derivative

In May 2024, we funded \$50 million upfront in exchange for a royalty on CK-586. We have an option to fund up to an additional \$150 million for which we would be eligible to receive milestone payments of up to \$150 million upon regulatory approvals and an incremental royalty on CK-586. Upon a change of control event, we have the option to cause Cytokinetics to pay us 1.5 times the initial and additional funding amounts in a lump sum to terminate our rights to receive royalties and milestone payments. Our funding arrangement on CK-586 is accounted for as a derivative instrument and is recorded at fair value ("Cytokinetics R&D Funding Derivative").

We estimated the fair value of the Cytokinetics R&D Funding Derivative as of September 30, 2024 by utilizing probability-adjusted discounted cash flow calculations using Level 3 inputs, including the probabilities of us exercising the additional funding option, regulatory approvals and the occurrence of a change of control event during the duration of the arrangement. We also assumed a risk-adjusted discount rate of 11.2% as of September 30, 2024. Our estimate of expectation of timing and probabilities of us exercising the additional funding option, regulatory approvals and a change of control event, the risk-adjusted discount rate and the interest rate volatility could reasonably be different than the assumptions selected by a market participant, which would mean that the estimated fair value could be significantly higher or lower.

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Cytokinetics Funding Arrangements and Cytokinetics Funding Commitments

We estimated the fair values of the funded Cytokinetics Funding Arrangements as of September 30, 2024 and December 31, 2023 by utilizing probability-adjusted discounted cash flow calculations using Level 3 inputs, including an estimated risk-adjusted discount rate and the probability that there will be a change of control event, which would result in accelerated payments. Developing a risk-adjusted discount rate and assessing the probability that there will be a change of control event over the duration of the Cytokinetics Funding Arrangements require significant judgement. Our estimate of the risk-adjusted discount rate could reasonably be different than the discount rate selected by a market participant, which would mean that the estimated fair value could be significantly higher or lower. Our expectation of the probability and timing of the occurrence of a change of control event could reasonably be different than the timing of an actual change of control event, and if so, would mean that the estimated fair value could be significantly higher or lower than the fair value determined by management at any particular date.

We estimated the fair value of the Cytokinetics Funding Commitments as of September 30, 2024 and December 31, 2023 using a Monte Carlo simulation methodology that includes simulating the interest rate movements using a Geometric Brownian Motion-based pricing model. This methodology simulates the likelihood of future discount rates exceeding the counterparty's assumed cost of debt, which would impact Cytokinetics' decision to exercise its option to draw on each respective tranche. As of September 30, 2024 and December 31, 2023, this methodology incorporates Level 3 inputs, including the probability of a change of control event occurring during the investment term, an assumed interest rate volatility of 40.0% and 37.5%, respectively, and an assumed risk-adjusted discount rate of 11.2% and 10.9%, respectively. We also assumed probabilities for the occurrence of each regulatory or clinical milestone, which impacts the availability of each future tranche of funding. Our estimate of expectation of the probability and timing of the occurrence of a change of control event, the risk-adjusted discount rate, the interest rate volatility and the probabilities of each underlying milestone could reasonably be different than the assumptions selected by a market participant, which would mean that the estimated fair value could be significantly higher or lower.

MorphoSys Development Funding Bonds

We estimated the fair value of the MorphoSys Development Funding Bonds as of September 30, 2024 and December 31, 2023 based on a discounted cash flow calculation using estimated risk-adjusted discount rates, which are Level 3 inputs. Our estimate of the risk adjusted discount rates could reasonably be different than the discount rates selected by a market participant, which would mean that the estimated fair value could be significantly higher or lower.

Financial Assets Not Measured at Fair Value

Financial royalty assets are measured and carried on the condensed consolidated balance sheets at amortized cost using the effective interest method. Financial royalty assets do not include our entire portfolio of investments, and specifically exclude the following:

1. development-stage product candidates where the funding was (i) expensed as upfront R&D upon acquisition (e.g., Trodelvy and Nurtec ODT), (ii) expensed as ongoing R&D (e.g., historically, Soliqua from our co-funding agreement with Sanofi) or (iii) treated as a derivative instrument (e.g., CK-586); and
2. contractual funding arrangements (e.g., the MorphoSys Development Funding Bonds and the Cytokinetics Funding Arrangements), which are accounted for as available for sale debt securities.

The fair value of financial royalty assets is classified as Level 3 within the fair value hierarchy since it is determined based on inputs that are both significant and unobservable. Management calculates the fair value of financial royalty assets using forecasted royalty receipts based on the projected product sales for all royalty bearing products which are estimated using sell-side equity research analysts' consensus sales forecasts. These projected future royalty receipts by asset, along with any projected incoming or outgoing milestone payments, are then discounted to a present value using appropriate individual discount rates.

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Of the current portion of financial royalty assets, approximately 9.8% and 10.1% was attributable to legacy non-controlling interests as of September 30, 2024 and December 31, 2023, respectively. The fair value of the non-current portion of financial royalty assets included approximately 8.1% and 9.4% attributable to legacy non-controlling interests as of September 30, 2024 and December 31, 2023, respectively.

The estimated fair values and related carrying values of the current and non-current portions of financial royalty assets are presented below (in thousands):

Financial Royalty Assets	As of September 30, 2024		As of December 31, 2023	
	Fair Value	Carrying Value, Net	Fair Value	Carrying Value, Net
Current	\$ 765,773	\$ 765,773	\$ 738,438	\$ 738,438
Non-current	20,909,498	14,968,074	19,077,706	14,088,655
Total	\$ 21,675,271	\$ 15,733,847	\$ 19,816,144	\$ 14,827,093

5. Financial Royalty Assets

Financial royalty assets consist of contractual rights to cash flows relating to royalties derived from the expected sales of patent-protected biopharmaceutical products that entitle us and our subsidiaries to receive a portion of income from the sale of such products by third parties.

The gross carrying value, cumulative allowance for changes in expected cash flows, exclusive of the allowance for credit losses, and net carrying value for the current and non-current portion of financial royalty assets are as follows (in thousands):

	Estimated Royalty Duration⁽¹⁾	As of September 30, 2024		
		Gross Carrying Value	Cumulative Allowance for Changes in Expected Cash Flows (Note 6)	Net Carrying Value⁽⁴⁾
Cystic fibrosis franchise	2039-2041 ⁽²⁾	\$ 5,182,429	\$ (190,534)	\$ 4,991,895
Evrysdi	2035-2036	2,083,375	(208,212)	1,875,163
Trelegy	2029-2030	1,109,464	(21,937)	1,087,527
Tysabri	⁽³⁾	1,361,608	(349,093)	1,012,515
Voranigo	2038	921,142	—	921,142
Tremfya	2031-2032	936,289	(100,798)	835,491
Other	2025-2042	7,764,785	(2,553,010)	5,211,775
Total		\$ 19,359,092	\$ (3,423,584)	\$ 15,935,508
Less: Cumulative allowance for credit losses (Note 6)				(201,661)
Total current and non-current financial royalty assets, net				\$ 15,733,847

(1) Durations shown represent our estimates as of the current reporting date of when a royalty will substantially end, which may vary by geography and may depend on clinical trial results, regulatory approvals, contractual terms, commercial developments, estimates of regulatory exclusivity and patent expiration dates (which may include estimated patent term extensions) or other factors. There can be no assurances that our royalties will expire when expected.

(2) Royalty is perpetual; range shown assumes approval of Vertex's vanzacaftor/tezacaftor/deutivacaftor ("vanzacaftor triple") and represents expected patent expiration and potential sales decline based on timing of potential generic entry.

(3) RPIFT acquired a perpetual royalty on net sales of Tysabri. We have applied an end date of 2031 for purposes of accreting income over the royalty term, which is periodically reviewed.

(4) The net carrying value by asset is presented before the allowance for credit losses. Refer to Note 6—Cumulative Allowance and the Provision for Changes in Expected Cash Flows from Financial Royalty Assets for additional information.

As of September 30, 2024, the balance of \$15.7 billion above for total current and non-current financial royalty assets, net included \$ 1.2 billion in unapproved financial royalty assets held at cost related to frexalimab of \$521.5 million and other assets, primarily olpasiran, pelacarsen and olanzapine LAI (TEV-'749).

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		As of December 31, 2023		
		Cumulative Allowance for Changes in Expected Cash		
	Estimated Royalty Duration ⁽¹⁾	Gross Carrying Value	Flows (Note 6)	Net Carrying Value ⁽⁴⁾
stic fibrosis franchise	2037 ⁽²⁾	\$ 5,288,833	(2,539)	5,286,294
rysdi	2035-2036	1,793,088	—	1,793,088
alegy	2029-2030	1,208,807	—	1,208,807
sabri	⁽³⁾	1,511,957	(434,568)	1,077,389
amfya	2031-2032	927,488	(120,733)	806,755
andi	2027-2028	911,045	(268,701)	642,344
er	2024-2041	6,251,020	(2,100,897)	4,150,123
Total		\$ 17,892,238	(2,927,438)	14,964,800
Less: Cumulative allowance for credit losses (Note 6)				(137,707)
Total current and non-current financial royalty assets, net			\$	14,827,093

- (1) Durations shown represent our estimates as of December 31, 2023 of when a royalty will substantially end, which may vary by geography and may depend on clinical trial results, regulatory approvals, contractual terms, commercial developments, estimates of regulatory exclusivity and patent expiration dates (which may include estimated patent term extensions) or other factors. There can be no assurances that our royalties will expire when expected.
- (2) Royalty is perpetual; year shown represents Trikafta's expected patent expiration and potential sales decline based on timing of potential generic entry.
- (3) RPIFT acquired a perpetual royalty on net sales of Tysabri. We have applied an end date of 2031 for purposes of accreting income over the royalty term, which is periodically reviewed.
- (4) The net carrying value by asset is presented before the allowance for credit losses. Refer to Note 6—Cumulative Allowance and the Provision for Changes in Expected Cash Flows from Financial Royalty Assets for additional information.

6. Cumulative Allowance and the Provision for Changes in Expected Cash Flows from Financial Royalty Assets

The cumulative allowance for changes in expected cash flows from financial royalty assets is presented net within the non-current portion of financial royalty assets on the condensed consolidated balance sheets and includes the following:

- the movement in the cumulative allowance related to changes in forecasted royalty payments to be received based on royalty bearing products' projected sales which are primarily derived from sell-side equity research analysts' consensus sales forecasts,
- the write-off of cumulative allowance at the end of a royalty asset's life which only impacts the condensed consolidated balance sheets, and
- the movement in the cumulative allowance for current expected credit losses, primarily associated with new financial royalty assets with limited protective rights and changes in the underlying cash flow forecasts of financial royalty assets with limited protective rights.

The following table sets forth the activity in the cumulative allowance for changes in expected cash flows from financial royalty assets, inclusive of the cumulative allowance for credit losses (in thousands):

	Activity for the Period
Balance at December 31, 2023⁽¹⁾	\$ (3,065,145)
Increases to the cumulative allowance for changes in expected cash flows from financial royalty assets	(1,083,352)
Decreases to the cumulative allowance for changes in expected cash flows from financial royalty assets	578,881
Write-off of cumulative allowance	8,325
Current period provision for credit losses, net ⁽²⁾	(63,954)
Balance at September 30, 2024	\$ (3,625,245)

(1) Includes \$137.7 million related to cumulative allowance for credit losses.

(2) The provision expense for credit losses was primarily related to the additions of Yorvipath, Voranigo and ecopipam to our portfolio.

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7. Non-Consolidated Affiliates

We have equity investments in certain entities at a level that provide us with significant influence. We account for such investments as equity method investments or as equity securities over which we have elected the fair value option.

ApiJect

In April 2022, we acquired common stock and a revenue participation right from ApiJect. We elected the fair value option to account for our investments in ApiJect because it is more reflective of current values for such investments. We are also required to purchase additional common stock from ApiJect if certain milestones are achieved. The fair value of our equity investment in ApiJect is recorded within *Equity securities* and the change in fair value is recorded within *Gains on equity securities*. The fair value of the revenue participation right is recorded within *Other assets* and the change in fair value is recorded within *Other non-operating expenses/(income), net*. No amounts were due from or to ApiJect related to the revenue participation right as of September 30, 2024 and December 31, 2023.

The Legacy SLP Interest

In connection with the Exchange Offer, we acquired a special limited partnership interest in the Legacy Investors Partnerships (the "Legacy SLP Interest") from the Continuing Investors Partnerships for \$303.7 million in exchange for issuing shares in our subsidiary. As a result, we became a special limited partner in the Legacy Investors Partnerships. The Legacy SLP Interest entitles us to the equivalent of performance distribution payments that would have been paid to the general partner of the Legacy Investors Partnerships and an income allocation on a similar basis. Our income allocation is equal to the general partner's former contractual rights to the income of the Legacy Investors Partnerships, net of amortization of the basis difference. The Legacy SLP Interest is accounted for under the equity method as our Manager is also the Manager of the Legacy Investors Partnerships and has the ability to exercise significant influence. The Legacy Investors Partnerships no longer participate in investment opportunities from June 30, 2020 and, as such, the value of the Legacy SLP Interest is expected to decline over time. The Legacy Investors Partnerships also indirectly own a non-controlling interest in Old RPI and RPI ICAV.

The income allocation from the Legacy SLP Interest is based on an estimate as the Legacy Investors Partnerships are private partnerships that report on a lag. Management's estimate of equity in earnings from the Legacy SLP Interest for the current period will be updated for historical results in the subsequent period. Equity in earnings from the Legacy SLP Interest is recorded within *Equity in (earnings)/losses of equity method investees*. We recorded income allocations of \$10.2 million and \$5.5 million in the third quarter and first nine months of 2024, respectively. We recorded a loss allocation of \$2.3 million and an income allocation of \$0.6 million in the third quarter and first nine months of 2023, respectively. We collected cash receipts from the Legacy SLP Interest of \$11.0 million and \$19.9 million in the third quarter and first nine months of 2024, respectively. We collected cash receipts from the Legacy SLP Interest of \$4.8 million and \$9.7 million in the third quarter and first nine months of 2023, respectively.

The Avillion Entities

We account for our partnership interests in Avillion Financing I, LP and its related entities ("Avillion I") and BAv Financing II, LP and its related entities ("Avillion II") and, together with Avillion I, the "Avillion Entities") as equity method investments because RPIFT has the ability to exercise significant influence over the Avillion Entities. Equity in earnings from the Avillion Entities is recorded within *Equity in (earnings)/losses of equity method investees*. We recorded an income allocation of \$0.2 million and a loss allocation of \$7.6 million in the third quarter and first nine months of 2024, respectively. We recorded a loss allocation of \$3.0 million and an income allocation of \$28.0 million in the third quarter and first nine months of 2023, respectively.

On December 19, 2017, the FDA approved a supplemental New Drug Application for Pfizer's Bosulif. Avillion I is eligible to receive fixed payments from Pfizer based on this approval under its co-development agreement with Pfizer. The only operations of Avillion I are the collection of cash and unwinding of the discount on the series of fixed annual payments due from Pfizer. We received distributions from Avillion I of \$13.4 million and \$13.6 million in the first nine months of 2024 and 2023, respectively.

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In May 2018, RPIFT entered into an agreement with Avillion II, which was subsequently amended, to fund a total of \$ 155 million over multiple years for a portion of the costs of Phase 2 and 3 clinical trials to advance Aisupra, formerly known as PT027, which was approved by the FDA in January 2023. Avillion II is a party to a co-development agreement with AstraZeneca to develop Aisupra for the treatment of asthma in exchange for royalties, a series of success-based milestones and other potential payments. In the first quarter of 2023, AstraZeneca notified Avillion II that it elected to pay a fee of \$80 million to Avillion II to exercise an option to commercialize Aisupra in the United States and we received our pro rata portion of the exercise fee of \$34.8 million from Avillion II. In the third quarter of 2024, we received a distribution of \$ 0.5 million from Avillion II, which was the first distribution related to the Aisupra royalty.

Our maximum exposure to loss at any particular reporting date is limited to the carrying value of our equity method investments plus the unfunded commitments. As of September 30, 2024 and December 31, 2023, we had unfunded commitments related to the Avillion Entities of \$10.3 million and \$16.3 million, respectively.

8. Research and Development Funding Expense

R&D funding expense consists of payments that we have made to counterparties to acquire royalties or milestones on product candidates. R&D funding expense includes development-stage funding payments made to counterparties on an upfront basis or upon pre-approval milestones, and development-stage funding payments that are made to counterparties over time as the related product candidates undergo clinical trials with our counterparties. During the first nine months of 2024 and 2023, we did not enter into any new ongoing R&D funding arrangements.

We recognized R&D funding expense of \$0.5 million and \$1.5 million in the third quarter and first nine months of 2024, respectively, related to ongoing development-stage funding payments. We recognized R&D funding expense of \$50.5 million and \$51.5 million in the third quarter and first nine months of 2023, respectively, primarily related to a \$50.0 million clinical milestone payment to Cytokinetics for aficamten.

9. Borrowings

Our borrowings consisted of the following (in thousands):

Type of Borrowing	Date of Issuance	Maturity	As of September 30, 2024	As of December 31, 2023
Senior Unsecured Notes:				
\$1,000,000, 1.20% (issued at 98.875% of par)	9/2020	9/2025	1,000,000	1,000,000
\$1,000,000, 1.75% (issued at 98.284% of par)	9/2020	9/2027	1,000,000	1,000,000
\$500,000, 5.15% (issued at 98.758% of par)	6/2024	9/2029	500,000	—
\$1,000,000, 2.20% (issued at 97.760% of par)	9/2020	9/2030	1,000,000	1,000,000
\$600,000, 2.15% (issued at 98.263% of par)	7/2021	9/2031	600,000	600,000
\$500,000, 5.40% (issued at 97.872% of par)	6/2024	9/2034	500,000	—
\$1,000,000, 3.30% (issued at 95.556% of par)	9/2020	9/2040	1,000,000	1,000,000
\$1,000,000, 3.55% (issued at 95.306% of par)	9/2020	9/2050	1,000,000	1,000,000
\$700,000, 3.35% (issued at 97.565% of par)	7/2021	9/2051	700,000	700,000
\$500,000, 5.90% (issued at 97.617% of par)	6/2024	9/2054	500,000	—
Unamortized debt discount and issuance costs			(192,621)	(164,715)
Total debt carrying value			7,607,379	6,135,285
Less: Current portion of long-term debt			(996,942)	—
Total long-term debt			\$ 6,610,437	\$ 6,135,285

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Senior Unsecured Notes

In June 2024, we issued \$1.5 billion of senior unsecured notes (the "2024 Notes"). The 2024 Notes were issued at a total discount of \$ 28.8 million and we capitalized approximately \$12.6 million in debt issuance costs primarily composed of underwriting fees. The 2024 Notes were issued with a weighted average coupon rate and a weighted average effective interest rate of 5.48% and 5.92%, respectively.

We issued \$1.3 billion and \$6.0 billion of senior unsecured notes in 2021 (the "2021 Notes") and 2020 (the "2020 Notes"), respectively. The 2021 Notes and 2020 Notes were issued at a total discount of \$176.4 million and we capitalized approximately \$52.7 million in debt issuance costs primarily composed of underwriting fees. The 2021 Notes were issued with a weighted average coupon rate and a weighted average effective interest rate of 2.80% and 3.06%, respectively. The 2020 Notes were issued with a weighted average coupon rate and a weighted average effective interest rate of 2.13% and 2.50%, respectively. In September 2023, we repaid \$1.0 billion of the 2020 Notes upon maturity.

Interest on each series of the 2024 Notes, 2021 Notes and 2020 Notes (the "Notes") accrues at the respective rate per annum and is payable semi-annually in arrears on March 2 and September 2 of each year. The first interest payment date for the 2024 Notes will be March 2, 2025.

The Notes may be redeemed at our option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis at the treasury rate, plus a make-whole premium as defined in the indenture. In each case, accrued and unpaid interest is also required to be redeemed to the date of redemption.

Upon the occurrence of a change of control triggering event and downgrade in the rating of our Notes by two of three credit agencies, the holders may require us to repurchase all or part of their Notes at a price equal to 101% of the aggregate principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

Our obligations under the Notes are fully and unconditionally guaranteed by RP Holdings, a non-wholly-owned subsidiary. We are required to comply with certain covenants under our Notes and as of September 30, 2024, we were in compliance with all applicable covenants.

As of September 30, 2024 and December 31, 2023, the fair value of our outstanding Notes using Level 2 inputs was approximately \$ 6.8 billion and \$5.1 billion, respectively.

Senior Unsecured Revolving Credit Facility

Our subsidiary, RP Holdings, as borrower, initially entered into to the Amended and Restated Revolving Credit Agreement (the "Credit Agreement") on September 15, 2021, which provides for an unsecured revolving credit facility (the "Revolving Credit Facility"). Amendment No. 3 to the Credit Agreement, which was entered into on December 22, 2023, increased the borrowing capacity to \$1.8 billion for general corporate purposes with \$1.69 billion of the revolving commitments maturing on December 22, 2028 and the remaining \$ 110.0 million of revolving commitments maturing on October 31, 2027. On January 24, 2024, we entered into Amendment No. 4 to the Credit Agreement to make certain technical modifications. As of September 30, 2024 and December 31, 2023, there were no outstanding borrowings under the Revolving Credit Facility.

The Revolving Credit Facility is subject to an interest rate, at our option, of either (a) a base rate determined by reference to the highest of (1) the administrative agent's prime rate, (2) the federal funds rate plus 0.5% and (3) Term SOFR plus 1% or (b) Daily SOFR, Term SOFR, the Alternative Currency Term Rate or the Alternative Currency Daily Rate (each as defined in the Credit Agreement), plus in each case, the applicable margin. The applicable margin for the Revolving Credit Facility varies based on our public debt rating. Accordingly, the interest rates for the Revolving Credit Facility fluctuate during the term of the facility based on changes in the applicable interest rate and future changes in our public debt rating.

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The Credit Agreement that governs the Revolving Credit Facility contains certain customary covenants, that among other things, require us to maintain (i) a consolidated leverage ratio at or below 4.00 to 1.00 (or at or below 4.50 to 1.00 following a qualifying material acquisition) of consolidated funded debt to Adjusted EBITDA, each as defined and calculated as set forth in the Credit Agreement, (ii) a consolidated coverage ratio at or above 2.50 to 1.00 of Adjusted EBITDA to consolidated interest expense, each as defined and calculated as set forth in the Credit Agreement and (iii) a consolidated Portfolio Cash Flow Ratio at or below 5.00 to 1.00 (or at or below 5.50 to 1.00 following a qualifying material acquisition) of consolidated funded debt to Portfolio Cash Flow, each as defined and calculated as set forth in the Credit Agreement. All obligations under the Revolving Credit Facility are unconditionally guaranteed by us. Noncompliance with the leverage ratio, portfolio cash flow ratio and interest coverage ratio covenants under the Credit Agreement could result in our lenders requiring us to immediately repay all amounts borrowed. The Credit Agreement includes customary covenants for credit facilities of this type that limit our ability to engage in certain activities, such as incurring additional indebtedness, paying dividends, making certain payments and acquiring and disposing of assets. As of September 30, 2024, RP Holdings was in compliance with these covenants.

Principal Payments on the Notes

The future principal payments for our borrowings as of September 30, 2024 over the next five years and thereafter are as follows (in thousands):

Year	Principal Payments
Remainder of 2024	\$ —
2025	1,000,000
2026	—
2027	1,000,000
2028	—
Thereafter	5,800,000
Total⁽¹⁾	\$ 7,800,000

(1) Excludes unamortized debt discount and issuance costs of \$192.6 million as of September 30, 2024, which are amortized through interest expense over the remaining life of the underlying debt obligations.

10. Shareholders' Equity

Capital Structure

We have two classes of voting shares: Class A ordinary shares and Class B ordinary shares, each of which has one vote per ordinary share. The Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of shareholders, except as otherwise required by applicable law. Our Class B ordinary shares are not publicly traded and holders of Class B ordinary shares only have limited rights to receive a distribution equal to their nominal value upon a liquidation, dissolution or winding up. As of September 30, 2024, we have 446,038 thousand Class A ordinary shares and 144,881 thousand Class B ordinary shares outstanding.

An exchange agreement entered into by us, RP Holdings, the Continuing Investors Partnerships, RPI International Partners 2019, LP, RPI US Feeder 2019, LP, RPI International Feeder 2019, LP and EPA Holdings (as amended from time to time, the "Exchange Agreement") governs the exchange of RP Holdings Class B Interests indirectly held by the Continuing Investors Partnerships for our Class A ordinary shares. Pursuant to the Exchange Agreement, RP Holdings Class B interests are exchangeable on a one-for-one basis for our Class A ordinary shares on a quarterly basis. Each such exchange also results in the re-designation of the same number of our Class B ordinary shares as deferred shares. Such deferred shares are non-voting and do not confer a right to participate in the profits of the Company or any right to receive dividends. As of September 30, 2024, we have 390,502 thousand deferred shares outstanding.

In addition, we have in issue 50 thousand Class R redeemable shares, which do not entitle the holder to voting or dividend rights. As required by the U.K. Companies Act 2006, the Class R redeemable shares were issued to ensure Royalty Pharma Limited had sufficient sterling denominated share capital upon its re-registration in 2020 as Royalty Pharma plc, a public company. The Class R redeemable shares may be redeemed at our option in the future. Any such redemption would be at the nominal value of £1 each.

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Class A Ordinary Share Repurchases

In March 2023, our board of directors authorized a share repurchase program under which we may repurchase up to \$ 1.0 billion of our Class A ordinary shares. The authorization for the share repurchase program expires on June 23, 2027 and repurchases may be made in the open market or in privately negotiated transactions. In the first nine months of 2024, we repurchased 6.6 million shares at a cost of approximately \$ 179.7 million. In the first nine months of 2023, we repurchased 8.9 million shares at a cost of approximately \$ 278.6 million. As of September 30, 2024, approximately \$515.6 million remained available under the share repurchase program.

Non-Controlling Interests

The changes in the balances of our non-controlling interests are as follows (in thousands):

	Legacy Investors Partnerships	Continuing Investors Partnerships	EPA Holdings	Total
June 30, 2024	\$ 1,199,719	\$ 2,075,847	\$ —	\$ 3,275,566
Contributions	1,291	954	—	2,245
Distributions	(82,163)	(31,019)	—	(113,182)
Other exchanges	—	(38,411)	—	(38,411)
Net income	86,972	175,399	—	262,371
September 30, 2024	\$ 1,205,819	\$ 2,182,770	\$ —	\$ 3,388,589

	RPSFT	Legacy Investors Partnerships	Continuing Investors Partnerships	EPA Holdings	Total
June 30, 2023	\$ (103)	\$ 1,420,864	\$ 2,111,258	\$ —	\$ 3,532,019
Contributions	—	1,413	1,437	—	2,850
Distributions	(848)	(88,112)	(31,238)	—	(120,198)
Other exchanges	—	—	(18,459)	—	(18,459)
Net income	285	25,623	24,055	—	49,963
September 30, 2023	\$ (666)	\$ 1,359,788	\$ 2,087,053	\$ —	\$ 3,446,175

	Legacy Investors Partnerships	Continuing Investors Partnerships	EPA Holdings	Total
December 31, 2023	\$ 1,339,716	\$ 2,218,076	\$ —	\$ 3,557,792
Contributions	3,863	2,934	—	6,797
Distributions	(273,609)	(93,711)	—	(367,320)
Other exchanges	—	(154,373)	—	(154,373)
Net income	135,849	209,844	—	345,693
September 30, 2024	\$ 1,205,819	\$ 2,182,770	\$ —	\$ 3,388,589

	RPSFT	Legacy Investors Partnerships	Continuing Investors Partnerships	EPA Holdings	Total
December 31, 2022	\$ (597)	\$ 1,527,887	\$ 2,369,933	\$ —	\$ 3,897,223
Contributions	—	6,614	3,076	—	9,690
Distributions	(4,755)	(286,674)	(95,161)	—	(386,590)
Other exchanges	—	—	(416,156)	—	(416,156)
Net income	4,686	111,961	225,361	—	342,008
September 30, 2023	\$ (666)	\$ 1,359,788	\$ 2,087,053	\$ —	\$ 3,446,175

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Continuing Investors Partnerships

The Continuing Investors Partnerships hold the number of our Class B ordinary shares equal to the number of RP Holdings Class B Interests indirectly held by them. As the Continuing Investors Partnerships exchange RP Holdings Class B Interests indirectly held by them for Class A ordinary shares, the Continuing Investors Partnerships' indirect ownership in RP Holdings decreases. We operate and control the business affairs of RP Holdings through our ownership of RP Holdings Class A Interests and RP Holdings Class B Interests. In connection with our repurchase of Class A ordinary shares that began in the second quarter of 2023, RP Holdings also began to retire RP Holdings Class A Interests held by us which reduces our ownership in RP Holdings. The change in RP Holdings ownership between the Continuing Investors Partnerships and us as a result of (1) the exchanges of RP Holding Class B Interests for Class A ordinary shares and (2) retirement of RP Holdings Class A Interests is reflected through *Other exchanges* in the above tables and in our condensed consolidated statements of shareholders' equity.

As of September 30, 2024, the Continuing Investors Partnerships indirectly owned approximately 24% of RP Holdings with the remaining 76% owned by Royalty Pharma plc. As of September 30, 2023, the Continuing Investors Partnerships indirectly owned approximately 25% of RP Holdings with the remaining 75% owned by Royalty Pharma plc.

RPSFT

We historically reported a non-controlling interest related to a de minimis interest in RPCT held by RPSFT. In December 2023, we acquired the remaining interest in RPCT held by RPSFT by effectively purchasing the net assets of RPSFT and its parent entities, which primarily consisted of cash and RPSFT's right to receive a portion of royalties received by RPCT. The purchase price of approximately \$11.4 million was recorded within *Other current liabilities* on the condensed consolidated balance sheet as of December 31, 2023. The finalized purchase price of approximately \$ 12.5 million, which was subject to post-closing adjustments primarily related to the final determination of net asset values and liquidation costs, was fully paid as of June 30, 2024. Following this transaction in December 2023, RPSFT no longer holds a non-controlling interest in RPCT.

RP Holdings Class C Special Interest Held by EPA Holdings

EPA Holdings, an affiliate of the Manager, is entitled to Equity Performance Awards (as defined below) through its RP Holdings Class C Special Interest based on our performance, as determined on a portfolio-by-portfolio basis. Investments made during each two-year period are grouped together as separate portfolios (each, a "Portfolio"). Subject to certain conditions, at the end of each fiscal quarter, EPA Holdings is entitled to a distribution from RP Holdings in respect of each Portfolio equal to 20% of the Net Economic Profit (defined as the aggregate cash receipts for all new portfolio investments in such Portfolio less Total Expenses (defined as interest expense, operating expense and recovery of acquisition cost in respect of such Portfolio)) for such Portfolio for the applicable measuring period (the "Equity Performance Awards"). The Equity Performance Awards will be allocated to EPA Holdings, as the holder of the RP Holdings Class C Special Interest, and recorded as *Net income attributable to non-controlling interests* in the condensed consolidated statements of operations.

The Equity Performance Awards will be payable in RP Holdings Class B Interests that will be exchanged upon issuance for Class A ordinary shares. EPA Holdings may also receive a periodic cash advance in respect of the RP Holdings Class C Special Interest to the extent necessary for EPA Holdings or any of its beneficial owners to pay when due any income tax imposed on it or them as a result of holding such RP Holdings Class C Special Interest. The Equity Performance Awards will be reflected as a transaction between equity holders in the condensed consolidated statements of shareholders' equity and related periodic cash distributions will be presented as a financing activity in the condensed consolidated statements of cash flows. We do not expect any material Equity Performance Awards to be payable until certain performance conditions discussed above are met. Similarly, we do not expect any material income to be allocated to EPA Holdings until such performance conditions are met.

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Dividends

The holders of Class A ordinary shares are entitled to receive dividends subject to approval by our board of directors. The holders of Class B ordinary shares do not have any rights to receive dividends; however, RP Holdings Class B Interests are entitled to dividends and distributions from RP Holdings. In the first nine months of 2024, we declared and paid three quarterly cash dividends of \$0.21 per Class A ordinary share in an aggregate amount of \$282.8 million to holders of our Class A ordinary shares.

2020 Independent Directors Equity Incentive Plan and Share-based Compensation

On June 15, 2020, our 2020 Independent Director Equity Incentive Plan was approved and became effective, whereby 800 thousand Class A ordinary shares were authorized for issuance in the form of RSUs to our independent directors. RSUs granted under the plan generally vest over one year with the associated share-based compensation expense recorded as part of *General and administrative expenses* in the condensed consolidated statements of operations. In the third quarter and first nine months of 2024 and 2023, we did not recognize material share-based compensation expenses.

11. Earnings per Share

In the third quarter and first nine months of 2024 and 2023, Class B ordinary shares contingently issuable to EPA Holdings were evaluated and were determined not to have any dilutive impact.

The following table sets forth reconciliations of the numerators and denominators used to calculate basic and diluted earnings per Class A ordinary share (in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Numerator</u>				
Consolidated net income	\$ 806,358	\$ 122,077	\$ 996,462	\$ 982,502
Less: Net income attributable to continuing non-controlling interests	175,399	24,055	209,844	225,361
Less: Net income attributable to legacy non-controlling interests	86,972	25,908	135,849	116,647
Net income attributable to Royalty Pharma plc - basic	543,987	72,114	650,769	640,494
Add: Reallocation of net income attributable to non-controlling interests from the assumed conversion of Class B ordinary shares	175,399	24,055	209,844	225,361
Net income attributable to Royalty Pharma plc - diluted	\$ 719,386	\$ 96,169	\$ 860,613	\$ 865,855
<u>Denominator</u>				
Weighted average Class A ordinary shares outstanding - basic	447,628	448,439	449,085	448,162
Add: Dilutive effects as shown separately below				
Class B ordinary shares exchangeable for Class A ordinary shares	145,085	152,691	146,576	156,541
Unvested RSUs	13	8	22	14
Weighted average Class A ordinary shares outstanding - diluted	592,726	601,138	595,683	604,717
Earnings per Class A ordinary share - basic	\$ 1.22	\$ 0.16	\$ 1.45	\$ 1.43
Earnings per Class A ordinary share - diluted	\$ 1.21	\$ 0.16	\$ 1.44	\$ 1.43

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12. Indirect Cash Flow

Adjustments to reconcile consolidated net income to net cash provided by operating activities are summarized below (in thousands):

	For the Nine Months Ended September 30,	
	2024	2023
Cash flow from operating activities:		
Consolidated net income	\$ 996,462	\$ 982,502
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Income from financial royalty assets	(1,587,577)	(1,674,689)
Provision for changes in expected cash flows from financial royalty assets	568,425	637,169
Amortization of debt discount and issuance costs	14,256	15,658
(Gains)/losses on derivative financial instruments	(3,000)	2,290
Gains on equity securities	(81,455)	(31,994)
Equity in losses/(earnings) of equity method investees	2,039	(28,614)
Distributions from equity method investees	13,396	18,823
Share-based compensation	1,819	1,740
Gains on available for sale debt securities	(103,900)	(122,500)
Other	(1,801)	3,263
Changes in operating assets and liabilities:		
Cash collected on financial royalty assets	2,205,933	2,454,054
Other royalty income receivable	(2,496)	(669)
Other current assets	13,068	(1,942)
Accounts payable and accrued expenses	3,582	1,650
Interest payable	(13,270)	(41,567)
Other liabilities	980	—
Net cash provided by operating activities	\$ 2,026,461	\$ 2,215,174

Non-cash investing and financing activities are summarized below (in thousands):

	For the Nine Months Ended September 30,	
	2024	2023
Milestone payable - Cobenfy ⁽¹⁾	\$ 25,000	\$ —
Milestone payable - Erleada ⁽¹⁾	6,200	—

(1) Related to the achievements of milestone payments on Cobenfy (formerly KarXT) and Erleada that were not paid as of September 30, 2024.

13. Commitments and Contingencies

Cytokinetics Funding Commitments

As of September 30, 2024, \$350 million remained available under the Cytokinetics Funding Commitments and Cytokinetics is required to draw a minimum of \$50 million.

Teva Development Funding Commitments

In November 2023, we entered into a funding agreement with Teva Pharmaceuticals International GmbH, a subsidiary of Teva Pharmaceutical Industries Ltd. ("Teva") to acquire a royalty interest in TEV-'749. Under this agreement, we are committed to fund up to \$100 million of the ongoing development of TEV-'749. In the third quarter and first nine months of 2024, we funded \$19.6 million and \$82.0 million, respectively. Our funding to acquire the royalty interest is classified as a financial royalty asset. As of September 30, 2024, we had unfunded commitments of \$18.0 million under this agreement.

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Other Commitments

We have commitments to advance funds to counterparties through our investment in the Avillion Entities. Please refer to Note 7–Non-Consolidated Affiliates for details of these arrangements. We also have requirements to make Operating and Personnel Payments (defined below) over the life of the Management Agreement as described in Note 14–Related Party Transactions.

Indemnifications

In the ordinary course of our business, we may enter into contracts or agreements that contain customary indemnifications relating to such things as confidentiality agreements and representations as to corporate existence and authority to enter into contracts. The maximum exposure under such agreements is indeterminable until a claim, if any, is made. However, no such claims have been made against us to date and we believe that the likelihood of such proceedings taking place in the future is remote.

Legal Proceedings

We are a party to legal actions with respect to a variety of matters in the ordinary course of business. Some of these proceedings may be based on complex claims involving substantial uncertainties and unascertainable damages. Unless otherwise noted, it is not possible to determine the probability of loss or estimate damages, and therefore we have not established accruals for any of these proceedings on our condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023. When we determine that a loss is both probable and reasonably estimable, we record a liability, and, if the liability is material, we disclose the amount of the liability reserved. We do not believe the outcome of any existing legal proceedings to which we are a party, either individually or in the aggregate, will adversely affect our business, financial condition or results of operations.

14. Related Party Transactions

The Manager

The Manager is the investment manager of Royalty Pharma plc and its subsidiaries. The managing member of the Manager, Pablo Legorreta, holds an interest in us and serves as our Chief Executive Officer and Chairman of our board of directors.

In connection with the Exchange Offer, the Manager entered into the Management Agreement with us and our subsidiaries, the Continuing Investors Partnerships, and with the Legacy Investors Partnerships. Pursuant to the Management Agreement, we pay a quarterly operating and personnel payment to the Manager or its affiliates ("Operating and Personnel Payments") equal to 6.5% of the cash receipts from Royalty Investments (as defined in the Management Agreement) for such quarter and 0.25% of the value of our security investments under GAAP as of the end of such quarter. The operating and personnel payment for Old RPI, an obligation of the Legacy Investors Partnerships and for which the expense is reflected on our consolidated net income, is calculated as the greater of \$1 million per quarter and 0.3125% of royalties from Royalty Investments (as defined in the limited partnership agreements of the Legacy Investors Partnerships) during the previous twelve calendar months. Additionally, we also pay certain costs and expenses of the Manager.

Total operating and personnel payments incurred, including the amounts attributable to Old RPI, are recognized within *General and administrative expenses* in the condensed consolidated statements of operations. During the third quarter and first nine months of 2024, total operating and personnel payments incurred, including the amounts attributable to Old RPI, were \$49.5 million and \$138.9 million, respectively. During the third quarter and first nine months of 2023, total operating and personnel payments incurred, including the amounts attributable to Old RPI, were \$43.0 million and \$154.9 million, respectively.

ROYALTY PHARMA PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Distributions Payable to Legacy Non-Controlling Interests

The contractual cash flows required to be distributed based on the Legacy Investors Partnerships' non-controlling interest in Old RPI and RPI ICAV are presented in the *Distributions payable to legacy non-controlling interests* on the condensed consolidated balance sheets.

Acquisition from Bristol Myers Squibb

In November 2017, RPI Acquisitions (Ireland), Limited ("RPI Acquisitions"), a consolidated subsidiary, entered into a purchase agreement with Bristol Myers Squibb ("BMS") to acquire from BMS a percentage of its future royalties on worldwide sales of Onglyza, Farxiga and related diabetes products marketed by AstraZeneca (the "Purchase Agreement"). On December 8, 2017, RPI Acquisitions entered into a purchase, sale and assignment agreement ("Assignment Agreement") with a wholly-owned subsidiary of BioPharma Credit PLC ("BPCR"), an entity related to us. Under the terms of the Assignment Agreement, RPI Acquisitions assigned the benefit of 50% of the payment stream acquired from BMS to BPCR in consideration for BPCR meeting 50% of the funding obligations owed to BMS under the Purchase Agreement.

As of September 30, 2024 and December 31, 2023, the financial royalty asset of \$ 52.8 million and \$75.6 million, respectively, on the condensed consolidated balance sheets represented only our right to the future payment streams acquired from BMS.

Other Transactions

In January 2024, we acquired a royalty interest in ecopipam which was previously owned by Psyadon Pharmaceuticals, Inc. ("Psyadon"). Errol De Souza, Ph.D., an independent director on our board of directors, was a shareholder of Psyadon. In connection with this transaction, Dr. De Souza received an upfront payment of \$2.5 million and could receive milestone payments of up to \$ 2.22 million in the future.

Henry Fernandez, the lead independent director of our board of directors, serves as the chairman and chief executive officer of MSCI Inc. ("MSCI"). On April 16, 2021, we entered into an agreement with MSCI with an initial term of seven years to develop thematic life sciences indexes. In return, we will receive a percentage of MSCI's revenues from those indexes. No amounts were due from MSCI as of both September 30, 2024 and December 31, 2023. The financial impact associated with this transaction has not been material to date.

In connection with the Exchange Offer, we acquired the Legacy SLP Interest from the Continuing Investors Partnerships in exchange for issuing shares in our subsidiary. As a result, we became a special limited partner in the Legacy Investors Partnerships. The Legacy Investors Partnerships own a non-controlling interest in Old RPI and RPI ICAV. Refer to Note 7–Non-Consolidated Affiliates for additional discussion of the Legacy SLP Interest and our investments in other non-consolidated entities.

RPIFT owns 27,210 limited partnership interests in the Continuing Investors Partnerships, whose only substantive operations are their investment in our subsidiaries. The total investment of \$4.3 million was recorded as treasury interests, of which \$ 1.6 million were held by non-controlling interests as of September 30, 2024 and December 31, 2023.

Each Continuing Investor Partnership pays a pro rata portion based on its ownership percentage of RP Holdings of any costs and expenses in connection with the contemplation of, formation of, listing and ongoing operation of us and any of our subsidiaries, including any third-party expenses of managing us and any of our subsidiaries, such as accounting, audit, legal, reporting, compliance, administration (including directors' fees), financial advisory, consulting, investor relations and insurance expenses relating to our affairs and those of any subsidiary.

15. Subsequent Events

In November 2024, we acquired a royalty interest on Niktimvo from Syndax Pharmaceuticals, Inc. for an upfront payment of \$ 350 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations, cash flows, other changes in financial condition and business performance. MD&A is provided as a supplement to, and should be read in conjunction with, our 2023 Annual Report on Form 10-K and the condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Form 10-Q. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Special Note Regarding Forward-Looking Statements included elsewhere in this Quarterly Report on Form 10-Q and in Part II, Item 1A. Risk Factors.

Royalty Pharma plc is a public limited company that was incorporated under the laws of England and Wales to facilitate our initial public offering ("IPO") in 2020. "Royalty Pharma," the "Company," "we," "us" and "our" refer to Royalty Pharma plc and its subsidiaries on a consolidated basis.

Business Overview

We are the largest buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry. Since our founding in 1996, we have been pioneers in the royalty market, collaborating with innovators from academic institutions, research hospitals and not-for-profits through small and mid-cap biotechnology companies to leading global pharmaceutical companies. We have assembled a portfolio of royalties which entitles us to payments based directly on the top-line sales of many of the industry's leading therapies, which includes royalties on more than 35 commercial products, including Vertex's Trikafta, GSK's Trelegy, Roche's Evrysdi, Johnson & Johnson's Tremfya, Biogen's Tysabri and Spinraza, AbbVie and Johnson & Johnson's Imbruvica, Astellas and Pfizer's Xtandi, Novartis' Promacta, Pfizer's Nurtec ODT, Gilead's Trodelvy, among others, and 15 development-stage product candidates. We fund innovation in the biopharmaceutical industry both directly and indirectly - directly when we partner with companies to co-fund late-stage clinical trials and new product launches in exchange for future royalties, and indirectly when we acquire existing royalties from the original innovators.

Background and Format of Presentation

We consummated an exchange offer on February 11, 2020 (the "Exchange Offer") to facilitate our IPO. Through the Exchange Offer, investors which represented 82% of the aggregate limited partnership interests in the various partnerships (the "Legacy Investors Partnerships") that owned Royalty Pharma Investments, an Irish unit trust ("Old RPI"), exchanged their limited partnership interests in the Legacy Investors Partnerships for limited partnership interests in RPI US Partners 2019, LP, a Delaware limited partnership, or RPI International Holdings 2019, LP, a Cayman Islands exempted limited partnership (together, the "Continuing Investors Partnerships").

We operate and control the business affairs of Royalty Pharma Holdings Ltd ("RP Holdings"). We include RP Holdings and its subsidiaries in our condensed consolidated financial statements. RP Holdings is the sole owner of Royalty Pharma Investments 2019 ICAV ("RPI 2019 ICAV"), which is an Irish collective asset management vehicle and is the successor to Old RPI.

Following the Exchange Offer, we became the indirect owner of an 82% economic interest in Old RPI through our subsidiary RPI 2019 Intermediate Finance Trust, a Delaware statutory trust. We are entitled to 82% of the economics of Old RPI's wholly-owned subsidiary RPI Finance Trust, a Delaware statutory trust ("RPIFT"), and 66% of Royalty Pharma Collection Trust, a Delaware statutory trust ("RPCT"). Prior to December 29, 2023, the remaining 34% of RPCT was owned by the Legacy Investors Partnerships and Royalty Pharma Select Finance Trust, a Delaware statutory trust ("RPSFT"), which was wholly owned by Royalty Pharma Select, an Irish unit trust.

In 2022, we became an indirect owner of an 82% economic interest in Royalty Pharma Investments ICAV ("RPI ICAV"), which was previously owned directly by Old RPI.

In December 2023, RPI 2019 ICAV acquired the remaining interest in RPCT owned by RPSFT and, as such, RPSFT no longer holds a non-controlling interest in RPCT. Prior to December 2023, we reported non-controlling interest related to a de minimis interest in RPCT held by RPSFT, which also existed prior to our IPO.

Understanding Our Financial Reporting

Our portfolio of investments contains royalties and royalty-like terms held through different forms or instruments. Most of the royalties we acquire are treated as investments in cash flow streams and are classified as financial assets measured under the effective interest method in accordance with generally accepted accounting principles in the United States ("GAAP"). Under this accounting methodology, we calculate the effective interest rate on each financial royalty asset using a forecast of the expected cash flows to be received over the life of the financial royalty asset relative to the initial acquisition price. The yield, which is calculated at the end of each reporting period and applied prospectively, is then recognized via accretion into our income at the effective rate of return over the expected life of the financial royalty asset.

The measurement of income from our financial royalty assets requires significant judgments and estimates, including management's judgment in forecasting the expected future cash flows of the underlying royalties and the expected duration of the financial royalty asset. Our cash flow forecasts are updated each reporting period primarily using sell-side equity research analysts' consensus sales estimates for each of the products in which we own royalties. We then calculate our expected royalty receipts by applying our royalty terms to these consensus sales forecasts. As we update our forecasted cash flows on a periodic basis and recalculate the present value of the remaining future cash flows, any shortfall when compared to the carrying value of the financial royalty asset is recorded directly in the income statement as non-cash provision expense. If, in a subsequent period, there is an increase in expected cash flows or if actual cash flows are greater than cash flows previously expected, we reverse the provision expense previously recorded in part or in full by recording a non-cash credit to the provision.

As a result of the non-cash charges associated with applying the effective interest method accounting methodology to our financial royalty assets, our condensed consolidated statements of operations activity can be volatile and unpredictable. Small declines in sell-side equity research analysts' consensus sales forecasts over a long time horizon can result in an immediate non-cash income statement expense recognition, even though the applicable cash inflows will not be realized for many years into the future. For example, in late 2014 we acquired the cystic fibrosis franchise and shortly after, declines in near-term sales forecasts of sell-side equity research analysts caused us to recognize non-cash provision expense in our condensed consolidated statements of operations. Over the course of 10 quarters, we continued to recognize non-cash provision expense because of these changes in sales forecasts, ultimately reaching a peak cumulative allowance of \$1.30 billion by September 30, 2017. With the approval of the Vertex triple combination therapy, Trikafta, in October 2019, sell-side equity research analysts' consensus sales forecasts increased to reflect the larger addressable market and the extension of the expected duration of the Trikafta royalty, resulting in the reversal of the remaining \$1.10 billion cumulative allowance. The recognition of the associated non-cash provision income of \$1.10 billion in 2019 was not tied to royalty receipts, but rather to the increase in sales forecasts. This example illustrates the volatility caused by our accounting model in our condensed consolidated statements of operations.

We believe there is no direct correlation between income from financial royalty assets and royalty receipts due to the nature of the accounting methodology applied for financial royalty assets. Further, income from financial royalty assets and the provision for changes in expected cash flows related to these financial royalty assets can be volatile and unpredictable.

Our operations have historically been financed primarily with cash flows generated by our royalties. Given the importance of cash flows and their predictability to management's operation of the business, management uses Portfolio Receipts (as defined below) as a primary measure of our operating performance. See "—Portfolio Overview" for additional discussion regarding Portfolio Receipts.

Understanding Our Results of Operations

We report non-controlling interests related to the portion of ownership interests of consolidated subsidiaries not owned by us and which are attributable to:

1. The Legacy Investors Partnerships' ownership of approximately 18% of Old RPI and RPI ICAV. The value of this non-controlling interest will decline over time as the assets in Old RPI and RPI ICAV expire.

2. A de minimis interest in RPCT held by RPSFT. In December 2023, we acquired the remaining interest in RPCT that was held by RPSFT and, as such, RPSFT no longer holds a non-controlling interest in RPCT.

The Legacy Investors Partnership together with RPSFT are referred to as the “legacy non-controlling interests.” The legacy non-controlling interests are the only historical non-controlling interests that existed prior to our IPO.

Additionally, following the consummation of our IPO, we also report non-controlling interests related to:

3. The Continuing Investors Partnerships' ownership in RP Holdings through their ownership of RP Holdings Class B Interests was approximately 24% as of September 30, 2024. RP Holdings Class B Interests are exchangeable into Class A ordinary shares. As the Continuing Investors Partnerships conduct exchanges, the Continuing Investors Partnerships' ownership in RP Holdings decreases and the value of this non-controlling interest decreases. Additionally, RP Holdings began to retire RP Holdings Class A Interests held by us in connection with our repurchase of Class A ordinary shares. As RP Holdings retires RP Holdings Class A Interests, our ownership in RP Holdings decreases and the value of this non-controlling interest increases.

The Continuing Investors Partnerships are referred to as the “continuing non-controlling interests.”

4. RPI EPA Holdings, LP's (“EPA Holdings”) ownership of RP Holdings' Class C ordinary share (the “RP Holdings Class C Special Interest”).

EPA Holdings is entitled to receive equity distributions through its RP Holdings Class C Special Interest (“Equity Performance Awards”). Equity Performance Awards owed to EPA Holdings will be recognized as an equity transaction when the obligation becomes due and will impact the income allocated to non-controlling interest related to the RP Holdings Class C Special Interest. The Equity Performance Awards will be payable in RP Holdings Class B Interests that will be exchanged upon issuance for Class A ordinary shares. EPA Holdings may also receive a periodic cash advance in respect of the RP Holdings Class C Special Interest to the extent necessary for EPA Holdings or any of its beneficial owners to pay when due any income tax imposed on it or them as a result of holding such RP Holdings Class C Special Interest. We currently expect Equity Performance Awards to become payable in 2025 when certain performance conditions are projected to be met.

Total income and other revenues

Total income and other revenues is primarily comprised of interest income from our financial royalty assets and royalty income generally arising from successful commercialization of products developed through research and development (“R&D”) funding arrangements. Most of our royalties are classified as financial assets as our ownership rights are generally protective and passive in nature. In certain instances, we may acquire a royalty that includes more substantial rights or ownership of the underlying intellectual property, we classify such royalties as intangible assets and recognize revenue from these intangible royalty assets.

The royalty payors that accounted for greater than 10% of our total income and other revenues are shown in the table below:

Royalty Payor	Royalty	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2024	2023	2024	2023
Vertex	Cystic fibrosis franchise	36 %	41 %	37 %	36 %
Roche	Evrysdi, Mircera	10 %	*	10 %	*

*Represents less than 10%.

Income from financial royalty assets

Our financial royalty assets represent investments in cash flow streams with yield components that most closely resemble loans measured at amortized cost under the effective interest method. We calculate the effective interest rate using forecasted expected cash flows to be received over the life of the royalty asset relative to the initial acquisition price. Interest income is recognized at the effective rate of return over the expected life of the asset, which is calculated at the end of each reporting period and applied prospectively. As changes in sell-side equity research analysts' consensus sales estimates are updated on a quarterly basis, the effective rate of return changes. For example, if sell-side equity research analysts' consensus sales forecasts increase, the yield to derive income on a financial royalty asset will increase and result in higher income for subsequent periods.

Variables affecting the recognition of interest income from financial royalty assets under the prospective effective interest method include any one of the following: (1) additional acquisitions, (2) changes in expected cash flows of the underlying pharmaceutical products, derived primarily from sell-side equity research analysts' consensus sales forecasts, (3) regulatory approval of additional indications which leads to new cash flow streams, (4) changes to the estimated duration of the royalty (e.g., patent expiration date), (5) changes in amounts and timing of projected royalty receipts and milestone payments and (6) changes in the portion of sales that are subject to the royalty, which is referred to as royalty bearing sales. Our financial royalty assets are directly linked to sales of underlying pharmaceutical products whose life cycle typically peaks at a point in time, followed frequently by declining sales trends due to the entry of generic competition, resulting in natural declines in the asset balance and periodic interest income over the life of our royalties. The recognition of interest income from royalties requires management to make estimates and assumptions around many factors, including those impacting the variables noted above.

Other royalty income and revenues

Other royalty income and revenues primarily includes income from financial royalty assets that have been fully amortized and income from synthetic royalties and milestones arising out of R&D funding arrangements. Occasionally, a royalty asset may be amortized on an accelerated basis due to collectability concerns, which, if resolved, may result in future cash collections when no financial royalty asset remains. Similarly, we may continue to collect royalties on a fully amortized financial royalty asset beyond the estimated duration. In each scenario where a financial royalty asset has been fully amortized, income from such royalty is recognized as *Other royalty income and revenues*.

Other royalty income and revenues also includes revenues from intangible royalty assets and income from royalties that are recorded at fair value on our condensed consolidated balance sheets.

Provision for changes in expected cash flows from financial royalty assets

The *Provision for changes in expected cash flows from financial royalty assets* includes the following:

- non-cash expense or income related to the current period activity resulting from adjustments to the cumulative allowance for changes in expected cash flows; and
- non-cash expense or income related to the provision for current expected credit losses, which reflects the activity for the period, primarily due to new financial royalty assets with limited protective rights and changes to cash flow estimates for financial royalty assets with limited protective rights.

As discussed above, income is accreted on our financial royalty assets using the effective interest method. As we update our forecasted cash flows on a periodic basis and recalculate the present value of the remaining future cash flows, any shortfall when compared to the carrying value of the financial royalty asset is recorded directly in the condensed consolidated statements of operations through the line item *Provision for changes in expected cash flows from financial royalty assets*. If, in a subsequent period, there is an increase in expected cash flows or if actual cash flows are greater than cash flows previously expected, we reverse the provision expense previously recorded in part or in full by recording a credit to the provision.

The same variables and management's estimates affecting the recognition of interest income on our financial royalty assets noted above also directly impact the provision.

R&D funding expense

R&D funding expense consists of payments that we have made to counterparties to acquire royalties or milestones on product candidates. It includes development-stage funding payments to counterparties that are made upfront or upon pre-approval milestones, and development-stage funding payments that are made to counterparties over time as the related product candidates undergo clinical trials with our counterparties.

General and administrative expenses

General and administrative ("G&A") expenses include primarily Operating and Personnel Payments (defined below), legal expenses, other expenses for professional services and share-based compensation. The expenses incurred in respect of Operating and Personnel Payments comprise the most significant component of G&A expenses on an ongoing basis.

Under the Management Agreement, we pay a quarterly operating and personnel payment to the Manager or its affiliates ("Operating and Personnel Payments") equal to 6.5% of the cash receipts from Royalty Investments (as defined in the Management Agreement), or Portfolio Receipts for such quarter, and 0.25% of the value of our security investments under GAAP as of the end of such quarter.

The operating and personnel payments for Old RPI, an obligation of the Legacy Investors Partnerships as a non-controlling interest in Old RPI and for which the expense is reflected in G&A expenses, are calculated as the greater of \$1 million per quarter and 0.3125% of royalties from Royalty Investments (as defined in the limited partnership agreements of the Legacy Investors Partnerships) during the previous twelve calendar months.

Equity in (earnings)/losses of equity method investees

Equity in (earnings)/losses of equity method investees primarily includes the results of our share of income or loss from the following non-consolidated affiliates:

1. *Legacy SLP Interest.* In connection with the Exchange Offer, we acquired an equity method investment from the Continuing Investors Partnerships in the form of a special limited partnership interest in the Legacy Investors Partnerships (the "Legacy SLP Interest") in exchange for issuing shares in our subsidiary. The Legacy SLP Interest entitles us to the equivalent of performance distribution payments that would have been paid to the general partner of the Legacy Investors Partnerships and a performance income allocation on a similar basis. As the Legacy Investors Partnerships no longer participate in investment opportunities, the value of the Legacy SLP Interest is expected to decline over time.
2. *The Avillion Entities.* The Avillion Entities (as defined below) partner with global biopharmaceutical companies to perform R&D in exchange for success-based milestones or royalties if products are commercialized. Our investments in Avillion Financing I, LP ("Avillion I") and BAv Financing II, LP ("Avillion II") and together with Avillion I, the "Avillion Entities") are accounted for using the equity method.

Other income, net

Other income, net primarily includes the changes in fair market value of our equity securities, derivative instruments and available for sale debt securities, including related forwards and funding commitments, and interest income.

Net income attributable to non-controlling interests

The net income attributable to non-controlling interests includes income attributable to the legacy non-controlling interests and the continuing non-controlling interests. Following our acquisition of the remaining non-controlling interest in RPCT held by RPSFT in December 2023, and since the Legacy Investors Partnerships no longer participate in investment opportunities, the related net income attributable to the legacy non-controlling interests is expected to continue to decline over time as the assets held by Old RPI and RPI ICAV mature.

Net income attributable to the continuing non-controlling interests includes RP Holdings Class B Interests held by the Continuing Investors Partnerships and will include net income attributable to the RP Holdings Class C Special Interest held by EPA Holdings once certain performance conditions have been met, which is expected to occur in 2025. Future net income attributable to the non-controlling interest related to RP Holdings Class B Interests held by the Continuing Investors Partnerships will decline over time if the investors who indirectly own RP Holdings Class B Interests conduct exchanges for our Class A ordinary shares.

Net income attributable to non-controlling interests above can fluctuate significantly from period to period, primarily driven by volatility in the income statement activity of the respective underlying entity as a result of the non-cash charges associated with applying the effective interest accounting methodology to our financial royalty assets as described in section titled "Understanding Our Financial Reporting."

Results of Operations

The comparison of our historical results of operations is as follows (in thousands):

	For the Three Months Ended September 30,		Change		For the Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Income and other revenues								
Income from financial royalty assets	\$ 533,166	\$ 508,657	24,509	4.8	\$ 1,587,577	\$ 1,674,689	(87,112)	(5.2)
Other royalty income and revenues	31,524	27,656	3,868	14.0	82,358	83,797	(1,439)	(1.7)
Total income and other revenues	564,690	536,313	28,377	5.3	1,669,935	1,758,486	(88,551)	(5.0)
Operating (income)/expense								
Provision for changes in expected cash flows from financial royalty assets	(227,604)	277,137	(504,741)	*	568,425	637,169	(68,744)	(10.8)
Research and development funding expense	500	50,500	(50,000)	(99.0)	1,500	51,500	(50,000)	(97.1)
General and administrative expenses	56,720	57,234	(514)	(0.9)	169,080	190,563	(21,483)	(11.3)
Total operating (income)/expense, net	(170,384)	384,871	(555,255)	*	739,005	879,232	(140,227)	(15.9)
Operating income	735,074	151,442	583,632	385.4	930,930	879,254	51,676	5.9
Other (income)/expense								
Equity in (earnings)/losses of equity method investees	(10,407)	5,222	(15,629)	*	2,039	(28,614)	30,653	*
Interest expense	66,506	46,033	20,473	44.5	159,751	139,932	19,819	14.2
Other income, net	(127,383)	(21,890)	(105,493)	481.9	(227,322)	(214,566)	(12,756)	5.9
Total other (income)/expense, net	(71,284)	29,365	(100,649)	*	(65,532)	(103,248)	37,716	(36.5)
Consolidated net income	806,358	122,077	684,281	560.5	996,462	982,502	13,960	1.4
Net income attributable to non-controlling interests	262,371	49,963	212,408	425.1	345,693	342,008	3,685	1.1
Net income attributable to Royalty Pharma plc	\$ 543,987	\$ 72,114	471,873	654.3	\$ 650,769	\$ 640,494	10,275	1.6

*Percentage change is not meaningful.

Total income and other revenues

Income from financial royalty assets

Income from financial royalty assets by top products is as follows, in order of contribution to income for the first nine months of 2024 (in thousands):

	For the Three Months Ended September 30,		Change		For the Nine Months Ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Cystic fibrosis franchise	\$ 205,701	\$ 218,938	(13,237)	(6.0)	\$ 619,113	\$ 631,813	(12,700)	(2.0)
Evrysdi	56,747	20,519	36,228	176.6	166,277	58,005	108,272	186.7
Trelegy	37,593	32,234	5,359	16.6	110,272	96,571	13,701	14.2
Tremfya	37,293	36,937	356	1.0	109,137	114,422	(5,285)	(4.6)
Imbruvica	32,139	38,463	(6,324)	(16.4)	100,280	136,785	(36,505)	(26.7)
Tysabri	30,355	42,682	(12,327)	(28.9)	93,722	130,658	(36,936)	(28.3)
Other products	133,338	118,884	14,454	12.2	388,776	506,435	(117,659)	(23.2)
Total income from financial royalty assets	\$ 533,166	\$ 508,657	24,509	4.8	\$ 1,587,577	\$ 1,674,689	(87,112)	(5.2)

Three months ended September 30, 2024 and 2023

Income from financial royalty assets increased by \$24.5 million, or 4.8%, in the third quarter of 2024 as compared to the third quarter of 2023, primarily due to an increase in income from Evrysdi attributable to the incremental royalties that we acquired in the fourth quarter of 2023 and second quarter of 2024. The increase was partially offset by the declines in sell-side equity research analysts' consensus sales forecast for cystic fibrosis franchise.

Nine months ended September 30, 2024 and 2023

Income from financial royalty assets decreased by \$87.1 million, or 5.2%, in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to the March 2023 U.S. Food and Drug Administration ("FDA") approval of Pfizer's Zavzpret. This FDA approval resulted in our receipt of a \$475.0 million milestone payment and \$153.6 million of interest income recognized in the first quarter of 2023 as reflected within other products in the above table, which were non-recurring. The decrease was partially offset by the increase in income from Evrysdi in 2024 attributable to the incremental royalties that we acquired in the fourth quarter of 2023 and second quarter of 2024.

Other royalty income and revenues

Three months ended September 30, 2024 and 2023

Other royalty income and revenues increased by \$3.9 million, or 14.0%, in the third quarter of 2024 as compared to the third quarter of 2023, primarily related to the sales growth of Nurtec ODT and Trodelvy, partially offset by the decrease in the income from fully amortized financial royalty assets.

Nine months ended September 30, 2024 and 2023

Other royalty income and revenues were relatively flat in the first nine months of 2024 as compared to the first nine months of 2023.

Provision for changes in expected cash flows from financial royalty assets

Provision activity is a combination of income and expense items. The provision breakdown by royalty asset (exclusive of the provision for current expected credit losses) based on the largest contributors to each period's provision income or expense (in thousands) is as follows:

Royalty	For the Three Months Ended September 30, 2024	Royalty	For the Three Months Ended September 30, 2023
Tysabri	\$ (76,489)	Tysabri	\$ 145,004
Xtandi	(52,410)	Xtandi	52,705
Cystic fibrosis franchise	(44,501)	Tremfya	45,873
Evrysdi	(36,513)	Tazverik	6,606
Trelegy	(24,885)	Crysvita	(11,467)
Other	(26,529)	Other	8,504
Total provision, exclusive of provision for credit losses	(261,327)	Total provision, exclusive of provision for credit losses	247,225
Provision for current expected credit losses	33,723	Provision for current expected credit losses	29,912
Total provision	\$ (227,604)	Total provision	\$ 277,137

Royalty	For the Nine Months Ended September 30, 2024	Royalty	For the Nine Months Ended September 30, 2023
Evrysdi	\$ 208,212	Imbruvica	\$ 231,453
Cystic fibrosis franchise	187,996	Tremfya	151,563
Crysvita	142,089	Tysabri	143,998
Promacta	59,410	Xtandi	60,536
Tysabri	(85,475)	Evrysdi	(46,077)
Other	(7,761)	Other	64,291
Total provision, exclusive of provision for credit losses	504,471	Total provision, exclusive of provision for credit losses	605,764
Provision for current expected credit losses	63,954	Provision for current expected credit losses	31,405
Total provision	\$ 568,425	Total provision	\$ 637,169

Three months ended September 30, 2024 and 2023

In the third quarter of 2024, we recorded provision income of \$227.6 million, comprised of \$261.3 million in provision income for changes in expected cash flows and \$33.7 million in provision expense for current expected credit losses. We recorded provision income for changes in expected cash flows primarily related to Tysabri, Xtandi, cystic fibrosis franchise and Evrysdi due to increases in sell-side equity research analysts' consensus sales forecasts. The provision expense for credit losses was primarily driven by the addition of Yorvipath to our portfolio.

In the third quarter of 2023, we recorded provision expense of \$277.1 million, comprised of \$247.2 million in provision expense for changes in expected cash flows and \$29.9 million in provision expense for current expected credit losses. We recorded provision expense for changes in expected cash flows primarily related to Tysabri, Xtandi and Tremfya due to declines in sell-side equity research analysts' consensus sales forecasts. The provision expense for credit losses was primarily driven by the additions of Skytrofa and Adstiladrin to our portfolio.

Nine months ended September 30, 2024 and 2023

In the first nine months of 2024, we recorded provision expense of \$568.4 million, comprised of \$504.5 million in provision expense for changes in expected cash flows and \$64.0 million in provision expense for current expected credit losses. We recorded provision expense for changes in expected cash flows primarily related to Evrysdi due to declines in sell-side equity research analysts' consensus sales forecasts. We recorded provision expense for changes in expected cash flows related to the cystic fibrosis franchise, primarily due to the inclusion of consensus estimates for Vertex's vanzacaftor triple following disclosure of the Phase 3 clinical data and the conservative assumption that royalties are only collected on the tezacaftor component of the vanzacaftor triple and not the deuterated ivacaftor component. Although we believe that the deuterated ivacaftor component of vanzacaftor triple is the same as ivacaftor and is therefore royalty-bearing, Vertex has made public statements that it believes the deuterated ivacaftor component is not royalty-bearing. If deuterated ivacaftor is determined to be royalty-bearing, we may recognize provision income in our results of operations at that time. Additionally, we recorded provision expense for Crysvita due to declines in sales forecasts. The provision expense for credit losses was primarily driven by the additions of Yorvipath, Voranigo and ecopipam to our portfolio.

In the first nine months of 2023, we recorded provision expense of \$637.2 million, comprised of \$605.8 million in provision expense for changes in expected cash flows and \$31.4 million in provision expense for current expected credit losses. We recorded provision expense for changes in expected cash flows for Imbruvica, Tremfya and Tysabri primarily due to declines in sell-side equity research analysts' consensus sales forecasts. The provision expense for credit losses was primarily driven by the additions of Skytrofa and Adstiladrin to our portfolio.

R&D funding expense

Three months ended September 30, 2024 and 2023

R&D funding expense decreased by \$50.0 million, or 99.0% in the third quarter of 2024 as compared to the third quarter of 2023. In the third quarter of 2023, we recognized R&D funding expense of \$50.0 million related to a clinical milestone payment for aficamten.

Nine months ended September 30, 2024 and 2023

R&D funding expense decreased by \$50.0 million, or 97.1% in the first nine months of 2024 as compared to the first nine months of 2023. In the first nine months of 2023, we recognized R&D funding expense of \$50.0 million related to a clinical milestone payment for aficamten.

G&A expenses

Three months ended September 30, 2024 and 2023

G&A expenses were relatively flat in the third quarter of 2024 as compared to the third quarter of 2023.

Nine months ended September 30, 2024 and 2023

G&A expenses decreased by \$21.5 million, or 11.3%, in the first nine months of 2024 as compared to the first nine months of 2023, primarily from lower Operating and Personnel Payments in the current period. The higher expense in 2023 was due to higher Portfolio Receipts, which included the one-time receipt of a \$475.0 million Zavzpret milestone payment in the first quarter 2023.

Equity in (earnings)/losses of equity method investees

Three months ended September 30, 2024 and 2023

Equity in earnings of equity method investees was \$10.4 million in the third quarter of 2024 as compared to equity in losses of equity method investees of \$5.2 million in the third quarter of 2023, primarily driven by an income allocation from the Legacy SLP Interest of \$10.2 million in the third quarter of 2024 as compared to a loss allocation of \$2.3 million in the third quarter of 2023.

Nine months ended September 30, 2024 and 2023

Equity in losses of equity method investees was \$2.0 million in the first nine months of 2024 as compared to equity in earnings of equity method investees of \$28.6 million in the first nine months of 2023, primarily driven by a loss allocation from the Avillion Entities of \$7.6 million in the first nine months of 2024 as compared to an income allocation of \$28.0 million in the first nine months of 2023. The income allocation in the first nine months of 2023 from the Avillion Entities was primarily driven by an \$80 million payment the Avillion Entities received related to AstraZeneca's election to exercise an option to commercialize Airsupra in the United States.

Interest expense

Three months ended September 30, 2024 and 2023

Interest expense increased by \$20.5 million, or 44.5% in the third quarter of 2024 as compared to the third quarter of 2023, primarily driven by the issuance of the \$1.5 billion of senior unsecured notes in June 2024. The increase was partially offset by the repayment of \$1.0 billion of senior unsecured notes in September 2023 upon maturity.

Nine months ended September 30, 2024 and 2023

Interest expense increased by \$19.8 million, or 14.2% in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by the issuance of the \$1.5 billion of senior unsecured notes in June 2024. The weighted average coupon rate on our senior unsecured notes outstanding as of September 30, 2024 and 2023 was 3.06% and 2.24%, respectively.

Refer to the "Liquidity and Capital Resources" section for additional discussion of our debt financing arrangements.

Other income, net

Three months ended September 30, 2024 and 2023

Other income, net of \$127.4 million in the third quarter of 2024 was primarily comprised of \$57.7 million of gains on available for sale debt securities, \$50.8 million of gains on equity securities and \$17.5 million of interest income. The gains on available for sale debt securities were primarily driven by the changes in fair value of the Cytokinetics Funding Arrangements.

Other income, net of \$21.9 million in the third quarter of 2023 was primarily comprised of \$23.4 million of interest income earned on cash and cash equivalents held at financial institutions.

Nine months ended September 30, 2024 and 2023

Other income, net of \$227.3 million in the first nine months of 2024 was primarily comprised of \$103.9 million of gains on available for sale debt securities, \$81.5 million of gains on equity securities and \$38.3 million of interest income. The gains on available for sale debt securities were primarily driven by the changes in fair value of the MorphoSys Development Funding Bonds.

Other income, net of \$214.6 million in the first nine months of 2023 was primarily comprised of \$122.5 million of gains on available for sale debt securities, \$65.8 million of interest income earned on cash and cash equivalents held at financial institutions and \$32.0 million of gains on equity securities. The gains on available for sale debt securities were primarily driven by the change in fair value of the MorphoSys Development Funding Bonds.

Net income attributable to non-controlling interests

Three months ended September 30, 2024 and 2023

Net income attributable to the Legacy Investors Partnerships increased by \$61.3 million in the third quarter of 2024 as compared to the third quarter of 2023, primarily driven by higher net income attributable to Old RPI as a result of lower provision expense in the current year period.

Net income attributable to the Continuing Investors Partnerships increased by \$151.3 million in the third quarter of 2024 as compared to the third quarter of 2023, primarily driven by higher net income attributable to RP Holdings in the third quarter of 2024, partially offset by a decline in the Continuing Investors Partnerships' ownership of RP Holdings resulting from the exchanges by investors in the Continuing Investors Partnerships who indirectly own RP Holdings Class B Interests for our Class A ordinary shares.

Net income attributable to RPSFT was \$0.3 million in the third quarter of 2023. In December 2023, RPI 2019 ICAV acquired the remaining interest in RPCT owned by RPSFT and, as such, RPSFT no longer holds a non-controlling interest in RPCT.

Nine months ended September 30, 2024 and 2023

Net income attributable to the Legacy Investors Partnerships increased by \$23.9 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by higher income attributable to Old RPI as a result of lower provision expense in the current year period.

Net income attributable to the Continuing Investors Partnerships decreased by \$15.5 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to lower net income attributable to RP Holdings as a result of lower interest income recognized in 2024. The higher interest income in 2023 was primarily driven by \$153.6 million of interest income recognized following the FDA's approval of Pfizer's Zavzpret, which was non-recurring. Additionally, the exchanges by investors in the Continuing Investors Partnerships who indirectly own RP Holdings Class B Interests for our Class A ordinary shares resulted in a decline in the Continuing Investors Partnerships' ownership of RP Holdings.

Net income attributable to RPSFT was \$4.7 million in the first nine months of 2023. In December 2023, RPI 2019 ICAV acquired the remaining interest in RPCT owned by RPSFT and, as such, RPSFT no longer holds a non-controlling interest in RPCT.

Portfolio Overview

Our business model is different from that of traditional operating companies in the biopharmaceutical industry. Our operating performance is a function of our liquidity as our operations have historically been financed primarily with cash flows generated by our royalties. We use the cash generated by our existing royalties to fund investments in new royalties. We consider a variety of metrics in assessing the performance of our business. Portfolio Receipts is a key performance metric that represents our ability to generate cash from our portfolio investments, the primary source of capital that we can deploy to make new portfolio investments. Portfolio Receipts also enables management to better analyze our liquidity and long-term growth prospects by providing a more granular product-by-product presentation of the underlying cash generation of our royalty investments.

Portfolio Receipts is defined as the sum of royalty receipts and milestones and other contractual receipts. Royalty receipts include variable payments based on sales of products, net of contractual payments to the legacy non-controlling interests, that are attributed to us ("Royalty Receipts"). Milestones and other contractual receipts include sales-based or regulatory milestones payments and other fixed contractual receipts, net of contractual payments to the legacy non-controlling interests, that are attributed to us. Portfolio Receipts does not include proceeds from equity securities or proceeds from purchases and sales of marketable securities, both of which are not central to our fundamental business strategy.

Portfolio Receipts is calculated as the sum of the following line items from our GAAP statements of cash flows: *Cash collections from financial royalty assets*, *Cash collections from intangible royalty assets*, *Other royalty cash collections*, *Proceeds from available for sale debt securities* and *Distributions from equity method investees* less *Distributions to legacy non-controlling interests - Portfolio Receipts*, which represent contractual distributions of Royalty Receipts, milestones and other contractual receipts to RPSFT and the Legacy Investors Partnerships.

Our portfolio consists of royalties on more than 35 marketed therapies and 15 development-stage product candidates. The therapies in our portfolio address therapeutic areas such as rare disease, cancer, neuroscience, infectious disease, hematology and diabetes, and are delivered to patients across both primary and specialty care settings. The table below shows Portfolio Receipts, including Royalty Receipts by product and milestones and other contractual receipts, in order of contribution to total Royalty Receipts for the first nine months of 2024 (in thousands):

Products	Marketer(s)	Therapeutic Area	For the Three Months Ended September 30,		Change		For the Nine Months Ended September 30,		Change	
			2024	2023	\$	%	2024	2023	\$	%
Cystic fibrosis franchise ⁽¹⁾	Vertex	Rare disease	\$ 206,988	\$ 195,954	11,034	5.6	\$ 620,218	\$ 563,251	56,967	10.1
Trelegy	GSK	Respiratory	90,541	58,240	32,301	55.5	209,615	143,111	66,504	46.5
Tysabri	Biogen	Neuroscience	68,262	71,464	(3,202)	(4.5)	201,171	211,771	(10,600)	(5.0)
Imbruvica	AbbVie, Johnson & Johnson	Cancer	46,198	51,245	(5,047)	(9.8)	145,389	159,814	(14,425)	(9.0)
Xtandi	Pfizer, Astellas	Cancer	43,311	38,837	4,474	11.5	122,939	108,275	14,664	13.5
Evrysdi	Roche	Rare disease	47,953	15,749	32,204	204.5	117,832	46,318	71,514	154.4
Promacta	Novartis	Hematology	41,810	44,609	(2,799)	(6.3)	114,856	117,376	(2,520)	(2.1)
Tremfya	Johnson & Johnson	Immunology	34,264	27,194	7,070	26.0	100,336	81,117	19,219	23.7
Cabometyx/Cometriq	Exelixis, Ipsen, Takeda	Cancer	18,527	17,294	1,233	7.1	53,092	48,234	4,858	10.1
Trodelvy	Gilead	Cancer	11,473	9,114	2,359	25.9	32,129	23,191	8,938	38.5
Spinraza	Biogen	Rare disease	14,186	15,253	(1,067)	(7.0)	30,422	27,815	2,607	9.4
Erleada	Johnson & Johnson	Cancer	10,025	7,723	2,302	29.8	28,230	18,793	9,437	50.2
Orladeyo	BioCryst	Rare disease	10,358	7,776	2,582	33.2	27,592	21,130	6,462	30.6
Nurtec ODT/Zavzpret	Pfizer	Neuroscience	7,843	5,300	2,543	48.0	18,025	13,347	4,678	35.0
Other products ⁽²⁾			80,005	71,408	8,597	12.0	219,515	214,376	5,139	2.4
Royalty Receipts			\$ 731,744	\$ 637,160	94,584	14.8	\$ 2,041,361	\$ 1,797,919	243,442	13.5
Milestones and other contractual receipts			2,880	—	2,880	n/a	18,241	514,888	(496,647)	(96.5)
Portfolio Receipts			\$ 734,624	\$ 637,160	97,464	15.3	\$ 2,059,602	\$ 2,312,807	(253,205)	(10.9)

(1) The cystic fibrosis franchise includes the following approved products: Kalydeco, Orkambi, Symdeko/Symkevi and Trikafta/Kaftrio.

(2) Other products primarily include Royalty Receipts on the following products: Cimzia, Crysvita, Emgality, Entyvio, Farxiga/Onglyza, IDHIFA, Letairis, Lexiscan, Mircera, Nesina, Prevymis, Soliqua and distributions from the Legacy SLP Interest, which are presented as *Distributions from equity method investees* on the statements of cash flows.

Analysis of Portfolio Receipts

The key drivers of Portfolio Receipts are discussed below:

- **Cystic fibrosis franchise** – Royalty Receipts from the cystic fibrosis franchise, including Kalydeco, Orkambi, Symdeko/Symkevi and Trikafta/Kaftrio, which are marketed by Vertex for patients with certain mutations causing cystic fibrosis, increased by \$57.0 million in the first nine months of 2024 as compared to the first nine months of 2023. The increase was primarily driven by the continued U.S. performance of Trikafta and the strong uptake of Kaftrio outside of the United States, including its uptake in younger age groups.
- **Trelegy** – Royalty Receipts from Trelegy, which is marketed by GSK for the maintenance treatment of chronic obstructive pulmonary disease and asthma, increased by \$66.5 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by strong patient demand, single inhaler triple therapy class growth and increased market share.
- **Tysabri** – Royalty Receipts from Tysabri, which is marketed by Biogen for the treatment of multiple sclerosis, decreased by \$10.6 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to pricing pressure and competition.
- **Imbruvica** – Royalty Receipts from Imbruvica, which is marketed by AbbVie and Johnson & Johnson for the treatment of blood cancers and chronic graft versus host disease, decreased by \$14.4 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to competitive pressures.
- **Xtandi** – Royalty Receipts from Xtandi, which is marketed by Pfizer and Astellas for the treatment of prostate cancer, increased by \$14.7 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by growth in all regions.
- **Evrysdi** – Royalty Receipts from Evrysdi, which is marketed by Roche for the treatment of spinal muscular atrophy, increased by \$71.5 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily attributable to royalty receipts on the incremental royalties we acquired in the fourth quarter of 2023 and the second quarter of 2024. The increase is further driven by gains in patient share across all regions.
- **Promacta** – Royalty Receipts from Promacta, which is marketed by Novartis for the treatment of chronic immune thrombocytopenia purpura (ITP) and aplastic anemia, decreased by \$2.5 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to higher revenue deductions, partially offset by an increased use of Promacta in chronic ITP and severe aplastic anemia in the United States.
- **Tremfya** – Royalty Receipts from Tremfya, which is marketed by Johnson & Johnson for the treatment of plaque psoriasis and active psoriatic arthritis, increased by \$19.2 million in the first nine months of 2024 as compared to the first nine months of 2023, due to market growth, market share gains and favorable patient mix.
- **Cabometyx/Cometriq** – Royalty Receipts from Cabometyx/Cometriq, which is marketed by Exelixis, Ipsen and Takeda, increased by \$4.9 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by continued demand growth in the United States and globally by broad uptake in combination with Opdivo in first-line renal cell carcinoma across clinical risk groups and practice settings.
- **Trodelvy** – Royalty Receipts from Trodelvy, which is marketed by Gilead for the treatment of adult patients with metastatic triple-negative breast cancer and pre-treated hormone receptor (HR)-positive, human epidermal growth factor receptor 2 (HER2)-negative metastatic breast cancer, increased by \$8.9 million in the first nine months of 2024 as compared to the first nine months of 2023. The increase was primarily driven by continued demand in second-line metastatic triple-negative breast cancer and pretreated HR+/HER2- metastatic breast cancer.

- **Spinraza** – Royalty Receipts from Spinraza, which is marketed by Biogen for the treatment of spinal muscular atrophy, increased by \$2.6 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to relatively consistent U.S. sales, while performance outside the United States was impacted by the timing of shipments, competition and pricing pressure. We acquired the Spinraza royalty in the first quarter of 2023 and began receiving royalties in the second quarter of 2023.
- **Erleada** – Royalty Receipts from Erleada, which is marketed by Johnson & Johnson for the treatment of patients with prostate cancer, increased by \$9.4 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by continued share gains and market growth in metastatic castration-sensitive prostate cancer. We acquired an incremental royalty on Erleada in the second quarter of 2023 and began receiving the additional royalty in the third quarter of 2023.
- **Orladeyo** – Royalty Receipts from Orladeyo, which is marketed by BioCryst for the treatment of hereditary angioedema, increased by \$6.5 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by continued strong patient uptake.
- **Nurtec ODT/Zavzpret** – Royalty Receipts from Nurtec ODT, which is marketed by Pfizer for the acute treatment of migraine, increased by \$4.7 million in the first nine months of 2024 as compared to the first nine months of 2023. The increase was primarily driven by strong demand in the United States, as well as recent launches in international markets, partially offset by lower net price in the United States due to unfavorable changes in channel mix.
- **Other products** – Royalty Receipts from other products increased by \$5.1 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by the receipt of the underpaid royalties on Tradjenta, higher distributions from the Legacy SLP Interest and the timing of royalty receipts on Entyvio, partially offset by a decline in royalty receipts on Lexiscan due to generic competition.
- **Milestones and other contractual receipts** decreased by \$496.6 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to a \$475.0 million milestone payment received following the FDA's approval of Zavzpret in March 2023 and a \$28.7 million payment from our joint venture investee, Avillion II, for our pro rata portion of the \$80 million fee paid by AstraZeneca to exercise the option to commercialize Aisupra in United States, both of which occurred in the first quarter of 2023.

Key Developments Relating to Our Portfolio

Recent key developments related to products in our portfolio are discussed below:

Commercial Products

- **Skytrofa**. In September 2024, Ascendis Pharma announced the submission of a supplemental Biologics License Application (sBLA) to the FDA for TransCon hGH (marketed as Skytrofa) for the treatment of adults with growth hormone deficiency.
- **Cobenfy**. In September 2024, Bristol Myers Squibb announced the FDA approval of Cobenfy (formerly KarXT), a first-in-class muscarinic agonist for the treatment of schizophrenia in adults. Following FDA approval of Cobenfy, we will make a \$25 million milestone payment to PureTech Health in the fourth quarter of 2024.

- **Cabometyx.** In September 2024, Exelixis announced final results from the Phase 3 pivotal CABINET study, which demonstrated a significant improvement in progression-free survival for cabozantinib in patients with advanced neuroendocrine tumors. Exelixis submitted a supplemental New Drug Application, which was assigned a Prescription Drug User Fee Act (PDUFA) date of April 2025, and Ipsen has submitted an extension of indication Marketing Authorization to the European Medicines Agency.

In September 2024, Exelixis announced final results from the Phase 3 pivotal CONTACT-02 study, which achieved one of two primary endpoints, demonstrating a statistically significant benefit in progression-free survival, and a numerical but not statistically significant improvement in overall survival for cabozantinib in combination with atezolizumab in patients with metastatic castration-resistant prostate cancer. Exelixis intends to submit a supplemental New Drug Application with the FDA later this year.

- **Tremfya.** In September 2024, Johnson and Johnson announced the FDA approval of Tremfya for the treatment of adults with moderately to severely active ulcerative colitis.
- **Spinraza.** In September 2024, Biogen announced the pivotal cohort (Part B) of the Phase 2/3 DEVOTE study evaluating the safety and efficacy of a higher dose regimen of Spinraza in infants with spinal muscular atrophy met its primary endpoint, achieving a statistically significant improvement in motor function compared to a prespecified matched sham control group.
- **Voranigo.** In August 2024, Servier announced the FDA approval of Voranigo, a first-in-class targeted therapy for patients with isocitrate dehydrogenase 1 and 2 (IDH1/2) mutant diffuse glioma.

Development-Stage Product Candidates

- **Aficamten.** In October 2024, Cytokinetics announced that it submitted a New Drug Application for aficamten to the FDA in the third quarter of 2024. Additionally, Cytokinetics plans to submit a Marketing Authorization Application for aficamten to the European Medicines Agency in the fourth quarter of 2024.
- **BCX10013.** In August 2024, BioCryst announced that it plans to discontinue development of its oral Factor D inhibitor, BCX10013, as the level of clinical activity observed was less than other therapies on the market.
- **MK-8189.** In October 2024, Merck updated its public disclosures to remove MK-8189 from its pipeline chart and we do not anticipate making a further investment in this program.
- **Pelabresib.** In October 2024, Novartis announced that based on its review of 48-week data from the Phase 3 MANIFEST-2 study, longer follow-up time is needed to determine the regulatory path for pelabresib in myelofibrosis. Novartis will continue to follow patients in MANIFEST-2 and evaluate the potential for additional studies to support registration.
- **Trontinemab.** In October 2024, Roche presented its latest Phase 1b/2a interim results for trontinemab at the Clinical Trials on Alzheimer's Disease conference, which demonstrated rapid and robust amyloid plaque depletion after 12 to 28 weeks of treatment and an overall favorable safety profile with very limited ARIA-E observed.

Investments Overview

Ongoing investment in new royalties is fundamental to the long-term prospects of our business. New investments provide a source of growth for our Royalty Receipts, supplementing growth within our existing portfolio and offsetting declines for royalties on products that have lost market exclusivity. We evaluate an array of royalty acquisition opportunities on a continuous basis and expect to continue to make acquisitions in the ordinary course of our business. We have established a strong track record of identifying, evaluating and investing in royalties tied to leading products across therapeutic areas and treatment modalities. We invest in approved products and development-stage product candidates that have generated robust proof of concept data. We invest in these therapies through the purchase of royalties, milestones and other contractual receipts by making hybrid investments and by acquiring businesses with significant existing royalty assets or the potential for the creation of such assets.

During the first nine months of 2024, we invested \$2.2 billion in royalties, milestones and other contractual receipts. While volatility exists in the funding of new acquisitions on a year-to-year basis due to the unpredictable timing of new investment opportunities, we have consistently deployed significant amounts of cash when measured over multi-year periods. Our approach is rooted in a highly disciplined evaluation process that is not dictated by a minimum annual investment threshold.

Summary of Acquisition Activities

- In November 2024, we acquired a synthetic royalty on Niktimvo from Syndax Pharmaceuticals, Inc. for an upfront payment of \$350 million. Niktimvo is approved for the treatment of chronic graft-versus-host disease and will be co-commercialized by Incyte. Following the acquisition, we are entitled to receive royalties on the U.S. net sales on Niktimvo.
- In September 2024, we acquired a royalty interest in deucritibant from BRAIN Biotech AG for an upfront payment of approximately \$21 million and up to EUR 110.5 million in milestone payments contingent on the achievements of certain regulatory and commercial milestones. Deucritibant is in Phase 3 development by Pharvaris N.V. for the treatment of hereditary angioedema attacks.
- In September 2024, we acquired a synthetic royalty on Yorvipath from Ascendis Pharma A/S for an upfront payment of \$150 million. Yorvipath is approved for the treatment of hypoparathyroidism in adults.
- In June 2024, PTC Therapeutics, Inc. ("PTC") exercised its option to sell half of its retained royalties on Roche's Evrysdi, an approved product for the treatment of spinal muscular atrophy for approximately \$242 million. This option arose from the Evrysdi royalty transaction with PTC that was announced in October 2023, in which we acquired additional royalty on Evrysdi for \$1 billion. PTC has an option to sell its remaining 9.5% of the Evrysdi royalty for \$250 million less royalties received until December 31, 2025.
- In May 2024, we announced a transaction to acquire a royalty interest in Voranigo from Agios Pharmaceuticals for an upfront payment of \$905 million contingent on FDA approval. In August 2024, we made the upfront payment following the FDA approval on Voranigo.
- In May 2024, we expanded our strategic funding collaboration with Cytokinetics, Incorporated ("Cytokinetics") to provide up to \$575 million, including \$250 million in upfront payments, in exchange for royalties and fixed payments. This collaboration includes the following key components: a royalty restructuring on aficamten for hypertrophic cardiomyopathy; amended commercial launch funding with two additional tranches for aficamten of \$50 million upfront with the option to draw an additional \$175 million following approval of aficamten in oHCM; development funding of \$100 million upfront for the confirmatory Phase 3 clinical trial of omecamtiv mecarbil for heart failure with reduced ejection fraction and \$50 million upfront for the Phase 2 clinical trial of CK-586 for heart failure with preserved ejection fraction, which includes an option to invest an additional \$150 million to fund Phase 3 development of CK-586; and the purchase of \$50 million of Cytokinetics' common stock.

- In May 2024, we acquired royalties and milestones on frexalimab, which was owned by ImmuNext, Inc., for approximately \$525 million, including estimated transaction costs. We are entitled to receive royalties on annual worldwide net sales of frexalimab and milestones related to the achievement of certain commercial and regulatory events. Frexalimab, which is in development by Sanofi, is a second generation anti-CD40 ligand monoclonal antibody. Frexalimab is being evaluated in Phase 3 clinical studies for the treatment of multiple sclerosis and is in Phase 2 clinical studies for systemic lupus erythematosus and Type 1 Diabetes.
- In January 2024, we acquired a royalty interest in ecopipam for an upfront payment of \$49 million and up to \$44 million in milestone payments contingent on the achievement of certain regulatory milestones. Ecopipam is in Phase 3 development by Emalex Biosciences for the treatment of Tourette Syndrome.
- In November 2023, we acquired a royalty interest in long-acting injectable olanzapine (TEV-'749) from Teva for up to \$125 million to support the development of TEV-'749, a Phase 3 development-staged product for the treatment of schizophrenia.
- In September 2023, we acquired a royalty interest in Skytrofa from Ascendis Pharma A/S for an upfront payment of \$150 million. Skytrofa is approved for the treatment of pediatric patients with growth failure due to inadequate secretion of endogenous growth hormone.
- In August 2023, we acquired a royalty interest in Adstiladrin from Ferring Pharmaceuticals for an upfront payment of \$300 million and a \$200 million additional milestone payment contingent on certain manufacturing goals. Adstiladrin is approved for the treatment of adult patients with high-risk Bacillus Calmette-Guérin unresponsive non-muscle invasive bladder cancer with carcinoma in situ with or without papillary tumors.
- In June 2023, we acquired an incremental royalty interest in Erleada from the Regents of the University of California for an upfront payment of \$59 million. Erleada is approved for the treatment of prostate cancer and is marketed by Johnson & Johnson.
- In March 2023, we acquired a royalty interest in KarXT from PureTech Health plc for an upfront payment of \$100 million and up to \$400 million in milestone payments contingent on the achievement of certain regulatory and commercial milestones. KarXT is in Phase 3 development by Karuna Therapeutics for the treatment of psychiatric and neurological conditions, including schizophrenia as a monotherapy and adjunctive therapy and psychosis in Alzheimer's disease. Karuna Therapeutics was acquired by Bristol Myers Squibb in March 2024.
- In January 2023, we acquired royalty interests in Spinraza and pelacarsen from Ionis Pharmaceuticals, Inc. for an upfront payment of \$500 million and committed up to \$625 million in additional payments contingent upon the achievement of certain pelacarsen milestones. Spinraza is approved for the treatment of spinal muscular atrophy and pelacarsen is in Phase 3 development by Novartis for the treatment of cardiovascular disease.

Liquidity and Capital Resources

Overview

Our primary source of liquidity is cash provided by operations. For the first nine months of 2024 and 2023, we generated \$2.0 billion and \$2.2 billion, respectively, in *Net cash provided by operating activities*. We believe that our existing capital resources, cash provided by operating activities and access to our Revolving Credit Facility (defined below) will continue to allow us to meet our operating and working capital requirements, to fund planned strategic acquisitions and R&D funding arrangements, and to meet our debt service obligations for the foreseeable future. We have historically operated at a low level of fixed operating costs. Our primary cash operating expenses, other than R&D funding commitments, include interest expense, Operating and Personnel Payments and legal and professional fees.

We have access to substantial sources of funds in the capital markets and we may, from time to time, seek additional capital through a combination of additional debt or equity financings. As of September 30, 2024 and December 31, 2023, the par value of all of our outstanding senior unsecured notes was \$7.8 billion and \$6.3 billion, respectively. Additionally, we have up to \$1.8 billion of available revolving commitments under our Revolving Credit Facility. A summary of our borrowing activities, balances and compliance with certain debt covenants under various financing arrangements is included in Note 9—Borrowings of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We have historically funded our investments through operating cash flows, equity contributions and debt. Our low operating costs coupled with a lack of capital expenditures and low taxes have contributed to our strong financial profile, resulting in high operating leverage and high cash flow conversion. We expect to continue funding our current and planned operating costs (excluding acquisitions) principally through our cash flow from operations and investments through cash flow and issuances of equity and debt. We have supplemented our available cash and cash equivalents on hand with attractive debt capital to fund certain strategic acquisitions.

Our ability to satisfy our working capital needs, debt service and other obligations, and to comply with the financial covenants under our financing agreements depends on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control.

Cash Flows

The following table and analysis of cash flow changes presents a summary of our cash flow activities (in thousands):

	For the Nine Months Ended September 30,			Change
	2024	2023		
Cash provided by/(used in):				
Operating activities	\$ 2,026,461	\$ 2,215,174	\$	(188,713)
Investing activities	(2,172,527)	(1,072,617)		(1,099,910)
Financing activities	619,108	(1,916,860)		2,535,968

Analysis of Cash Flow Changes

Operating Activities

Cash provided by operating activities decreased by \$188.7 million in the first nine months of 2024 as compared to the first nine months of 2023, primarily due to a decrease in cash collections from financial royalty assets of \$248.1 million. In the first quarter of 2023, cash collections from financial royalty assets included a \$475.0 million milestone payment related to Zavzpret. The decrease was partially offset by lower development-stage funding payments and lower payments for operating and professional costs in the first nine months of 2024.

Investing Activities

Cash used in investing activities increased by \$1.1 billion in the first nine months of 2024 as compared to the first nine months of 2023, primarily driven by higher use of cash for purchases of financial royalty assets, available for sale debt securities and equity securities. The higher use of cash was partially offset by proceeds from equity securities.

Financing Activities

Cash provided by financing activities in the first nine months of 2024 was \$619.1 million as compared to cash used in financing activities of \$1.9 billion in the first nine months of 2023. In the first nine months of 2024, cash provided by financing activities was primarily driven by the net proceeds of \$1.5 billion from issuance of the 2024 Notes (as further described below). In the first nine months of 2023, cash used in financing activities was primarily driven by \$1.0 billion in debt repayment.

Sources of Capital

As of September 30, 2024 and December 31, 2023 our cash and cash equivalents totaled \$950.1 million and \$477.0 million, respectively. We intend to fund short-term and long-term financial obligations as they mature through cash and cash equivalents, future cash flows from operations or the issuance of additional debt. Our ability to generate cash flows from operations, issue debt or enter into financing arrangements on acceptable terms could be adversely affected if there is a material decline in the sales of the underlying pharmaceutical products in which we hold royalties, deterioration in our key financial ratios or credit ratings, or other material unfavorable changes in business conditions. Currently, we believe that we have sufficient financial flexibility to issue debt, enter into other financing arrangements and attract long-term capital on acceptable terms to support our growth objectives.

Borrowings

Our borrowings consisted of the following (in thousands):

Type of Borrowing	Date of Issuance	Maturity	As of September 30, 2024	As of December 31, 2023
Senior Unsecured Notes:				
\$1,000,000, 1.20% (issued at 98.875% of par)	9/2020	9/2025	1,000,000	1,000,000
\$1,000,000, 1.75% (issued at 98.284% of par)	9/2020	9/2027	1,000,000	1,000,000
\$500,000, 5.15% (issued at 98.758% of par)	6/2024	9/2029	500,000	—
\$1,000,000, 2.20% (issued at 97.760% of par)	9/2020	9/2030	1,000,000	1,000,000
\$600,000, 2.15% (issued at 98.263% of par)	7/2021	9/2031	600,000	600,000
\$500,000, 5.40% (issued at 97.872% of par)	6/2024	9/2034	500,000	—
\$1,000,000, 3.30% (issued at 95.556% of par)	9/2020	9/2040	1,000,000	1,000,000
\$1,000,000, 3.55% (issued at 95.306% of par)	9/2020	9/2050	1,000,000	1,000,000
\$700,000, 3.35% (issued at 97.565% of par)	7/2021	9/2051	700,000	700,000
\$500,000, 5.90% (issued at 97.617% of par)	6/2024	9/2054	500,000	—
Total senior unsecured debt			7,800,000	6,300,000
Unamortized debt discount and issuance costs			(192,621)	(164,715)
Total debt carrying value			7,607,379	6,135,285
Less: Current portion of long-term debt			(996,942)	—
Total long-term debt			\$ 6,610,437	\$ 6,135,285

Senior Unsecured Notes

In June 2024, we issued \$1.5 billion of senior unsecured notes (the “2024 Notes”) with a weighted average coupon rate 5.48%. In July 2021, we issued \$1.3 billion of senior unsecured notes (the “2021 Notes”) with a weighted average coupon rate of 2.80%. In September 2020, we issued \$6.0 billion of senior unsecured notes (the “2020 Notes”) with a weighted average coupon rate of 2.13%. We refer to the 2020 Notes, 2021 Notes and 2024 Notes, collectively, as the “Notes.” The Notes require semi-annual interest payments. The first interest payment date for the 2024 Notes will be March 2, 2025. Indentures governing the Notes contain certain covenants with which we were in compliance as of September 30, 2024.

Senior Unsecured Revolving Credit Facility

Our subsidiary, RP Holdings, as borrower, initially entered into the Amended and Restated Credit Agreement (the "Credit Agreement") on September 15, 2021, which provides for an unsecured revolving credit facility (the "Revolving Credit Facility"). Amendment No. 3 to the Credit Agreement, which was entered into on December 22, 2023, increased the borrowing capacity to \$1.8 billion for general corporate purposes with \$1.69 billion of the revolving commitments maturing on December 22, 2028 and the remaining \$110.0 million of revolving commitments maturing on October 31, 2027. On January 24, 2024, we entered into Amendment No. 4 to the Credit Agreement to make certain technical modifications. As of September 30, 2024, we have a borrowing capacity of \$1.8 billion under the Revolving Credit Facility.

The Credit Agreement that governs the Revolving Credit Facility contains certain customary covenants, that among other things, require us to maintain (i) a consolidated leverage ratio at or below 4.00 to 1.00 (or at or below 4.50 to 1.00 following a qualifying material acquisition) of consolidated funded debt to Adjusted EBITDA, each as defined and calculated as set forth in the Credit Agreement, (ii) a consolidated coverage ratio at or above 2.50 to 1.00 of Adjusted EBITDA to consolidated interest expense, each as defined and calculated as set forth in the Credit Agreement and (iii) a consolidated Portfolio Cash Flow Ratio at or below 5.00 to 1.00 (or at or below 5.50 to 1.00 following a qualifying material acquisition) of consolidated funded debt to Portfolio Cash Flow, each as defined and calculated as set forth in the Credit Agreement.

We were in compliance with the financial covenants as of September 30, 2024.

Adjusted EBITDA and Portfolio Cash Flow are non-GAAP liquidity measures that are key components of certain material covenants contained within the Credit Agreement. Noncompliance with the financial covenants under the Credit Agreement could result in our lenders requiring us to immediately repay all amounts borrowed. If we cannot satisfy these financial covenants, we would be prohibited under our Credit Agreement from engaging in certain activities, such as incurring additional indebtedness, paying dividends, making certain payments and acquiring and disposing of assets.

The table below presents Adjusted EBITDA and Portfolio Cash Flow, each as calculated according to its respective definition in our Credit Agreement (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Portfolio Receipts	\$ 734,624	\$ 637,160	\$ 2,059,602	\$ 2,312,807
Payments for operating and professional costs	(55,232)	(54,961)	(163,804)	(188,839)
Adjusted EBITDA (non-GAAP)	\$ 679,392	\$ 582,199	\$ 1,895,798	\$ 2,123,968
Interest paid, net	(62,464)	(53,967)	(121,318)	(102,706)
Portfolio Cash Flow (non-GAAP)	\$ 616,928	\$ 528,232	\$ 1,774,480	\$ 2,021,262

Adjusted EBITDA and Portfolio Cash Flow are non-GAAP liquidity measures that exclude the impact of certain items and therefore have not been calculated in accordance with GAAP. We caution readers that amounts presented in accordance with our definitions of Adjusted EBITDA and Portfolio Cash Flow may not be the same as similar measures used by other companies or analysts. A reconciliation of Adjusted EBITDA and Portfolio Cash Flow to *Net cash provided by operating activities*, the closest GAAP measure, is presented below (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash provided by operating activities (GAAP)	\$ 703,614	\$ 573,520	\$ 2,026,461	\$ 2,215,174
Adjustments:				
Proceeds from available for sale debt securities ^{(1), (2)}	2,880	—	7,200	—
Distributions from equity method investees ⁽²⁾	11,489	4,458	20,397	39,225
Interest paid, net ⁽²⁾	62,464	53,967	121,318	102,706
Development-stage funding payments - ongoing	500	500	1,500	1,500
Development-stage funding payments - upfront and milestone	—	50,000	—	50,000
Distributions to legacy non-controlling interests - Portfolio Receipts ⁽²⁾	(101,555)	(100,246)	(281,078)	(284,637)
Adjusted EBITDA (non-GAAP)	\$ 679,392	\$ 582,199	\$ 1,895,798	\$ 2,123,968
Interest paid, net ⁽²⁾	(62,464)	(53,967)	(121,318)	(102,706)
Portfolio Cash Flow(non-GAAP)	\$ 616,928	\$ 528,232	\$ 1,774,480	\$ 2,021,262

(1) In the fourth quarter of 2023, we began receiving quarterly repayments on tranche one of the Cytokinetics Commercial Launch Funding (presented as *Proceeds from available for sale debt securities* on the statements of cash flows).

(2) The table below shows the line item for each adjustment and the direct location for such line item on the statements of cash flows.

Reconciling Adjustment	Statements of Cash Flows Classification
Interest paid, net	Operating activities (<i>Interest paid</i> less <i>Interest received</i>)
Distributions from equity method investees	Investing activities
Proceeds from available for sale debt securities	Investing activities
Distributions to legacy non-controlling interests - Portfolio Receipts	Financing activities

Uses of Capital

Acquisitions of Royalties

We acquire product royalties in ways that can be tailored to the needs of our partners through a variety of structures:

- **Third-party Royalties** – Existing royalties on approved or late-stage development therapies with high commercial potential. A royalty is the contractual right to a percentage of top-line sales from a licensee's use of a product, technology or intellectual property. The majority of our current portfolio consists of third-party royalties.
- **Synthetic Royalties** – Newly-created royalties on approved or late-stage development therapies with strong proof of concept and high commercial potential. A synthetic royalty is the contractual right to a percentage of top-line sales by the developer or marketer of a therapy in exchange for funding. A synthetic royalty may also include contingent milestone payments. We also fund ongoing R&D for biopharmaceutical companies in exchange for future royalties and milestones if the product or indication we are funding is approved.
- **Launch and Development Capital** – Tailored supplemental funding solutions, generally included as a component within a transaction, increase the scale of our capital. Launch and development capital is generally provided in exchange for a long-term stream of fixed payments with a predetermined schedule around the launch of a drug. Launch and development capital may also include a direct investment in the public equity of a company.

- **Mergers and Acquisitions (“M&A”) Related** – We acquire royalties in connection with M&A transactions, often from the buyers of biopharmaceutical companies when they dispose of the non-strategic assets of the target company following the closing of the acquisition. We also seek to partner with companies to acquire other biopharmaceutical companies that own significant royalties. We may also seek to acquire biopharmaceutical companies that have significant royalties or where we can create royalties in subsequent transactions.

Additionally, we may identify additional opportunities, platforms or technologies that leverage our capabilities.

Distributions to Shareholders

We paid dividends to holders of our Class A ordinary shares of \$282.8 million and \$269.0 million in the first nine months of 2024 and 2023, respectively. We do not have a legal obligation to pay a quarterly dividend or dividends at any specified rate or at all.

Class A Ordinary Share Repurchases

In March 2023, our board of directors authorized a share repurchase program under which we may repurchase up to \$1.0 billion of our Class A ordinary shares. The authorization for the share repurchase program expires on June 23, 2027. Share repurchases may be made in the open market or in privately negotiated transactions. In the first nine months of 2024, we repurchased 6.6 million shares at a cost of approximately \$179.7 million. In the first nine months of 2023, we repurchased 8.9 million shares at a cost of approximately \$278.6 million. As of September 30, 2024, approximately \$515.6 million remained available under the share repurchase program.

Other Funding Arrangements

As part of the expanded funding collaboration we entered into with Cytokinetics in May 2024, we agreed to fund the clinical trial for CK-586. We funded \$50 million upfront in May 2024. We have an option to fund up to an additional \$150 million which we have not exercised as of September 30, 2024.

We have a long-term funding arrangement with Cytokinetics which is comprised of seven tranches of up to \$525 million in total funding (“Cytokinetics Commercial Launch Funding”). As of September 30, 2024, \$350 million remained available under Cytokinetics Commercial Launch Funding of which Cytokinetics is required to draw a minimum of \$50 million.

In November 2023, we entered into a funding agreement with Teva to provide up to \$100 million to fund the ongoing development of olanzapine LAI (TEV-749). As of September 30, 2024, we had unfunded commitments of \$18 million related to the agreement with Teva.

We may have other funding arrangements where we are contractually obligated to fund R&D activities performed by our development partners. We also have funding arrangements related to our equity method investments in the Avillion Entities. As our committed capital requirements are based on phases of development, the completion of which is highly uncertain, only the capital required to fund the current stage of development under such funding arrangements is considered committed capital, which was approximately \$18.3 million as of September 30, 2024.

We also have certain milestones payable to our counterparties that are contingent on the successful achievement of certain development, regulatory approval or commercial milestones. These contingent milestone payments are not considered contractual obligations. In the first nine months of 2024, we paid a \$50.0 million regulatory milestone related to olpasiran. In the first nine months of 2023, we paid a \$12.4 million sales-based milestone related to Erleada and a \$50.0 million clinical milestone payment to Cytokinetics for aficamten.

Debt Service

As of September 30, 2024, the future principal and interest payments under our Notes over the next five years and thereafter are as follows (in thousands):

Year	Principal Payments	Interest Payments
Remainder of 2024	\$ —	\$ —
2025	1,000,000	257,792
2026	—	226,600
2027	1,000,000	226,600
2028	—	209,100
Thereafter	5,800,000	2,753,800
Total⁽¹⁾	\$ 7,800,000	\$ 3,673,892

(1) Excludes unamortized debt discount and issuance costs of \$192.6 million as of September 30, 2024, which are amortized through interest expense over the remaining life of the underlying debt obligations.

Operating and Personnel Payments

Under the Management Agreement, we pay quarterly Operating and Personnel Payments equal to 6.5% of the cash receipts from Royalty Investments, or Portfolio Receipts, for such quarter and 0.25% of our security investments under GAAP as of the end of each quarter. Because the Operating and Personnel Payments are determined based on Portfolio Receipts, the amounts are variable. The payment for our Operating and Personnel Payment is the most significant component of *Payments for operating and professional costs* presented on the statements of cash flows. Additionally, the expenses incurred in respect of Operating and Personnel Payments are expected to comprise the most significant component of G&A expenses on an ongoing basis.

Guarantor Financial Information

Our obligations under the Notes are fully and unconditionally guaranteed by RP Holdings, a non-wholly owned subsidiary (the “Guarantor Subsidiary”). Our remaining subsidiaries (the “Non-Guarantor Subsidiaries”) do not guarantee the Notes. Under the terms of the indenture governing the Notes, Royalty Pharma plc and the Guarantor Subsidiary each fully and unconditionally, jointly and severally, guarantee the payment of interest, principal and premium, if any, on the Notes. As of September 30, 2024, the par value and carrying value of the total outstanding and guaranteed Notes was \$7.8 billion and \$7.6 billion, respectively.

The following financial information presents summarized combined balance sheet information as of September 30, 2024 and December 31, 2023 and summarized combined statement of operations information for the first nine months of 2024 for Royalty Pharma plc and RP Holdings. All intercompany balances and transactions between Royalty Pharma plc and RP Holdings are eliminated in the presentation of the combined financial statements. RP Holdings' most significant asset is its investment in operating subsidiaries, which has been eliminated in the table below to exclude investments in Non-Guarantor Subsidiaries. Our operating subsidiaries hold the majority of our cash and cash equivalents, marketable securities and financial royalty assets. As a result, our ability to make required payments on the Notes depends on the performance of our operating subsidiaries and their ability to distribute funds to us. There are no material restrictions on distributions from the operating subsidiaries. Amounts presented below do not represent our total consolidated amounts (in thousands):

Summarized Combined Balance Sheets

	As of September 30, 2024	As of December 31, 2023
Current assets	\$ 4,443	\$ 42,474
Current interest receivable on intercompany notes due from Non-Guarantor Subsidiaries	42,109	13,086
Current intercompany notes receivable due from Non-Guarantor Subsidiaries	243,741	—
Non-current assets	3,329	4,107
Non-current intercompany notes receivable due from Non-Guarantor Subsidiaries	2,027,596	1,921,576
Current liabilities	1,042,689	53,390
Current interest payable on intercompany notes due to Non-Guarantor Subsidiaries	9,374	13,086
Current intercompany notes payable due to Non-Guarantor Subsidiaries	243,741	—
Non-current liabilities	6,607,306	6,134,383
Non-current intercompany notes payable due to Non-Guarantor Subsidiaries	1,618,553	1,550,204

Summarized Combined Statement of Operations

	For the Nine Months Ended September 30, 2024
Interest income on intercompany notes receivable due from Non-Guarantor Subsidiaries	\$ 70,880
Other income	762
Operating expenses	173,926
Interest expense on intercompany notes due to Non-Guarantor Subsidiaries	38,145
Net loss	140,429

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Certain of these policies are considered critical as they have the most significant impact on our financial condition and results of operations and require the most difficult, subjective, or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of income and expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our most critical accounting policies relate to our financial royalty assets. Similarly, the most significant judgments and estimates applied by management are associated with the measurement of our financial royalty assets at amortized cost using the prospective effective interest method. The application of the prospective approach to calculate interest income from our financial royalty assets requires management's judgment in forecasting the expected future cash flows of the underlying royalties. There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk exposures that affect the disclosures presented in “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in the Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) prior to the filing of this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were, in design and operation, effective to the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the third quarter of 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, refer to Note 13–Commitments and Contingencies , which is incorporated herein by reference.

Item 1A. RISK FACTORS

Described below are certain risks that we believe apply to our business. You should carefully consider the following information about these risks, together with the other information contained in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business.

Summary of Risk Factors

Our business is subject to a number of risks, including risks that may adversely affect our business, financial condition or results of operations. These risks are discussed more fully below and include, but are not limited to, risks related to:

Risks Relating to Our Business

- risks related to sales of biopharmaceutical products on which we receive royalties;
- the growth of the royalty market;
- the ability of the Manager to identify suitable assets for us to acquire;
- uncertainties related to the acquisition of interests in development-stage biopharmaceutical product candidates and our strategy to add development-stage product candidates to our product portfolio;
- potential strategic acquisitions of biopharmaceutical companies;
- our use of leverage in connection with our capital deployment;
- our ability to leverage our competitive strengths;
- marketers of products that generate our royalties are outside of our control and are responsible for development, pursuit of ongoing regulatory approval, commercialization, manufacturing and marketing;
- governmental regulation of the biopharmaceutical industry;
- interest rate risk, foreign exchange fluctuations and inflation;
- our reliance on the Manager for all services we require and key members of the Manager 's senior advisory team;
- actual and potential conflicts of interest with the Manager and its affiliates;
- the ability of the Manager or its affiliates to attract and retain highly talented professionals;
- the assumptions underlying our business model;
- our reliance on a limited number of products;
- the competitive nature of the biopharmaceutical industry;

Risks Relating to Our Organization and Structure

- our organizational structure, including our status as a holding company;

Risks Relating to Our Class A Ordinary Shares

- volatility of the market price of our Class A ordinary shares;
- our incorporation under English law;

Risks Relating to Taxation

- the effect of changes to tax legislation and our tax position;

General Risk Factors

- cyber-attacks or other failures in telecommunications or information technology systems; and
- the future outbreak of any infectious or contagious diseases, such as COVID-19 on our operations.

Risks Relating to Our Business

Biopharmaceutical products are subject to sales risks.

Biopharmaceutical product sales may be lower than expected due to a number of reasons, including pricing pressures, insufficient demand, product competition, failure of clinical trials, lack of market acceptance, changes in the marketer's strategic priorities, obsolescence, lack of acceptance by government healthcare programs or private insurance plans, loss of patent protection, government regulations or other factors, and development-stage product candidates may fail to reach the market. Unexpected side effects, safety or efficacy concerns can arise with respect to a product, leading to product recalls, withdrawals, declining sales or litigation. As a result, payments of our royalties may be reduced or ceased. In addition, these payments may be delayed, causing our near-term financial performance to be weaker than expected.

The royalty market may not grow at the same rate as it has in the past, or at all, and we may not be able to acquire sufficient royalties to sustain the growth of our business.

We have been able to grow our business over time by primarily acquiring royalties. However, we may not be able to identify and acquire a sufficient number of royalties, or royalties of sufficient scale, to invest the full amount of capital that may be available to us in the future, or at our targeted amount and rate of deployment, which could prevent us from executing our growth strategy and negatively impact our business. Changes in the royalty market, including its structure, participants and growth rate, changes in preferred methods of financing and capital raising in the biopharmaceutical industry, or a reduction in the growth of the biopharmaceutical industry, could lead to diminished opportunities for us to acquire royalties, fewer royalties (or fewer royalties of significant scale) being available, or increased competition for royalties. Even if we continue to acquire royalties, they generally will not generate a meaningful return for a period of several years, if at all, due to transaction structures, circumstances relating to the underlying products or other factors. As a result, we may not be able to continue to acquire royalties or otherwise grow our business as we have in the past, or at all.

Acquisitions of royalties from our investments in development-stage biopharmaceutical product candidates are subject to additional risks and uncertainties.

We may acquire more royalties on development-stage product candidates that have not yet received marketing approval by any regulatory authority or been commercialized. There can be no assurance that the FDA, the Medicines and Healthcare products Regulatory Agency ("MHRA"), the European Medicines Agency ("EMA"), Pharmaceuticals and Medical Devices Agency ("PMDA") or other regulatory authorities will approve such products or that such products will be brought to market timely or at all, or that the market will be receptive to such products. We have previously acquired royalties on development-stage product candidates for which clinical development was stopped for a number of reasons, including clinical trials failing to meet their primary endpoints. These failures have resulted in, and future failures could lead to, non-cash impairment charges or other investment write downs.

If the FDA, MHRA, the EMA, PMDA or other regulatory authority approves a development-stage product candidate that generates our royalties, the labeling, packaging, manufacturing, adverse event reporting, storage, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. The subsequent discovery of previously unknown problems with the product, including adverse events of unanticipated severity or frequency, may result in restrictions on the marketing of the product and could include withdrawal of the product from the market.

In addition, the developers of these development-stage product candidates may not be able to raise additional capital to continue their discovery, development and commercialization activities, which may cause them to delay, reduce the scope of, or eliminate one or more of their clinical trials or R&D programs. If other product developers introduce and market products that are more effective, safer or less expensive than the products that generate our royalties, or if such developers introduce their products prior to the competing products underlying our royalties, the products in which we have invested may not achieve commercial success and thereby result in diminished returns or reduced royalties for us, adversely affecting our business, financial condition or results of operations.

Further, the developers of such products may not have sales, marketing or distribution capabilities. If no sales, marketing or distribution arrangements can be made on acceptable terms or at all, the affected product may not be able to be successfully commercialized, which will result in a loss for us. Losses from such assets could adversely affect our business, financial condition or results of operations.

We intend to continue to provide capital to innovators to co-fund clinical development of a product candidate in exchange for a share of the future revenues of that asset and when we do so, we do not control its clinical development. In these situations, the innovators may not complete activities on schedule or in accordance with our expectations or in compliance with applicable laws and regulations, which could delay or prevent the development, approval, manufacturing or commercialization of the development-stage product candidate for which we have provided funding.

Uncertainty relating to development-stage product candidates makes it more difficult to develop accurate assumptions for our internal models, which can result in reduced royalties compared to estimates. There can be no assurance that our assumptions around the likelihood of a development-stage product candidate's approval or achieving significant sales will prove correct, that regulatory authorities will approve such development-stage product candidates, that such development-stage product candidates will be brought to market timely or at all, or that such products will achieve commercial success or result in royalties consistent with our estimates.

We may undertake strategic acquisitions of biopharmaceutical companies or acquire securities of biopharmaceutical companies. Our failure to realize expected benefits of such acquisitions could adversely affect our business, financial condition or results of operations.

We may acquire companies with significant royalty assets or where we believe we could create significant synthetic royalties. These acquired or created royalty assets may not perform as we project. Moreover, the acquisition of operating biopharmaceutical companies will result in the assumption of, or exposure to, liabilities of the acquired business that are not inherent in our other royalty acquisitions, such as direct exposure to product liability claims, high fixed costs or an expansion of our operations and expense structure, thereby potentially decreasing our profitability. The diversion of our management's attention and any delay or difficulties encountered in connection with any future acquisitions we may consummate could result in the disruption of our on-going business operations. Despite our business, financial and legal due diligence efforts, we have limited experience in assessing acquisition opportunities, and we ultimately may be unsuccessful in ascertaining or evaluating all risks associated with such acquisitions. Moreover, we may need to raise additional funds through public or private debt or equity financing to acquire any businesses or products, which may result in dilution for shareholders or the incurrence of indebtedness. As a result, our acquisition of biopharmaceutical companies could adversely affect our business, financial condition or results of operations.

We may seek to expand our market opportunity by acquiring securities issued by biopharmaceutical companies. Where we acquire equity securities as all or part of the consideration for business development activities, the value of those securities will fluctuate, and may depreciate. We will likely not control the companies in which we acquire securities, and as a result, we may have limited ability to determine management, operational decisions or policies. Further, such transactions may face risks and liabilities that due diligence efforts fail to discover, that are not disclosed to us, or that we inadequately assess. In addition, as a result of our activities, we may receive material non-public information about other companies. Where such information relates to a company whose equity securities we hold, we may be delayed or prevented from selling such securities when we would otherwise choose to do so, and such delay or prohibition may result in a loss or reduced gain on such securities.

We use leverage in connection with our capital deployment, which magnifies the potential for loss if the royalties acquired do not generate sufficient income to us.

We use borrowed funds to finance a significant portion of our deployed capital. The use of leverage creates an opportunity for an increased return but also increases the risk of loss if our assets do not generate sufficient cash flows to us. The interest expense and other costs incurred in connection with such borrowings may not be covered by our cash flow. In addition, leverage may inhibit our operating flexibility and reduce cash flow available for dividends or to make share repurchases.

The level of our indebtedness could limit our ability to respond to changing business conditions. The various agreements relating to our borrowings may impose operating and financial restrictions on us which could affect the number and size of the royalties that we may pursue. Therefore, no assurance can be given that we will be able to take advantage of favorable conditions or opportunities as a result of any restrictive covenants under our indebtedness. There can also be no assurance that additional debt financing, either to replace or increase existing debt financing, will be available when needed or, if available, will be obtainable on terms that are commercially reasonable.

Additional risks related to our leverage include:

- to the extent that interest rates at which we borrow increase, our borrowing costs will increase and our leveraging strategy will become more costly, which could lead to diminished net profits;
- we have to comply with various financial covenants in the agreements that govern our debt, including requirements to maintain certain leverage ratios and coverage ratios, which may affect our ability to achieve our business objectives;
- our ability to pay dividends or make share repurchases may be restricted;
- our royalties may be used as collateral for our borrowings; and
- in the event of a default under secured borrowings, if any, one or more of our creditors or their assignees could obtain control of our royalties and, in the event of a distressed sale, these creditors could dispose of these royalties for significantly less value than we could realize for them.

We do not employ our own personnel and are entirely dependent upon the Manager for all the services we require.

Because we are “externally managed,” we do not employ our own personnel, but instead depend upon the Manager, its executive officers and its employees for all of the services we require. The Manager selects and manages the acquisition of royalties, milestones and other contractual receipts and related assets that meet our investment criteria and provides all our other administrative services. Accordingly, our success is dependent upon the expertise and services of the executive officers and employees of the Manager. The Management Agreement has an initial term of ten years, after which it can be renewed for an additional term of three years, unless either we or the Manager provide notice of non-renewal 180 days prior the expiration of the initial term or renewal term. The Manager may not be removed during the initial or any renewal term without cause. While our Management Agreement requires its executives to devote substantially all their time to managing us and any legacy vehicles related to RPI 2019 ICAV or Old RPI unless otherwise approved by the board of directors, such resources may prove to be inadequate to meet our needs.

The success of our business depends upon key members of the Manager's advisory team who may not continue to work for the Manager.

We depend on the expertise, skill and network of business contacts of the key members of the Manager's advisory team, who evaluate, negotiate, structure, execute, monitor and service our assets. Our future success depends to a significant extent on the continued service and coordination of the advisory team of the Manager, particularly Mr. Legorreta. Pursuant to the Management Agreement, executives of the Manager must devote substantially all of their business time to managing us, unless otherwise approved by the board of directors. Despite this, Mr. Legorreta and other key members of the Manager's advisory team may have other demands on their time, and we cannot assure you that they will continue to be actively involved in our business. Each of these individuals is an employee of the Manager and is not subject to an employment contract with us, which means we do not direct the composition of the Manager's advisory team as well as the compensation or professional development of these individuals. The departure of any of these individuals or competing demands on their time could adversely affect our business, financial condition or results of operations.

The key advisory professionals of the Manager have relationships with participants in the biopharmaceutical industry, financial institutions and other advisory professionals, which we rely upon to source potential asset acquisition opportunities. If the key advisory professionals of the Manager fail to maintain such relationships, or to develop new relationships with other sources, we may not be able to grow our portfolio. In addition, we can offer no assurance that these relationships, even if maintained, will generate royalty acquisition opportunities for us in the future.

There can be no assurance that the policies and procedures we have established to mitigate conflicts of interest will be effective in doing so.

The Manager cannot manage another entity that invests in or acquires royalties other than any legacy vehicle related to RPI 2019 ICAV or Old RPI. Every senior executive of the Manager is subject to a non-compete agreement that is effective for 18 months following termination of their employment for any reason. We are a beneficiary of these agreements. In addition, executives of the Manager must devote substantially all of their time to managing us and any legacy vehicle related to RPI 2019 ICAV or Old RPI, unless otherwise approved by the board of directors. Despite this, the ability of the Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement, may reduce the amount of time the Manager, its officers or other employees spend managing us.

There could be conflicts of interest between us and our advisory personnel. For instance, Mr. Legorreta, our Chief Executive Officer, is also a co-founder of and has significant influence over Pharmakon Advisors, which shares physical premises with the Manager. Pharmakon manages BioPharma Credit PLC (LSE: BPCR) and other investment vehicles that collectively are leading providers of debt capital to the biopharmaceutical industry. Mr. Legorreta has a substantial investment in BioPharma Credit. In addition, Mr. Legorreta serves as the chairperson of the board of directors of ProKidney Corp. and he has founded and participates in foundations that receive and provide medical research funding. Even though he is involved with Pharmakon, BioPharma Credit PLC, ProKidney Corp. and the foundations described above, among other organizations, Mr. Legorreta does not have any material constraints on the time he has available to devote to the Manager and thereby to us. While the Manager and Pharmakon may pursue similar investment opportunities, we believe that actual conflicts of interest are rare due to differing investment strategies, and the fact that royalty holders determine the type of transaction they seek. Under arrangements with Pharmakon, the Manager subleases office space to Pharmakon, and the parties may provide research, business development, legal, compliance, financial and administrative services to one another. The Manager and Pharmakon reimburse each other to the extent that one of them provides materially more services to the other than they receive in return. In addition, certain employees of the Manager may receive compensation from Pharmakon.

The Manager's compensation arrangements may have unintended consequences. We have agreed to pay the Manager or its affiliates quarterly operating and personnel expenses (the "Operating and Personnel Payments"), based on Portfolio Receipts and the mark-to-market value of security investments at the end of each quarter regardless of whether we realize any gain on our investments. Consequently, the Manager may be incentivized to have us make investments regardless of our expected gain on such investments, which may not align with our or our shareholders' interests.

To service our indebtedness and meet our other ongoing liquidity needs, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. If we cannot generate the required cash, we may not be able to make the required payments under our indebtedness.

As of September 30, 2024, our total principal amount of senior unsecured notes outstanding was \$7.8 billion. In addition, we have up to \$1.8 billion of available revolving commitments under our Revolving Credit Facility (as defined below). Except for RP Holdings, our subsidiaries that do not guarantee the senior unsecured notes will have no obligation, contingent or otherwise, to pay amounts due under the senior unsecured notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. We cannot assure you that our business will generate sufficient cash flow from operations to enable us to pay our indebtedness or to fund our other liquidity needs.

Absent sufficient cash flow and the ability to refinance, we could also be forced to sell assets to make up for any shortfall in our payment obligations. However, the terms of the agreements that govern our existing outstanding debt limit our and our subsidiaries' ability to sell assets and also restrict the use of proceeds from such a sale. Accordingly, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations on our indebtedness.

Our business is subject to interest rate, foreign exchange, inflation and banking industry risk.

We are subject to interest rate fluctuation exposure through any borrowings under our Revolving Credit Facility and our investments in money market accounts and marketable securities, the majority of which bear a variable interest rate. In addition, the discontinuation, modification or other reform of any reference rate, such as the Secured Overnight Financing Rate ("SOFR"), could create uncertainty, require us to amend certain agreements or increase our interest expense. To the extent that interest rates generally increase, our borrowing costs may increase and our leverage strategy will become more costly, leading to diminished net profits.

Certain products pay royalties in currencies other than U.S. dollars, which creates foreign currency risk primarily with respect to the Euro, Canadian dollar, British pound, Swiss franc and Japanese yen, as our functional and reporting currency is the U.S. dollar. In addition, our results of operations are subject to foreign currency exchange risk through transactional exposure resulting from movements in exchange rates between the time we recognize royalty income or royalty revenue and the time at which the transaction settles, or we receive the royalty payment. Because we are entitled to royalties on worldwide sales for various products, there is an underlying exposure to foreign currency as the marketer converts payment amounts from local currencies to U.S. dollars using a quarterly average exchange rate. Therefore, cash received may differ from the estimated receivable based on fluctuations in currency.

We are also subject to risks and uncertainties caused by significant events with macroeconomic impacts, including, but not limited to geopolitical events, including the Russia-Ukraine conflict, conflicts in the Middle East, rising inflation and interest rates, monetary policy changes, financial services sector instability, recessions, global pandemics and foreign currency fluctuations. Changes in the value of currencies relative to the U.S. dollar, or high inflation in countries using a currency other than the U.S. dollar, can impact our revenues, costs and expenses and our financial guidance.

Other events that affect the banking industry may adversely affect the banking institutions that hold our cash. Our primary operating accounts significantly exceed the Federal Deposit Insurance Corporation limits. In the event of a bank insolvency or failure, we may be considered a general creditor of the bank, and we might lose some or all of the cash deposited with the bank. Even where it is recognized that a bank might be in danger of insolvency or failure, we might not be able to withdraw or transfer our cash from the bank in time to avoid any adverse effects of the insolvency or failure.

Information about the biopharmaceutical products underlying the royalties we buy available to us may be limited and therefore our ability to analyze each product and its potential future cash flow may be similarly limited.

We may have limited information concerning the products generating the royalties we are evaluating for acquisition. Often, the information we have regarding products following our acquisition of a royalty may be limited to the information that is available in the public domain. Therefore, there may be material information that relates to such products that we would like to know but do not have and may not be able to obtain. For example, we do not always know the results of studies conducted by marketers of the products or others or the nature or amount of any complaints from doctors or users of such products. In addition, the market data that we obtain independently may also prove to be incomplete or incorrect. Due to these and other factors, the actual cash flow from a royalty may be significantly lower than our estimates.

Our future income is dependent upon numerous royalty-specific assumptions and, if these assumptions prove not to be accurate, we may not achieve our expected rates of returns.

Our business model is based on multiple-year internal and external forecasts regarding product sales and numerous product-specific assumptions in connection with each royalty acquisition, including where we have limited information regarding the product. There can be no assurance that the assumptions underlying our financial models, including those regarding product sales or competition, patent expirations, exclusivity terms, license terms or license terminations for the products underlying our portfolio, are accurate. These assumptions involve a significant element of subjective judgment and may be, and in the past have been, adversely affected by post-acquisition changes in market conditions and other factors affecting the underlying product. The risks relating to these assumptions may be exacerbated for development-stage product candidates due to the uncertainties around their development, labeling, regulatory approval, commercialization timing, manufacturing and supply, competing products or related factors. Our assumptions regarding the financial stability or operational or marketing capabilities of the partner obligated to pay us royalties may also prove, and in the past have proven, to be incorrect. Due to these and other factors, the assets in our current portfolio or future assets may not generate expected returns or returns in line with our historical financial performance or in the time periods we expect or at all, which could adversely affect our business, financial condition or results of operation.

We make assumptions regarding the royalty duration for terms that are not contractually fixed, and a shortened royalty term could result in a reduction in the effective interest rate, a decline in income from royalties, significant reductions in royalty payments compared to expectations, or a permanent impairment.

In accordance with generally accepted accounting principles in the United States ("GAAP"), we classify most royalty assets that we acquire as financial assets that are measured at amortized cost using the prospective effective interest method described in ASC 835-30. The effective interest rate is calculated by forecasting the expected cash flows to be received over the life of the asset relative to the initial invested amount, net of any purchased receivables. A critical component of such forecast is our assumptions regarding duration of the royalty.

The royalty duration is important for purposes of accurately measuring interest income over the life of a royalty. In making assumptions around the royalty duration for terms that are not contractually fixed, we consider the strength of existing patent protection, expected entry of generics, geographical exclusivity periods and potential patent term extensions tied to the underlying product.

The duration of a royalty usually varies on a country-by-country basis and can be based on a number of factors, such as patent expiration dates, whether the product is sold singly or in combination, regulatory exclusivity, years from first commercial sale of the patent-protected product, the entry of competing generic or biosimilar products, or other terms set out in the contracts governing the royalty. It is common for royalty durations to expire earlier or later than anticipated due to unforeseen positive or negative developments over time, including with respect to the granting of patents and patent term extensions, the invalidation of patents, claims of patent misuse, litigation between the party controlling the patents and third party challengers of the patents, the ability of third parties to design around or circumvent valid patents, the granting of regulatory exclusivity periods or extensions, timing for the arrival of generic or biosimilar competitor products, changes to legal or regulatory regimes affecting intellectual property rights or the regulation of pharmaceutical products, product life cycles, and industry consolidations.

If an unexpected shortening of a royalty term were to occur, it could result in a reduction in the effective interest rate for the asset, a decline in income from royalties, and a significant reduction in royalty payments compared to expectations, or a permanent impairment.

Most of our royalties are classified as financial assets that are measured at amortized cost using the effective interest method as a result of which our GAAP results of operations can be volatile and unpredictable.

In accordance with GAAP, most of the royalty assets we acquire are treated as investments in cash flow streams and are thus classified as financial assets. Under this classification, our financial royalty assets are treated as having a yield component that resembles loans measured at amortized cost under the effective interest accounting methodology. Under this accounting methodology, we calculate the effective interest rate on each financial royalty asset using a forecast of the expected cash flows to be received over the life of the financial royalty asset relative to the initial acquisition price. The yield, which is calculated at the end of each reporting period and applied prospectively, is then recognized via accretion into our income at the effective rate of return over the expected life of the financial royalty asset.

As a result of the non-cash charges associated with the application of the effective interest method accounting methodology, our income statement activity in respect of many of our royalties can be volatile and unpredictable. Small declines in sell-side equity research analysts' consensus sales forecasts over a long time horizon can result in an immediate non-cash income statement expense recognition, even though the applicable cash inflows will not be realized for many years into the future. For example, in late 2014 we acquired the cystic fibrosis franchise, which is classified as a financial royalty asset. Beginning in the second quarter of 2015, declines in near-term sales forecasts of sell-side equity research analysts caused us to recognize non-cash provision expenses to the income statement and build up a corresponding cumulative allowance which reduced the gross balance for this financial royalty asset. Over the course of 10 quarters, we recognized non-cash provision expenses as a result of these changes in forecasts, including a non-cash expense of \$743.2 million in 2016, ultimately reaching a peak cumulative allowance of \$1.30 billion by September 30, 2017 related to this financial royalty asset. With the approval of the Vertex triple combination therapy, Trikafta, in October 2019, sell-side equity research analysts' consensus sales forecasts increased to reflect the larger addressable market and the extension of the expected duration of the Trikafta royalty. While small reductions in the cumulative allowance for the cystic fibrosis franchise were recognized as provision income in 2017 and 2018, there remained a \$1.10 billion cumulative allowance that was fully reduced by recognizing non-cash provision income of \$1.10 billion in 2019 as a result of an increase in sell-side equity research analysts' consensus sales forecasts associated with the Trikafta approval. The financial statement impact caused by the application of the effective interest accounting methodology could result in a negative perception of our results in a given period.

Our reliance on a limited number of products may adversely affect our business, financial condition and results of operation.

While our current asset portfolio includes royalties relating to over 35 marketed products, the top five product franchises accounted for 64% of our Royalty Receipts in the first nine months of 2024. In addition, our asset portfolio may not be fully diversified by geographic region or other criteria. Any significant deterioration in the cash flows from the top products in our asset portfolio could adversely affect our business, financial condition or results of operations.

We face competition in acquiring royalties and locating suitable royalties to acquire.

There are a limited number of suitable and attractive opportunities to acquire high-quality royalties. Therefore, competition to acquire such royalties is intense and may increase. We compete with other potential acquirers for these opportunities, including companies that market the products on which royalties are paid, investment vehicles and other pools of capital, financial institutions, institutional investors (including sovereign wealth and pension funds) and others. These competitors may be able to access lower cost capital, may be larger than us, may have relationships that provide them access to opportunities before us, or may be willing to acquire royalties for lower projected returns than we are.

Biopharmaceutical products are subject to substantial competition.

The biopharmaceutical industry is a highly competitive and rapidly evolving industry. The length of any product's commercial life cannot be predicted with certainty. One or more products on which we are entitled to a royalty may be rendered obsolete or non-competitive by new or alternate products or improvements made to existing products on which we are not entitled to a royalty, either by the current marketer of such products or by another marketer. Current marketers of products may undertake these development efforts in order to improve their products or to avoid paying our royalty. Adverse competition, obsolescence or governmental and regulatory action or healthcare policy changes could significantly affect the revenues, including royalty-related revenues, of the products which generate our royalties.

Competitive factors affecting the market position and success of each product include:

- safety, side effect profile, effectiveness and market acceptance;
- price, including third-party insurance reimbursement policies;
- timing, introduction and marketer support of the product;
- efficacy and execution of marketing and commercialization strategy;
- market acceptance;
- manufacturing, supply and distribution;
- governmental regulation, including price caps;
- availability of lower-cost generics or biosimilars;
- intellectual property protection and exclusivity;
- treatment innovations that eliminate or minimize the need for a product; and
- product liability claims.

Products on which we have a royalty receivable or other interest may be rendered obsolete or non-competitive by new or alternate products, including generics or biosimilars, improvements on existing products, marketing or commercialization strategies, or governmental or regulatory action. In addition, as biopharmaceutical companies increasingly devote significant resources to innovate next-generation products and therapies, products on which we have a royalty may become unattractive to commercialize or obsolete. If a product's market acceptance is diminished or it is withdrawn from the market, continuing payments with respect to biopharmaceutical products may not be made on time or at all, which may affect our ability to realize the benefits of the royalty receivable or other interest in such product and may result in us incurring asset impairment charges. Further, any product for which we have a royalty receivable or other interest that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. Many approved drugs are well established therapies and are widely accepted by physicians, patients and third-party payors. Insurers and other third-party payors may also encourage the use of generic products. Any of these developments could adversely affect products on which we have a royalty, and consequently could adversely affect our business, financial condition or results of operations.

Marketers of products that generate our royalties are outside of our control.

In the case of our royalty receivables, our cash flow consists primarily of payments supported by royalties paid by marketers. These marketers may have interests that are different from our interests. For example, these marketers may be motivated to maximize their overall income by allocating resources to other products and, in the future, may decide to focus less attention on the products generating our royalties or by allocating resources to develop products that do not generate royalties to us. There can be no assurance that any marketer or person with whom the marketer has a working relationship has adequate resources or motivation to continue to produce, market and sell the products generating our royalties. Aside from any limited audit rights relating to the activities of the marketers that we may have in certain circumstances pursuant to the terms of our arrangements with the licensor, we do not have oversight rights with respect to the marketers' operations and do not have rights allowing us to direct their operations or strategy nor do our agreements contain performance standards for their operations. The calculation of the royalty payments is subject to and dependent upon the adequacy and accuracy of our counterparties' sales and accounting functions.

While we may be able to receive certain information relating to sales of products through the exercise of audit rights and review of royalty reports we receive from the licensor, such information may be received many months following our recognition of the royalty revenue, may require us to adjust our royalty revenues in later periods and may require expense on our part.

We have limited information on the marketers' operations. We will not have the right to review or receive certain information relating to products that the marketers may have, including the results of any studies conducted by the marketers or others, or complaints from doctors or users of products. The market performance of the products generating our royalties may therefore be diminished by any number of factors relating to the marketers that are outside of our control.

The marketers of biopharmaceutical products are, generally, entirely responsible for the ongoing regulatory approval, commercialization, manufacturing and marketing of products.

Generally, the holders of royalties on products have granted exclusive regulatory approval, commercialization, manufacturing and marketing rights to the marketers of such products. The marketers have full control over those efforts and sole discretion to determine the extent and priority of the resources they will commit to their program for a product. Accordingly, the successful commercialization of a product depends on the marketer's efforts and is beyond our control. If a marketer does not devote adequate resources to the ongoing development, regulatory approval, commercialization and manufacture of a product, or if a marketer engages in illegal or otherwise unauthorized practices, the product's sales may not generate sufficient royalties, or the product's sales may be suspended, and consequently, could adversely affect our business. In addition, if marketers of biopharmaceutical products decide to discontinue product programs or we believe the commercial prospects of assets have been reduced, we may recognize material non-cash impairment charges related to the financial royalty asset associated with those programs or assets.

License agreements relating to products may, in some instances, be unilaterally terminated or disputes may arise which may affect our royalties.

License agreements relating to the products generating our royalties may be terminated, which may adversely affect sales of such products and therefore the payments we receive. For example, under certain license agreements, marketers retain the right to unilaterally terminate the agreements with the licensors. When the last patent covering a product expires or is otherwise invalidated in a country, a marketer may be economically motivated to terminate its license agreement, either in whole or with respect to such country, in order to terminate its payment and other obligations. In the event of any such termination, a licensor may no longer receive all of the payments it expected to receive from the licensee and may also be unable to find another company to continue developing and commercializing the product on the same or similar terms as those under the license agreement that has been terminated.

In addition, license agreements may fail to provide significant protection for the licensor in case of the licensee's failure to perform or in the event of disputes. License agreements which relate to the products underlying our royalties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what the licensor believes to be the scope of its rights to the relevant intellectual property or technology, or decrease the licensee's financial or other obligations under the relevant agreement, any of which could in turn impact the value of our royalties and adversely affect our business, financial condition or results of operations. If a marketer were to default on its obligations under a license agreement, the licensor's remedy may be limited either to terminating certain licenses related to certain countries or to generally terminate the license agreement with respect to such country. In such cases, we may not have the right to seek to enforce the rights of the licensor and we may be required to rely on the resources and willingness of the licensor to enforce its rights against the licensee.

In any of these situations, if the expected payments under the license agreements do not materialize, this could result in a significant loss to us and adversely affect our business, financial condition or results of operations.

The insolvency of a marketer could adversely affect our receipt of cash flows on the related royalties that we hold.

If a marketer were to become insolvent and seek to reorganize under Chapter 11 of Title 11 of the U.S. Code, as amended, or the Bankruptcy Code, or liquidate under Chapter 7 of the Bankruptcy Code (or foreign equivalent), such event could delay or impede the payment of the amounts due under a license agreement, pending a resolution of the insolvency proceeding. Any unpaid royalty payments due for the period prior to the filing of the bankruptcy proceeding would be unsecured claims against the marketer, which might not be paid in full or at all. While royalty payments due for periods after the filing may qualify as administrative expenses entitled to a higher priority, the actual payment of such post-filing royalty payments could be delayed for a substantial period of time and might not be in the full amount due under the license agreement. The licensor would be prevented by the automatic stay in the bankruptcy proceeding from taking any action to enforce its rights without the permission of the bankruptcy court. In addition, the marketer could elect to reject the license agreement, which would require the licensor to undertake a new effort to market the applicable product with another distributor. Such proceedings could adversely affect the ability of a payor to make payments with respect to a royalty, and could consequently adversely affect our business, financial condition or results of operations.

Unsuccessful attempts to acquire new royalties could result in significant costs and negatively impact subsequent attempts to locate and acquire other assets.

The investigation of each specific target royalty and the negotiation, drafting and execution of relevant agreements requires substantial management time and attention and results in substantial costs for accountants, attorneys and others. If a decision is made not to complete a specific acquisition, the costs incurred for the proposed transaction would not be recoverable from a third party. Furthermore, even if an agreement is reached relating to a specific target asset, we may fail to consummate the acquisition for any number of reasons, including, in the case of an acquisition of a royalty through a business combination with a public company, approval by the target company's public shareholders. Multiple unsuccessful attempts to acquire new royalties could hurt our reputation, result in significant costs and an inefficient use of the Manager's time. The opportunity cost of diverting management and financial resources could negatively impact our ability to locate and acquire other assets.

The products that generate our royalties are subject to uncertainty related to healthcare reimbursement policies, managed care considerations, pricing pressures and the regulation of the healthcare industry.

In both U.S. and non-U.S. markets, sales of biopharmaceutical products, and the success of such products, depends in part on governmental regulation and the availability and extent of coverage and reimbursement from third-party payors, including government healthcare programs in addition to private insurance plans.

In the United States, pharmaceutical product pricing is subject to enhanced government regulation, public scrutiny and calls for reforms. For example, the drug pricing provisions of the Inflation Reduction Act ("IRA"), which was signed into law in August 2022 and began to be implemented in 2023 with implementation efforts to continue over the next several years. In August 2023, the Biden Administration unveiled the first round of medicines subject to the "Medicare Drug Price Negotiation Program," which requires manufacturers of select drugs to engage in a process with the U.S. Federal government to set new Medicare prices which would go into effect in 2026. In addition, the U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the "ACA") was enacted by Congress in March 2010 and established a major expansion of healthcare coverage, financed in part by several new rebates, discounts and taxes that had a significant effect on the expenses and profitability on the companies that manufacture the products that generate our royalties. These companies and their products face uncertainty due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the IRA and the ACA.

Other U.S. federal or state legislative or regulatory action or policy efforts could adversely affect the healthcare industry, including, among others, additional transparency and limitations related to product pricing, review the relationship between pricing and manufacturer patient programs, general budget control actions, changes in patent laws, changing interpretations of competition law, exercise by the government of march-in rights in respect of government funded innovations, the importation of prescription drugs from outside the United States at prices that are regulated by governments of various foreign countries, revisions to reimbursement of biopharmaceutical products under government programs, restrictions on U.S. direct-to-consumer advertising or limitations on interactions with healthcare professionals. No assurances can be provided that these laws and regulations will not adversely affect our business, financial condition or results of operations.

Continued intense public scrutiny of the price of drugs, together with government and payor dynamics, may limit the ability of producers and marketers to set or adjust the price of products based on their value. There can be no assurance that new or proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable the producer or marketer of such product to maintain price levels sufficient to realize an appropriate return. These pricing pressures may adversely affect our current royalties and the attractiveness of future acquisitions of royalties.

Outside the United States, numerous major markets, including the EU, Japan and China, have pervasive government regulation of healthcare and government involvement in funding healthcare, and, in that regard, fix the pricing and reimbursement of pharmaceutical products. Consequently, in those markets, the products generating our royalties are subject to government decision-making and budgetary actions.

In addition, many of the products in our portfolio benefit from regulatory exclusivity. If, in an effort to regulate pricing, regulatory exclusivity is not maintained, our business, financial condition or results of operations may be adversely impacted.

The biopharmaceutical industry may be negatively affected by federal government deficit reduction policies, which could reduce the value of the royalties that we hold.

In an effort to contain the U.S. federal deficit, the biopharmaceutical industry could be considered a potential source of savings via legislative proposals. Government action to reduce U.S. federal spending on entitlement programs, including Medicare, Medicaid or other publicly funded or subsidized health programs, or to lower drug spending, may affect payment for the products that generate our royalties. These and any other cost controls or any significant additional taxes or fees that may be imposed on the biopharmaceutical industry as part of deficit reduction efforts could reduce cash flows from our royalties and therefore adversely affect our business, financial condition or results of operations.

Sales of products that generate our royalties are subject to regulatory approvals and actions in the United States and foreign jurisdictions that could harm our business.

The procedures to approve biopharmaceutical products for commercialization vary among countries and can involve additional testing and time. Such procedures may include on-site inspections by regulatory authorities at clinical trial sites or manufacturing facilities, which inspections may be delayed by travel restrictions imposed in response to pandemics or other infectious diseases. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval and many include additional risks, such as pricing approval.

There can be no assurance that any of these regulatory approvals will be granted or not be revoked or restricted in a manner that would adversely affect the sales of such products and on the ability of payors to make payments with respect to such royalties to us.

The manufacture and distribution of a biopharmaceutical product may be interrupted by regulatory agencies or supplier deficiencies.

The manufacture of products generating our royalties is typically complex and is highly regulated. In particular, biopharmaceutical products are manufactured in specialized facilities that require the approval of, and ongoing regulation by, the FDA in the United States and, if manufactured outside of the United States, both the FDA and non-U.S. regulatory agencies, such as the MHRA and the EMA. With respect to a product, to the extent that operational standards set by such agencies are not adhered to, manufacturing facilities may be closed or production interrupted until such time as any deficiencies noted by such agencies are remedied. Any such closure or interruption may interrupt, for an indefinite period of time, the manufacture and distribution of a product and therefore the cash flows from the related biopharmaceutical asset may be significantly less than expected.

In addition, manufacturers of a product may rely on third parties for selected aspects of product development, such as packaging or to supply bulk raw material used in the manufacture of such product. In the United States, the FDA requires that all suppliers of pharmaceutical bulk materials and all manufacturers of pharmaceuticals for sale in or from the United States adhere to the FDA's current "Good Manufacturing Practice" regulations and guidelines and similar requirements that exist in jurisdictions outside the United States. Marketers of biopharmaceutical products generally rely on a small number of key, highly specialized suppliers, manufacturers and packagers. Any interruptions, however minimal, in the operation of these manufacturing and packaging facilities could adversely affect production and product sales and therefore adversely affect our business, financial condition or results of operations.

Product liability claims may diminish the returns on biopharmaceutical products.

The developer, manufacturer or marketer of a product could become subject to product liability claims. A product liability claim, regardless of its merits, could adversely affect the sales of the product and the amount of any related royalty payments and could even adversely affect the ability of a payor to make payments with respect to a royalty.

Although we believe that we will not bear responsibility in the event of a product liability claim against the developer, manufacturer, marketer or other seller of the product that generates our royalty. Any such product liability claims against us could adversely affect our business, financial condition or results of operations.

We are typically not involved in maintaining, enforcing and defending patent rights on products that generate our royalties.

Our right to receive royalties generally depends on the existence of valid and enforceable claims of registered or issued patents in the United States and elsewhere in the world. The products on which we receive payments are dependent on patent protection and on the fact that the manufacturing, marketing and selling of such products do not infringe, misappropriate or otherwise violate intellectual property rights of third parties. Typically, we have no ability to control the prosecution, maintenance, enforcement or defense of patent rights, but must rely on the willingness and ability of our partners or their marketers to do so. There can be no assurance that these third parties will vigorously prosecute, maintain, enforce or defend such rights. Even if such third parties seek to prosecute, maintain, enforce or defend such rights, they may not be successful.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has been the subject of much litigation. Furthermore, changes in patent laws or interpretation of patent laws in the United States and in other jurisdictions could increase the uncertainties surrounding the successful prosecution of patent applications and the successful enforcement or defense of issued patents by our partners, all of which could diminish the value of patent protection relating to the biopharmaceutical assets. As a result, the issuance, scope, validity, enforceability and commercial value of the patent rights of our partners and their marketers are highly uncertain. In addition, such third parties' pending and future patent applications may not result in patents being issued which protect their products, development-stage product candidates and technologies or which effectively prevent others from commercializing competitive products, development-stage product candidates and technologies. Moreover, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

Even if the patent applications our partners and their marketers license or own do issue as patents, they may not issue in a form that will provide them with any meaningful protection, prevent competitors or other third parties from competing with them or otherwise provide them with any competitive advantage. Competitors or other third parties may be able to circumvent patents of our partners and their marketers by developing similar or alternative products in a non-infringing manner. The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, which could limit the ability of our partners and their marketers from preventing others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of their products, development-stage product candidates and technologies.

Any loss or reduction in the scope or duration of patent protection for any product that generates our royalties, or any failure to successfully prosecute, maintain, enforce or defend any patents that protect any such product may result in a decrease in the sales of such product and any associated royalties payable to us. Any such event would adversely affect the ability of the payor to make payments of royalties to us or may otherwise reduce the value of our royalties, and could consequently adversely affect our business, financial condition or results of operations. In cases where our contractual arrangements with our partner permit us to do so, we could participate in patent suits brought by third parties but this could result in substantial litigation costs, divert management's attention from our core business and there can be no assurance that such suits would be successful.

The existence of third-party patents in relation to products may result in additional costs for the marketer and reduce the amount of royalties paid to us.

The commercial success of a product depends, in part, on avoiding infringement, misappropriation or other violations of the intellectual property rights and proprietary technologies of others. Third-party issued patents or patent applications claiming subject matter necessary or useful to manufacture and market a product could exist or issue in the future. Such third-party patents or patent applications may include claims directed to the composition, manufacturing, mechanism of action or other unique features of a product. There can be no assurance that a license would be available to marketers for such subject matter if such infringement were to exist or, if offered, would be offered on reasonable or commercially feasible terms. Without such a license, it may be possible for third parties to assert infringement or other intellectual property claims against the marketer of such product based on such patents or other intellectual property rights.

Even if the marketer was able to obtain a license, it could be non-exclusive, thereby giving its competitors and other third parties access to the same technologies. In addition, if a marketer of a product that generates our royalties is required to obtain a license from a third party, the marketer may, in some instances, have the right to offset the licensing and royalty payments to such third party against royalties that would be owed to our partner, which may ultimately reduce the value of our royalty interest. An adverse outcome in infringement or other intellectual property-related proceedings could subject a marketer to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the marketer to cease or modify its manufacturing, marketing and distribution of any affected product, any of which could reduce the amount of cash flow generated by the affected products and any associated royalties payable to us and therefore adversely affect our business, financial condition or results of operations.

Disclosure of trade secrets of marketers of products could negatively affect the competitive position of the products underlying our biopharmaceutical assets.

The marketers of the products that generate our royalties depend, in part, on trade secrets, know-how and technology, which are not protected by patents, to maintain the products' competitive position. This information is typically protected through confidentiality agreements with parties that have access to such information, such as collaborative partners, licensors, employees and consultants. Any of these parties may breach the agreements and disclose the confidential information or competitors might independently develop or learn of the information in some other way, which could harm the competitive position of the products and therefore reduce the amount of cash flow generated by our royalties.

Our ability to pay periodic dividends to our shareholders or make share repurchases may be limited by applicable provisions of English law and contractual restrictions and obligations.

Under English law, we will only be able to declare dividends, make distributions or repurchase shares (other than out of the proceeds of a new issuance of shares for that purpose) out of profits available for distribution. Profits available for distribution are accumulated, realized profits, to the extent that they have not been previously utilized by distribution or capitalization, less its accumulated, realized losses, to the extent that they have not been previously written off in a reduction or reorganization of capital duly made. The amount of our distributable reserves is a cumulative calculation. We may be profitable in a single financial year but unable to pay a dividend or make share repurchases if our accumulated, realized profits do not offset all previous years' accumulated, realized losses. Additionally, we may only make a distribution if our net assets are not less than the amount of our aggregate called-up share capital and undistributable reserves, and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate.

Subject to the terms of our indebtedness or other contractual obligations, the approval and payment of any interim dividends are at the sole discretion of our board of directors, which may change our dividend policy at any time, and the payment of any final dividends will be subject to majority approval by holders of our Class A ordinary shares and Class B ordinary shares and in each case will be paid out of profits available for that purpose under English law. Our Articles of Association authorize the board of directors to approve interim dividends without shareholder approval to the extent that such dividends appear justified by profits available for such purpose. The board of directors may also recommend final dividends be approved and declared by shareholders at an annual general meeting. No such dividend may exceed the amount recommended by the board of directors.

There can be no assurance that any dividends, whether quarterly or otherwise, will or can be paid or that any shares will or can be repurchased. Whether we pay dividends to our shareholders or make share repurchases depends on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our business and acquisition opportunities, our financial condition or results of operations, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, other restrictions and implications on the payment of dividends by us to our shareholders or making any share repurchases and such other factors as our board of directors may deem relevant.

A shareholder who receives a distribution under circumstances where he or she knows or has reasonable grounds for believing that the distribution is unlawful in the circumstances is obliged to repay such distribution (or that part of it, as the case may be) to us.

If we were determined to be an investment company under the U.S. Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could adversely affect our business, financial condition or results of operations.

We intend to conduct our business so as not to become regulated as an investment company under the U.S. Investment Company Act. An entity generally will be determined to be an investment company for purposes of the U.S. Investment Company Act if, absent an applicable exemption, (i) it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or (ii) it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the ICA 40% Test.

We do not hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities, and believe that we are not engaged primarily in the business of investing, reinvesting or trading in securities. We believe that, for U.S. Investment Company Act purposes, we are engaged primarily, through one or more of our subsidiaries, in the business of purchasing or otherwise acquiring certain obligations that represent part or all of the sales price of merchandise. Our subsidiaries that are so engaged rely on Section 3(c)(5)(A) of the U.S. Investment Company Act, which, as interpreted by the SEC staff, requires each such subsidiary to invest at least 55% of its assets in "notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services," which we refer to as the ICA Exception Qualifying Assets.

In a no-action letter, dated August 13, 2010, to our predecessor, the SEC staff promulgated an interpretation that royalty interests that entitle an issuer to collect royalty receivables that are directly based on the sales price of specific biopharmaceutical assets that use intellectual property covered by specific license agreements are ICA Exception Qualifying Assets under Section 3(c)(5)(A). We rely on this no-action letter for the position that royalty receivables relating to biopharmaceutical assets that we hold are ICA Exception Qualifying Assets under Section 3(c)(5)(A) and Section 3(c)(6), which is described below.

To ensure that we are not obligated to register as an investment company, we must not exceed the thresholds provided by the ICA 40% Test. For purposes of the ICA 40% Test, the term investment securities does not include U.S. government securities or securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on Section 3(c)(1) or Section 3(c)(7) of the U.S. Investment Company Act, such as majority-owned subsidiaries that rely on Section 3(c)(5)(A). We also may rely on Section 3(c)(6), which, based on SEC staff interpretations, requires us to invest, either directly or through majority-owned subsidiaries, at least 55% of our assets in, as relevant here, businesses relying on Section 3(c)(5)(A). Therefore, the assets that we and our subsidiaries hold and acquire are limited by the provisions of the U.S. Investment Company Act and the rules and regulations promulgated thereunder.

If the SEC or its staff in the future adopts a contrary interpretation to that provided in the no-action letter to our predecessor or otherwise restricts the conclusions in the SEC staff's no-action letter such that royalty interests are no longer treated as ICA Exception Qualifying Assets for purposes of Section 3(c)(5)(A) and Section 3(c)(6), or the SEC or its staff in the future determines that the no-action letter does not apply to some or all types of royalty receivables relating to biopharmaceutical assets, our business will be materially and adversely affected. In particular, we would be required either to convert to a corporation formed under the laws of the United States or a state thereof (which would likely result in our being subject to U.S. federal corporate income taxation) and to register as an investment company, or to stop all business activities in the United States until such time as the SEC grants an application to register us as an investment company formed under non-U.S. law. It is unlikely that such an application would be granted and, even if it were, requirements imposed by the Investment Company Act, including limitations on our capital structure, our ability to transact business with affiliates and our ability to compensate key employees, could make it impractical for us to continue our business as currently conducted. Our ceasing to qualify for an exemption from registration as an investment company could materially and adversely affect the value of our Class A ordinary shares and our ability to pay dividends in respect of our Class A ordinary shares.

The equity performance awards payable to an affiliate of the Manager may create incentives that are not fully aligned with the interests of our shareholders.

Subject to certain conditions, at the end of each fiscal quarter, an affiliate of the Manager is entitled to a distribution in the form of equity from RP Holdings in respect of each portfolio equal to 20% of the Net Economic Profit (defined as the aggregate cash receipts for all new portfolio investments in such portfolio less Total Expenses (defined as interest expense, operating expense and recovery of acquisition cost in respect of such portfolio)) for such portfolio for the applicable measuring period (the "Equity Performance Awards"). The right to Equity Performance Awards may create an incentive for the Manager to make riskier or more speculative asset acquisitions. In addition, the Manager may cause us to incur more debt, finance additional asset acquisitions or otherwise use more leverage in connection with asset acquisitions, as generally the use of leverage can increase the rate of return on an investment and therefore our profits. Under certain circumstances, the use of borrowed money may pose higher risks for our business or increase the likelihood of default, which would disfavor our shareholders. In addition, there is no correlation between our profits and the obligation of our board of directors to pay dividends to shareholders. Consequently, shareholders may receive limited or no dividends while an affiliate of the Manager remains entitled to Equity Performance Awards based on our Net Economic Profit. In addition, even though Equity Performance Awards are payable on a portfolio-by-portfolio basis (with portfolios comprised of investments made during sequential two-year periods) in order to reduce the risks that affiliates of the Manager will be paid Equity Performance Awards on individual investments even though our overall portfolio of investments is not performing well, Equity Performance Awards may nevertheless be payable to affiliates of the Manager when our overall portfolio of investments is not performing as well as the individual portfolios that are used as the basis for measuring the Equity Performance Awards.

Our board of directors may make decisions with respect to the cash generated from our operations that may result in no dividends paid to our shareholders or no repurchases made of our ordinary shares.

Our board of directors is under no obligation to pay dividends, make distributions or repurchase our ordinary shares and it may decide to use cash to fund asset acquisitions or operations in lieu of paying dividends, making distributions or repurchasing our ordinary shares. We will pay Equity Performance Awards to an affiliate of the Manager based on our Net Economic Profit regardless of whether any dividends are paid to our shareholders or any ordinary shares are repurchased. Our board of directors' decisions with respect to our cash may result in no dividends to our shareholders and no ordinary shares repurchased. Furthermore, our board of directors' decisions with respect to dividends or repurchases of ordinary shares may adversely affect the market price of our Class A ordinary shares. If we generate positive income, but pay limited or no dividends, holders of Class A ordinary shares may, if they have made certain elections for U.S. federal income tax purposes with respect to their Class A ordinary shares, have a tax liability on our income in excess of the actual cash dividends received by such holders. If our board of directors decides to approve limited or no dividends or repurchases of ordinary shares, the primary remedy for holders of Class A ordinary shares will be to sell their shares at the prevailing market price, including at a loss, which may be low due to unfavorable or inconsistent dividends or repurchases of our ordinary shares.

The royalties that we acquire may fall outside the biopharmaceutical industry, and any such assets, and the cash flows therefrom, may not resemble the assets in our current portfolio.

We have discretion as to the types of assets that we may acquire. While we expect the Manager to acquire assets that primarily fall within the biopharmaceutical industry, we are not obligated to do so and may acquire other types of assets that are peripheral to or outside of the biopharmaceutical industry. Consequently, our asset acquisitions in the future, and the cash flows from such assets, may not resemble those of the assets in our current portfolio. We and the Manager may have limited experience acquiring assets that are peripheral to or outside of the biopharmaceutical industry. There can be no assurance that assets acquired in the future will have returns similar to the returns expected of the assets in our current portfolio or be profitable at all.

The Manager may be the subject of a change of control resulting in a disruption in our operations that could adversely affect our business, financial condition or results of operations.

There could be a change of control of the Manager and, in such a case, the new controlling party may have a different philosophy, employ less experienced advisory professionals, be unsuccessful in identifying royalty acquisition opportunities or have a track record that is not as successful as that of the Manager. If the foregoing were to occur, we could experience difficulty in making new asset acquisitions, and the value of our existing assets, our business, financial condition or results of operations could materially suffer.

The Manager's liability is limited under the Management Agreement, and we have agreed to indemnify the Manager against certain liabilities. As a result, we could experience unfavorable operating results or incur losses for which the Manager would not be liable.

The Manager does not assume any responsibility other than to render the services called for under the Management Agreement. The Manager and its affiliates (including RPI EPA Holdings, LP ("EPA Holdings")) and their respective officers, directors, equity holders, members, employees, agents and partners, and any other person who is entitled to indemnification (each, an "Indemnitee") is not liable to us, any subsidiary of ours, our directors, our shareholders or any subsidiary's shareholders or partners for acts or omissions performed in accordance with to the Management Agreement, except those resulting from acts constituting fraud, bad faith, willful misconduct, gross negligence (as interpreted under New York law) and a material breach of the Management Agreement that is not cured or a violation of applicable securities laws.

In addition, to the fullest extent permitted by law, we have agreed to indemnify the Indemnitees from and against any and all claims, liabilities, damages, losses, penalties, actions, judgments, costs and expenses (including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim) of any nature whatsoever, known or unknown, liquidated or unliquidated that are incurred by any Indemnitee or to which such Indemnitee may be subject by reason of its activities on behalf of us or any of our subsidiaries to the extent that such Indemnitee's conduct did not constitute fraud, bad faith, willful misconduct, gross negligence (as interpreted under New York law), material breach of the Management Agreement that is not cured or a violation of applicable securities laws. As a result, we could experience unfavorable operating results or incur losses for which the Manager would not be liable.

Operational risks may disrupt our businesses, result in losses or limit our growth.

We rely heavily on the Manager's financial, accounting, information and other data processing systems and cloud computing services, as well as those of our current and future collaborators, contractors or consultants. Such systems are vulnerable to damage or interruption from computer viruses, data corruption, cyber-related attacks, unauthorized access, natural disasters, pandemics, terrorism, war and telecommunication and electrical failures. If any of these events occur and such systems do not operate properly or are disabled or if there is any unauthorized disclosure of data, whether as a result of tampering, a breach of network security systems, a cybersecurity vulnerability or attack or otherwise, we could suffer substantial financial loss, increased costs, a disruption of our business, loss of trade secrets or other proprietary information, liability to us, regulatory intervention or reputational damage.

Furthermore, federal, state and international laws and regulations relating to data privacy and protection, such as the European Union's General Data Protection Regulation, which took effect in May 2018, and the California Consumer Privacy Act, which took effect in January 2020, can expose us to enforcement actions and investigations by regulatory authorities, and potentially result in regulatory penalties and significant legal liability, if our information technology security efforts or data privacy and protection compliance efforts fail. In addition, we operate a business that is highly dependent on information systems and technology. The Manager's information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase. Such a failure to accommodate growth, or an increase in costs related to such information systems, could adversely affect our business, financial condition or results of operations.

A disaster or a disruption in the public infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could adversely affect our ability to continue to operate our business without interruption. Our disaster recovery programs and those of the Manager may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

In addition, sustaining our growth may require us or the Manager to commit additional management, operational and financial resources to identify new professionals to join the team and to maintain appropriate operational and financial systems to adequately support expansion. Since the market for hiring talented professionals is competitive, we may not be able to grow at the pace we desire.

We are subject to the U.K. Bribery Act, the U.S. Foreign Corrupt Practices Act and other anti-corruption laws, as well as export control laws, import and customs laws, trade and economic sanctions laws and other laws governing our operations.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010 ("Bribery Act"), the U.S. Foreign Corrupt Practices Act of 1977, as amended the ("FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. §201, the U.S. Travel Act, and other anti-corruption laws that apply in countries where we do business. The Bribery Act, the FCPA and these other laws generally prohibit us and our employees and intermediaries from authorizing, promising, offering, or providing, directly or indirectly, improper or prohibited payments, or anything else of value, to government officials or other persons to obtain or retain business or gain some other business advantage. Under the Bribery Act, we may also be liable for failing to prevent a person associated with us from committing a bribery offense. We and the marketers of products that generate our royalties operate in a number of jurisdictions that pose a high risk of potential Bribery Act or FCPA violations, and we participate in collaborations and relationships with third parties whose corrupt or illegal activities could potentially subject us to liability under the Bribery Act, FCPA or local anti-corruption laws, even if we do not explicitly authorize or have actual knowledge of such activities. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions and embargoes on certain countries and persons, anti-money laundering laws, import and customs requirements and currency exchange regulations, collectively referred to as the "Trade Control laws."

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA or other legal requirements, including Trade Control laws. If we are not in compliance with the Bribery Act, the FCPA and other anti-corruption laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the Bribery Act, the FCPA, other anti-corruption laws or Trade Control laws by the United Kingdom, United States or other authorities could adversely affect our reputation, our business, financial condition or results of operations.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities or our business arrangements with third parties could be subject to challenge under one or more of such laws. It is possible that governmental authorities will conclude that our business practices or the business practices of the marketers of products that generate our royalties may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations or the operations of the marketers of products that generate are royalties are found to be in violation of any of these laws or any other governmental regulations, we or marketers of products that generate our royalties may be subject to significant criminal, civil and administrative sanctions, including monetary penalties, damages, fines, disgorgement, individual imprisonment and exclusion from participation in government-funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we or marketers of products that generate our royalties become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm, and we or marketers of products that generate our royalties may be required to curtail or restructure operations, any of which could adversely affect our ability to operate our business and our results of operations.

The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements.

The EU directive on alternative investment fund managers (the "AIFM Directive") may significantly increase our compliance costs.

The AIFM Directive has been implemented into the national law of the majority of member states of the European Economic Area and the United Kingdom (each an "AIFM state"). The AIFM Directive sets out minimum conditions related to the marketing of interests in alternative investment funds (such as our Class A ordinary shares) in the AIFM states and may impact our ability to attract investors in the AIFM states and may significantly increase our and the Manager's compliance costs. Such conditions include requirements for us to register with the competent authority in the relevant AIFM state in order to market the Class A ordinary shares to investors, requirements to file periodic reports with the competent authority in the relevant AIFM state and requirements to comply with disclosure and reporting obligations in respect of investors in the relevant AIFM state. Such reports and disclosures may become publicly available. While such conditions are met in relation to the AIFM states where our Class A ordinary shares will be marketed, there can be no guarantee that this will continue to be the case. The AIFM Directive does not, however, prohibit an investor in such AIFM state from subscribing for our Class A ordinary shares at their own initiative in circumstances where such Class A ordinary shares have not been marketed in such AIFM state and we may issue our Class A ordinary shares to such investors, as long as they have provided us and the Manager with representations that they have done so at their own initiative.

In each AIFM state, our Class A ordinary shares may only be offered to investors in accordance with local measures implementing the AIFM Directive. Investors, together with any person making or assisting in the decision to invest in us, who are situated, domiciled or who have a registered office, in an AIFM state where our Class A ordinary shares are not being offered pursuant to private placement rules implementing the AIFM Directive may invest, or effect an investment in our Class A ordinary shares, but only in circumstances where they do so at their own initiative. Any investor acquiring our Class A ordinary shares at their own initiative in such AIFM state should note that as we have not been registered for marketing in that AIFM state, no reports will be filed with the competent authority in the relevant AIFM state by or in respect of us and no investor shall be entitled to receive any disclosure or report that is mandated in respect of an alternative investment fund being marketed pursuant to the AIFM Directive.

The United Kingdom implemented the AIFM Directive through the Alternative Investment Managers Regulations 2013 and the Financial Conduct Authority's Handbook. Following the United Kingdom's withdrawal from the European Union and the expiration of the transitional period, the rules applicable to the marketing of interests in alternative investment funds in the United Kingdom and the other AIFM states remained largely aligned. However, there are now areas of divergence which may make it more time consuming and complex for us to market our Class A ordinary shares to investors in the United Kingdom and other AIFM states which, in turn, may significantly increase compliance costs.

Risks Relating to Our Organization and Structure

We are a holding company with no operations and rely on our subsidiaries to provide us with the funds necessary to meet our financial obligations and to pay dividends.

We are a holding company with no material direct operations. Our principal asset is our controlling equity interest in RP Holdings. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations and to pay dividends or make distributions to our shareholders. Our subsidiaries are legally distinct from us and may be prohibited or restricted from providing loans, paying dividends or otherwise making funds available to us under certain conditions. If the cash we receive from our subsidiaries is insufficient for us to fund our financial obligations, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets to fund. However, there is no assurance that we would be able to raise cash by these means. If the ability of any of our subsidiaries to pay dividends or make distributions or payments to us is materially restricted by regulatory or legal requirements, bankruptcy or insolvency, or our need to maintain our financial strength ratings, or is limited due to operating results or other factors, it could adversely affect our ability to meet our financial obligations and to pay dividends or make distributions to our shareholders.

Our structure will result in tax distributions as a result of the RP Holdings Class C Special Interest.

RP Holdings is treated as a partnership for U.S. federal income tax purposes and has owners that are subject to U.S. federal income taxation. RP Holdings is required to make cash distributions, or tax distributions, to the direct owner or beneficial owners of the RP Holdings Class C Special Interest, calculated using an assumed tax rate that is generally uniform for all recipients regardless of their tax status. Funds used by RP Holdings to satisfy its tax distribution obligations will not be available for reinvestment in our business, dividends or share repurchases.

Risks Relating to Our Ordinary Shares

The market price of our Class A ordinary shares has been and may in the future be volatile, which could cause the value of our shareholders' investment to decline.

The market price of our Class A ordinary shares has been and may be volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. During the year ended December 31, 2023, the per share trading price of our Class A ordinary shares fluctuated from a low of \$26.21 to a high of \$39.40. Market volatility, as well as general economic, market or political conditions, could reduce the market price of Class A ordinary shares in spite of our operating performance. In addition to the factors discussed in the Annual Report on Form 10-K, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including:

- market conditions in the broader stock market in general, or in our industry in particular;
- variations in our quarterly operating results or dividends to shareholders or share repurchases;

- additions or departures of key management personnel at the Manager;
- timing and rate of capital deployment, including relative to estimates;
- changes in our portfolio mix or acquisition strategy;
- failure to meet analysts' earnings estimates;
- publication of research reports about our industry;
- third-party healthcare reimbursement policies and practices;
- litigation and government investigations;
- changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business;
- no results, or projected results, from marketers of products that generate our royalties;
- results from, and any delays to, the clinical trial programs of development-stage product candidates underlying our biopharmaceutical assets or other issues relating to such products, including regulatory approval or commercialization;
- adverse market reaction to any indebtedness that we may incur or securities we may issue in the future;
- changes in market valuations of similar companies or speculation in the press or investment community;
- announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- economic and political conditions or events, such as pandemics, inflation and interest volatility and global conflicts; and
- adverse publicity about us or the industries in which we participate or individual scandals.

These and other factors may cause the market price of and demand for our Class A ordinary shares to fluctuate significantly, which may limit or prevent our shareholders from reselling their Class A ordinary shares at or above the purchase price.

Stock markets in general have from time to time experienced extreme price and volume fluctuations, including in recent months. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Our Articles of Association provide that the courts of England and Wales will be the exclusive forum for the resolution of all shareholder complaints other than complaints asserting a cause of action arising under the Securities Act and the Exchange Act, and that the U.S. federal district courts will be the exclusive forum for the resolution of any shareholder complaint asserting a cause of action arising under the Securities Act and the Exchange Act.

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U.S. investors may have difficulty enforcing civil liabilities against our company, our directors or members of senior management and the experts named herein.

We are a public limited company with our registered office in England and our subsidiaries are incorporated in various jurisdictions, including jurisdictions outside the United States. One of our directors is not a resident of the United States, and a substantial portion of our assets and the assets of this director are located outside the United States. As a result, it may be difficult for investors to effect service of process on this director in the United States or to enforce judgments obtained in U.S. courts against us or this director based on the civil liability provisions of the U.S. securities laws or otherwise. Even if shareholders are successful in bringing an action of this kind, the laws of England may render shareholders unable to enforce a judgment against our assets or the assets of our directors and executive officers. In addition, it is doubtful whether English courts would enforce certain civil liabilities under U.S. securities laws in original actions or judgments of U.S. courts based upon these civil liability provisions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom. An award for monetary damages under the U.S. securities laws would likely be considered punitive if it does not seek to compensate the claimant for loss or damage suffered and is intended to punish the defendant. The enforceability of any judgment in the United Kingdom will depend on the particular facts of the case as well as the laws and treaties in effect at the time. The United States and the United Kingdom do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. As a result of the above, shareholders may have more difficulty in protecting their interest through actions against our management, directors or other shareholders than they would as shareholders of a U.S. public company.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under English law. The rights of our shareholders are governed by English law, including the provisions of the Companies Act 2006 (the "U.K. Companies Act"), and by our Articles of Association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations.

The U.K. City Code on Takeovers and Mergers (the "Takeover Code") applies, among other things, to an offer for a public company whose registered office is in the United Kingdom (or the Channel Islands or the Isle of Man) and whose securities are not admitted to trading on a regulated market in the United Kingdom (or the Channel Islands or the Isle of Man) if the company is considered by the Panel on Takeovers and Mergers (the "Takeover Panel") to have its place of central management and control in the United Kingdom (or the Channel Islands or the Isle of Man). This is known as the "residency test." Under the Takeover Code, the Takeover Panel will determine whether we have our place of central management and control in the United Kingdom by looking at various factors, including the structure of our board of directors, the functions of the directors and where they are resident.

Given that our central management and control is situated outside the United Kingdom (or the Channel Islands or the Isle of Man), we do not anticipate that we will be subject to the Takeover Code. However, if at the time of a takeover offer, the Takeover Panel determines that we have our place of central management and control in the United Kingdom (or the Channel Islands or the Isle of Man), we would be subject to a number of rules and restrictions, including but not limited to the following: (i) our ability to enter into deal protection arrangements with a bidder would be extremely limited; (ii) we might not, without the approval of our shareholders, be able to perform certain actions that could have the effect of frustrating an offer, such as issuing shares or carrying out acquisitions or disposals; and (iii) we would be obliged to provide equality of information to all bona fide competing bidders.

Under English law, and whether or not we are subject to the Takeover Code, an offeror for us that has acquired (i) 90% in value of; and (ii) 90% of the voting rights carried by the shares to which the offer relates may exercise statutory squeeze-out rights to compulsorily acquire the shares of the non-assenting minority. However, if an offer for us is conducted by way of a scheme of arrangement the threshold for the offeror obtaining 100% of Company shares comprises two components (i) approval by a majority in number of each class of Company shareholders present and voting at the shareholder meeting; and (ii) approval of Company shareholders representing 75% or more in value of each class of Company shareholders present and voting at that meeting.

As an English public limited company, certain capital structure decisions will require shareholder approval, which may limit our flexibility to manage our capital structure.

We are a public limited company incorporated under the laws of England and Wales. English law provides that a board of directors may only allot shares (or rights to subscribe for or convert into shares) with the prior authorization of shareholders, such authorization stating the aggregate nominal amount of shares that it covers and valid for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. We obtained shareholder authority to allot additional shares until the end of the next annual general meeting of the Company or, if earlier, the close of business on the date that is 15 months after June 6, 2024. The Company intends to seek renewal of this authorization at each year's annual general meeting of shareholders.

English law prohibits us from repurchasing our shares by way of "off market purchases" without the prior approval of shareholders by ordinary resolution (i.e., majority of votes cast by our shareholders), and other formalities. Such approval may be for a maximum period of up to five years but may be sought more frequently. English law prohibits us from conducting "on market purchases" as our shares are listed on the NASDAQ and will not be traded on a recognized investment exchange in the United Kingdom.

Our shareholders approved the authorization of certain "off market purchases" that will expire five years from June 23, 2022 unless renewed by our shareholders prior to the expiration date. We cannot assure shareholders that situations will not arise where such shareholder approval requirements for any of these actions would deprive our shareholders of substantial capital management benefits.

The United Kingdom's withdrawal from the European Union and differing regulatory regimes may have a negative effect on global economic conditions, financial markets and our business, which could reduce the market price of our Class A ordinary shares.

The withdrawal of the United Kingdom from the European Union (commonly referred to as "Brexit") took effect on January 31, 2020. Brexit has caused, and may continue to cause, uncertainty with respect to the future of the United Kingdom's economic and political relationship with the European Union, which could increase taxes and costs of business and cause heightened volatility in currency exchange rates and interest rates. Brexit could also adversely affect the political, regulatory, economic or market conditions in the United Kingdom, the European Union and worldwide, and could contribute to instability in political institutions, regulatory agencies and financial markets, which in turn, could adversely affect our operations and the market price of our Class A ordinary shares.

If our Class A ordinary shares are not eligible for continued deposit and clearing within the facilities of DTC, then transactions in our securities may be disrupted.

The facilities of The Depository Trust Company ("DTC") are a widely-used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many banks and brokerage firms. While our Class A ordinary shares are eligible for deposit and clearing within the DTC system, DTC has discretion to cease to act as a depository and clearing agency for our Class A ordinary shares, including to the extent that any changes in U.K. law change the stamp duty or stamp duty reserve tax position in relation to the Class A ordinary shares. If DTC determined that the Class A ordinary shares were not eligible for continued deposit and clearance within its facilities, our Class A ordinary shares may not be eligible for continued listing on the NASDAQ and trading in the Class A ordinary shares would be disrupted. While we would pursue alternative arrangements to preserve our listing and maintain trading, any such disruption could adversely affect the market price of our Class A ordinary shares and our access to the capital markets.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the requirements of the U.S. Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), and the requirements of the U.K. Companies Act and, if applicable, the Takeover Code. The requirements of these rules and regulations increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources.

We are obligated to file with the SEC annual and quarterly information and other reports that are specified in the Exchange Act, and therefore will need to have the ability to prepare financial statements that are compliant with all SEC reporting requirements on a timely basis. In addition, we are subject to other reporting and corporate governance requirements, including certain requirements of Nasdaq and certain provisions of the Sarbanes-Oxley Act and the regulations promulgated thereunder, which will impose significant compliance obligations upon us.

We are required to comply with Section 404 of the Sarbanes-Oxley Act, which requires management assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures. If we are unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately and to prepare financial statements within required time periods could be adversely affected, which could subject us to regulatory consequences, including sanctions by the SEC, negatively affect investor confidence in our financial statements, restrict access to capital markets and adversely impact the market price of our Class A ordinary shares.

Our compliance with the requirements under the Exchange Act, the Sarbanes-Oxley Act, the U.K. Companies Act and, if applicable, the Takeover Code and the rules and regulations thereunder increases our legal and financial compliance costs and makes some activities more time consuming and costly. These rules and regulations have made it more difficult and more expensive for us to obtain directors' and officers' liability insurance, and we may in the future be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We may not be able to predict or estimate accurately the amount of additional costs we may incur or the timing of such costs.

Risks Relating to Taxation

Our structure involves complex provisions of tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

Our tax treatment, including Irish, U.K. and U.S. federal income tax treatment, depends in some instances on determinations of fact and interpretations of complex provisions of applicable tax law for which no clear precedent or authority may be available. You should be aware that our tax position is not free from doubt, and that applicable tax rules are generally subject to ongoing review by legislative and administrative bodies and relevant tax authorities, as well as by the Organization for Economic Co-operation and Development ("OECD"), which is continuously considering recommendations for changes to existing tax rules. Furthermore, over 140 member jurisdictions of the G20/OECD Inclusive Framework have joined the Two-Pillar Solution to Address the Tax Challenges of the Digitalization of the Economy as part of the OECD's base erosion and profit sharing project ("BEPS"), which includes a reallocation of taxing rights among market jurisdictions and a global minimum tax rate of 15% ("Pillar Two"). As part of the ongoing release of Pillar Two rules by various jurisdictions, the Finance (No. 2) Act 2023 (the "UK Act") was enacted on July 11, 2023, and implements the OECD's BEPS Pillar Two income inclusion rule, including a multinational top-up tax and a domestic top-up tax to the minimum effective tax rate of 15% for accounting periods beginning on or after December 31, 2023. The UK Act also includes a transitional safe harbor election for accounting periods beginning on or before December 31, 2026. Similar legislation was enacted in Ireland on December 18, 2023 (the "Irish Act"). While we do not expect the Pillar Two rules to apply to us, there remains a risk that a tax authority in any relevant jurisdiction implementing Pillar Two could adopt or interpret legislation, statements or guidance in a manner that is inconsistent with our understanding of the UK Act, the Irish Act and OECD's BEPS Pillar Two model rules and associated commentary. As proposals to change tax laws and the implementation of the BEPS framework remain subject to further negotiation, we are currently unable to predict the extent to which any changes to tax laws, statutes, rules, regulations or ordinances will occur and, if so, the ultimate impact on our business. These review processes could result in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. No ruling will be sought from the relevant tax authority regarding any of the tax issues discussed herein, and no assurance can be given that the relevant tax authorities will not challenge any of our tax positions and that such challenge would not succeed. If any such position is successfully challenged, our tax reporting or tax liabilities could materially increase, which would adversely affect our profitability and cash flows.

There have been significant changes both made and proposed to international tax laws that increase the complexity, burden and cost of tax compliance for all multinational companies. We expect to continue to monitor these and other developments in international tax law.

We could be liable for significant taxes due to changes in our eligibility for certain income tax treaty benefits or challenges to our tax positions with respect to the application of income tax treaties.

Our subsidiaries expect to receive revenues from both U.S. and non-U.S. sources. We expect that our subsidiaries generally will be eligible for benefits under the applicable income tax treaties between Ireland and the jurisdictions where income is sourced. However, no assurances can be provided in this regard, and it is possible that a taxing authority could successfully assert that any of our subsidiaries does not qualify for treaty benefits as a result of its failure to satisfy the applicable requirements to be eligible to claim treaty benefits. If a taxing authority were to challenge our position regarding the application of an applicable income tax treaty, we could become subject to increased withholding taxes, and such taxes could be significant.

Specifically, with respect to certain U.S.-source income, we expect that our subsidiaries will be eligible for benefits under the U.S.-Ireland income tax treaty (the "Treaty"), and, under that Treaty, will not be subject to any U.S. withholding taxes on such U.S.-source payments. Our current treaty position with respect to U.S.-source payments relies in part on U.S. citizens or tax residents (as defined for purposes of the Treaty) owning, directly or indirectly, at least 50% of the beneficial interest in, or at least 50% of the aggregate vote and value of, each of our subsidiaries that earns U.S.-source income. Our treaty position is based on the current U.S. status of the majority of the existing indirect investors in RP Holdings and Old RPI. Subject to certain exceptions, the existing indirect U.S. investors in RP Holdings have the right to exchange their interests for our publicly traded Class A ordinary shares. Such publicly traded Class A ordinary shares could be further transferred on the public market to other persons. Therefore, it is possible that over time U.S. persons will own indirectly in the aggregate less than 50% of the interests in our subsidiaries. We currently expect that our Class A ordinary shares and other existing indirect interests in RP Holdings and Old RPI in the aggregate will continue to be owned in sufficient amount by U.S. citizens or tax residents, and that we will be able to establish such ownership, for purposes of satisfying the 50% ownership requirement under the Treaty. However, there is no assurance that RP Holdings and Old RPI will continue to be owned directly or indirectly by sufficient U.S. citizens or residents or that we will be able to establish to the IRS' satisfaction such ownership for purposes of satisfying the 50% U.S. ownership requirement under the Treaty. It is possible that if the indirect U.S. ownership in our subsidiaries becomes lower than 50% (or we cannot establish such ownership) we may in the future be able to qualify for another applicable exemption from U.S. withholding under the Treaty, but there can be no assurance in this regard. A substantial portion of our revenue is, and is expected to continue to be, derived from U.S.-sourced income, such as royalties, interest or "other income" for Treaty purposes. Therefore, if our subsidiaries failed to qualify for an exemption from U.S. withholding tax under the Treaty (by satisfying either the 50% U.S. ownership requirement or an alternative Treaty exemption) and such types of income were subject to a 30% U.S. withholding tax, our financial position, profitability and cash flows could be adversely affected.

Furthermore, on August 25, 2016, the Irish Department of Finance announced that, in the context of the publication by the United States Treasury Department of a revised U.S. Model Income Tax Convention in February 2016, discussions have begun with the United States Treasury on updating certain elements of the Treaty. It is at this time not clear what elements of the Treaty may be updated, or when any such updates would go into effect. However, certain elements of the revised U.S. Model Income Tax Convention could, if included in an update to the Treaty, result in our subsidiaries being unable to qualify for the benefits of the Treaty or eliminate or reduce the benefits of the Treaty that otherwise would have been available to us. If our subsidiaries are unable to qualify for the benefits of the Treaty, or if any benefits of the Treaty that otherwise would have been available to us are eliminated or reduced, then all or a portion of our income may become subject to increased withholding taxes, and such taxes could be very significant and materially and adversely affect our financial position, profitability and cash flows.

If our subsidiaries are considered to be engaged in a U.S. trade or business, we could be liable for significant U.S. taxation.

In general, if a foreign corporation, such as Royalty Pharma plc, is considered to be engaged in a U.S. trade or business, such corporation's share of any income that is effectively connected with such U.S. trade or business will be subject to regular U.S. federal income taxation (currently imposed at a maximum rate of 21%) on a net basis and, potentially, an additional 30% U.S. "branch profits" tax on distributions attributable to income that is effectively connected with such U.S. trade or business. In addition, it is possible that such corporation could be subject to taxation on a net basis by state or local jurisdictions within the United States. We intend to conduct our activities, through our subsidiaries, such that no income realized by us will be effectively connected with the conduct of a U.S. trade or business or otherwise subject to regular U.S. federal income taxation on a net basis. If we are able to conduct our activities in this way, income or gains realized by us will not be subject to U.S. net federal income taxation. However, no assurance can be provided in this regard. The proper characterization of our income and gains for U.S. tax purposes is not certain, and it is possible that all or a portion of our income and gains could be characterized as income that is "effectively connected" with the conduct of a U.S. trade or business. If our income and gains were characterized as effectively connected with a U.S. trade or business, we would be subject to significant U.S. taxes plus interest and possible penalties, and our financial position, cash flows and profitability could be materially and adversely affected.

We expect to operate, and expect that RP Holdings will operate, so as to be treated solely as a resident of the U.K. for tax purposes, but changes to our management and organizational structure or to the tax residency laws of other jurisdictions where we operate may cause the relevant tax authorities to treat us or RP Holdings as also being a resident of another jurisdiction for tax purposes.

Under current U.K. tax law, a company that is incorporated in the U.K. is regarded as resident for tax purposes in the U.K. unless (i) it is concurrently treated as resident for tax purposes in another jurisdiction (applying the rules of that other jurisdiction for determining tax residency) that has a double tax treaty with the U.K. and (ii) there is a residency tie-breaker provision in that tax treaty which allocates tax residence to that other jurisdiction.

Based upon our anticipated management and organizational structure, we believe that we and RP Holdings should be regarded as tax resident solely in the U.K. However, because this analysis is highly factual and may depend on future changes in our management and organizational structure, as well as future changes in the tax residency laws of other jurisdictions where we operate, there can be no assurance regarding the determination of our tax residence in the future.

As U.K. tax resident companies, we and RP Holdings will be subject to U.K. corporation tax on our worldwide taxable profits and gains. Should we (or RP Holdings) be treated as resident in a jurisdiction other than the U.K., we (or RP Holdings, as applicable) could be subject to taxation in that jurisdiction and may be required to comply with a number of material and formal tax obligations, including withholding tax or reporting obligations provided under the relevant tax law, which could result in additional costs and expenses.

We believe that we should not be subject to material U.K. corporation tax in respect of certain profits of our non-U.K. tax resident subsidiaries as a result of the U.K.'s "controlled foreign companies" rules but it cannot be guaranteed that this will continue to be the case.

As U.K. tax resident companies, we and RP Holdings will be subject to the U.K.'s "controlled foreign companies" rules (the "U.K. CFC Rules"). The U.K. CFC Rules, broadly, can impose a charge to U.K. tax on U.K. tax resident companies that have, alone or together with certain other persons, interests in a non-U.K. tax resident company (the "Controlled Foreign Company") which is controlled by a U.K. person or persons. The charge under the U.K. CFC Rules applies by reference to certain types of chargeable profit arising to the Controlled Foreign Company, whether or not that profit is distributed, subject to specific exemptions. The types of profits of a Controlled Foreign Company that can potentially be subject to a U.K. corporation tax charge under the U.K. CFC Rules include business profits of the Controlled Foreign Company that are attributable to assets or risks that are managed by activities in the U.K., or certain finance profits of the Controlled Foreign Company that arise from capital or other assets contributed, directly or indirectly, to the Controlled Foreign Company from a connected U.K. tax resident company.

Certain non-U.K. entities in which we hold a greater than 25% interest, including RPI 2019 ICAV (which is Irish tax resident) and Old RPI (which is Irish tax resident and which is held indirectly by us through our participation in RP Holdings), will be Controlled Foreign Companies for U.K. tax purposes. We and RP Holdings will therefore be required to apply the CFC Rules in respect of our direct and indirect interests in these entities on an ongoing basis. We do not expect material U.K. corporation tax charges to arise under the U.K. CFC Rules in respect of our royalty assets or our financing arrangements, however no assurances can be given that this will continue to be the case. The U.K. CFC Rules are highly complex and fact-dependent, and changes to, or adverse interpretations of, these rules, or changes in the future activities of RPI 2019 ICAV or other non-U.K. companies in which we hold an interest, directly or indirectly, may alter this position and could impact our group's effective tax rate.

We believe that dividends received by us and RP Holdings should be exempt from U.K. corporation tax, but it cannot be guaranteed that this will continue to be the case.

U.K. tax resident companies are subject to U.K. corporation tax on receipt of dividends or other income distributions in respect of shares held by them, unless those dividends or other distributions fall within an exempt class. We believe that dividends received by us from RP Holdings, and dividends received by RP Holdings from RPI 2019 ICAV, should fall within such an exempt class and therefore should not be subject to U.K. corporation tax. However, a number of conditions must be met in order for such dividends to qualify for this tax exemption, including (in respect of dividends paid by RPI 2019 ICAV, which is tax resident in Ireland) conditions relating to the application of Irish tax law. As such, it cannot be guaranteed that these conditions for the U.K. tax exemption in respect of distributions will continue at all times to be satisfied. If distributions received by us or by RP Holdings were not to fall within an exempt class, such distributions would likely be subject to U.K. corporation tax at the then prevailing corporation tax rate.

Even where distributions fall within an exempt class, certain anti-avoidance and recharacterization rules may also apply. For instance, if RPI 2019 ICAV were to constitute an "offshore fund" for U.K. tax purposes that has at any time in an accounting period more than 60% by market value of its investments in debt securities, money placed at interest (other than cash awaiting investment), certain contracts for differences, or in holdings in other offshore funds with, broadly, more than 60% of their investments similarly invested, RP Holdings' shareholding in RPI 2019 ICAV may be subject to U.K. corporation tax as a deemed "loan relationship", with the result that dividends received by RP Holdings from RPI 2019 ICAV could be subject to U.K. tax as deemed interest and RP Holdings may be subject to U.K. corporation tax on increases in the fair market value of its shareholding in RPI. The term "offshore fund" is defined for U.K. tax purposes through a characteristics-based approach and, broadly, can include arrangements constituted by a non-U.K. resident body corporate in which a reasonable investor would expect to be able to realize their investment entirely, or almost entirely, by reference to net asset value. We believe and have been advised that RP Holdings' shareholding in RPI 2019 ICAV should not fall within these rules, however no guarantee can be offered that this will continue to be the case. Changes to, or adverse interpretations of, the offshore funds rules, or changes in the nature of our investments, may alter this position and could impact our group's effective rate.

We expect to be classified as a PFIC for U.S. federal income tax purposes, which could subject U.S. holders of our Class A ordinary shares to adverse U.S. federal income tax consequences. Distributions that we pay to individual and other non-corporate U.S. holders will not be eligible for taxation at reduced rates, which could potentially adversely affect the value of our Class A ordinary shares.

We generally expect that our income, which consists primarily of passive income, and our assets, which consist primarily of assets that produce passive income, will result in our treatment as a PFIC for the current taxable year and future taxable years. We intend to annually furnish U.S. holders a "PFIC Annual Information Statement" with the information required to allow shareholders to make a qualified electing fund ("QEF") election for United States federal income tax purposes on our website. U.S. holders who do not make a QEF election with respect to us or a mark-to-market election with respect to our Class A ordinary shares will be subject to potentially material adverse tax consequences, including (i) the treatment of any gain on disposition of our Class A ordinary shares as ordinary income and (ii) the application of a deferred interest charge on such gain and the receipt of certain distributions on our Class A ordinary shares. In addition, regardless of whether a QEF or mark-to-market election is made with respect to us, U.S. holders will be required to file an annual report on IRS Form 8621 containing such information with respect to its interest in a PFIC as the IRS may require. Failure to file IRS Form 8621 for each applicable taxable year may result in substantial penalties and result in audit by the IRS. Further, if we are a PFIC for any taxable year during which a U.S. holder owns our Class A ordinary shares, we generally would continue to be treated as a PFIC with respect to that U.S. holder for all succeeding years during which such person holds our Class A ordinary shares, even if we ceased to meet the threshold requirements for PFIC status, unless the U.S. holder makes a special "purging" election on IRS Form 8621. The effect of these adverse tax consequences could adversely affect our U.S. shareholders and make investment in our Class A ordinary shares less attractive to U.S. investors.

Distributions made to non-corporate U.S. holders will not be eligible for taxation at reduced tax rates generally applicable to dividends paid by certain U.S. corporations and "qualified foreign corporations" because of our status as a PFIC. The more favorable rates applicable to qualifying corporate dividends could cause individuals to perceive investment in our Class A ordinary shares to be less attractive than investment in the shares of other corporations because of our PFIC status, and this perception could adversely affect the value of our Class A ordinary shares.

General Risk Factors

Cybersecurity vulnerabilities or other failures in information systems could result in information theft, data corruption and significant disruption of our business operations.

Cybersecurity vulnerabilities, threats, computer viruses and more sophisticated and targeted cyber-related attacks (such as the recent increasing use of "ransomware" and phishing attacks), as well as cybersecurity failures resulting from human error, catastrophic events (such as fires, floods, hurricanes and tornadoes), and technological errors, pose a risk to our systems and data. An attack could result in security breaches, theft, lost or corrupted data, misappropriation of sensitive, confidential or personal data or information, loss of trade secrets and commercially valuable information, operating downtimes and operational disruptions. We attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, but we have been subject to cybersecurity vulnerabilities in the past and expect to be subject to them in the future. There can be no assurance that we will be successful in preventing cybersecurity vulnerabilities or mitigating their effects. Any cyber-related attack or failure or loss of data could adversely affect our business. In addition, we may suffer reputational harm or face litigation as a result of cyber-related attacks or other data security breaches and may incur significant additional expense to implement further data protection measures.

We rely on information technology systems and networks, including cloud and third-party service providers, to process, transmit and store electronic information in connection with our business activities. These information technology systems and networks may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures or computer viruses. If these information technology systems suffer severe damage or disruption and the issues are not resolved in a timely manner, our business, financial condition or operations could be adversely affected.

In addition, the use of artificial intelligence-based software (including machine learning) is increasingly being used in our industry. As with many developing technologies, artificial intelligence-based software presents risks that could affect its further development, adoption, and use, and therefore our business. For example, algorithms may be flawed; data sets may be insufficient, of poor quality, or contain biased information; and inappropriate or controversial data practices by data scientists, engineers, and end-users could impair results. If artificial intelligence (“AI”) applications assist in producing deficient or inaccurate analyses, we could be subjected to competitive harm, potential legal liability or reputational harm. AI algorithms may use third-party information with unclear intellectual property rights or interests. If we do not have sufficient rights to use the data or other material or content on which any AI solutions we use rely, we may incur liability through the violation of applicable laws and regulations, third-party intellectual property, privacy or other rights, or contracts. Because AI technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal, operational or technological risks that may arise relating to the use of AI.

Collaborators, other contractors or consultants in use today or in the future are vulnerable to damage or interruption from these cybersecurity vulnerabilities, other failures in information systems and artificial intelligence-based software risks. If such an event were to occur in the future and cause interruptions in their operations, it could result in a disruption of their development and commercialization programs and business operations, whether due to a loss of trade secrets or other proprietary information or other similar disruptions. To the extent that any disruption or security breach were to result in a loss of, or damage to, a counterparties’ data or applications, or inappropriate disclosure of confidential or proprietary information, our partners’ operations may be harmed and the development and commercialization of their products, development-stage product candidates and technologies could be delayed. Such an event may reduce the amount of cash flow generated by the related biopharmaceutical products and therefore adversely affect our business, financial condition and results of operations.

Changes in the application of accounting standards issued by the U.S. Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are prepared in accordance with GAAP, which are periodically revised, interpreted or expanded. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies. It is possible that future accounting standards we are required to adopt may require changes to the current accounting treatment that we apply to our consolidated financial statements and may require us to make significant changes to our systems. Such changes could adversely affect our financial condition or results of operations.

COVID-19, or the future outbreak of any other infectious or contagious diseases, could adversely affect our results of operations, financial condition and cash flows.

The outbreak of COVID-19 and its variants has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. COVID-19 and other future health outbreaks and pandemics could lead to quarantines, mandating business and school closures and restricting travel, or trigger global economic slowdowns or global recessions. COVID-19 or another pandemic could adversely affect us due to, among other factors:

- a general decline in business activity;
- the destabilization of the markets could negatively impact our partners in the biopharmaceutical industry and the sales of products generating our royalties;
- difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deteriorations in credit and financing conditions which could affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis;
- the potential negative impact on the health of our Manager’s highly qualified personnel, especially if a significant number of them are impacted;
- a deterioration in our ability to ensure business continuity during a disruption;

- interruptions, shortages, delivery delays and potential discontinuation of supply to our partners, which could (i) delay the clinical trials of the development-stage product candidates underlying our assets and result in a loss of our market share for products generating our royalties or development-stage product candidates underlying our assets, if approved, and (ii) hinder our partners' ability to timely distribute products generating our royalties and satisfy customer demand;
- travel restrictions, shelter-in-place policies or restrictions and other disruptions, which could cause or continue to cause delays and other direct impacts at our partners' manufacturing sites, which could impact the ability of our partners to manufacture development-stage product candidates underlying our biopharmaceutical assets and products generating our royalties; and
- potential interruptions to our partners' clinical trial programs of development-stage product candidates underlying our biopharmaceutical assets, including: (i) the potential diversion of healthcare resources away from the conduct of clinical trials to focus on pandemic concerns; (ii) changes in hospital or research institution policies or government regulations, which could delay or adversely impact our partners' ability to conduct their clinical trials; and (iii) pauses to or delays of trial procedures (particularly any procedures that may be deemed non-essential), patient dosing, shipment of our partners' development-stage product candidates, distribution of clinical trial materials, study monitoring, site inspections and data analysis due to reasons related to the pandemic, each of which could cause or continue to cause a disruption or delay to the development or the approval of development-stage product candidates underlying our biopharmaceutical assets.

Legal claims and proceedings could adversely affect our business.

We may be subject to a wide variety of legal claims and proceedings. Regardless of their merit, these claims can require significant time and expense to investigate and defend. Since litigation is inherently uncertain, there is no guarantee that we will be successful in defending ourselves against such claims or proceedings, or that our assessment of the materiality of these matters, including any reserves taken in connection therewith, will be consistent with the ultimate outcome of such matters. The resolution of, or increase in the reserves taken in connection with, one or more of these matters could adversely affect our business, financial condition or results of operations.

Corporate responsibility matters and any related reporting obligations may impact our business.

U.S. and international regulators, investors and other stakeholders are increasingly focused on corporate responsibility matters. For example, new U.S. and international laws and regulations relating to corporate responsibility matters, including human capital, diversity, sustainability, climate change and cybersecurity, are under consideration or being adopted, which may include specific, target-driven disclosure requirements or obligations. Our response will require additional investments and implementation of new practices and reporting processes, all entailing additional compliance risk. In addition, we have announced a number of corporate responsibility initiatives and goals, which will require ongoing investment, and there is no assurance that we will achieve any of these goals or that our initiatives will achieve their intended outcomes. Perceptions of our efforts to achieve these goals often differ widely and present risks to our reputation. Any harm to our reputation resulting from our focus on corporate responsibility matters and goals or our failure or perceived failure to meet such goals could impact employee retention, the willingness of our partners to do business with us, or investors' willingness to purchase or hold our ordinary shares, any of which could adversely affect our business, financial condition and results of operations. In addition, our ability to implement some initiatives or achieve some goals is dependent on external factors. For example, our ability to meet certain sustainability goals or initiatives may depend in part on third-party collaboration, mitigation innovations or the availability of economically feasible solutions.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Share repurchase activities of our Class A ordinary shares during the third quarter of 2024 are as follows (in thousands, except per share amounts):

Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
July 1, 2024 - July 31, 2024	910	\$ 26.46	910	\$ 586,744
August 1, 2024 - August 31, 2024	1,291	27.36	1,291	551,410
September 1, 2024 - September 30, 2024	1,276	28.10	1,276	515,585
Total	3,477	27.40	3,477	

(1) On March 27, 2023, we announced our board of directors authorized a share repurchase program under which we may repurchase up to \$1.0 billion of our Class A ordinary shares. The share repurchase program expires on June 23, 2027. The share repurchase program does not obligate us to acquire a minimum amount of our Class A ordinary shares. Under the share repurchase program, Class A ordinary shares may be repurchased in privately negotiated or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

During the third quarter of 2024, no director or Section 16 officer adopted, modified or terminated any Rule 10b5-1 plans or non-Rule 10b5-1 trading arrangements.

Item 6. EXHIBITS

The following exhibits are filed as a part of this Quarterly Report on Form 10-Q:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
31.1*	Certification of the Registrant's Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934
31.2*	Certification of the Registrant's Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934
32*	Certification of the Registrant's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed or furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PLC	ROYALTY PHARMA
	(Registrant)
	<u>/s/ Pablo Legorreta</u>
	Pablo Legorreta
	Chief Executive Officer
	Date: November 6,
2024	
	<u>/s/ Terrance Coyne</u>
	Terrance Coyne
	Chief Financial Officer
	Date: November 6,
2024	

CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULE 13A-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Pablo Legorreta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Royalty Pharma plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2024

/s/ Pablo Legorreta

Pablo Legorreta

Chief Executive Officer

CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULE 13A-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Terrance Coyne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Royalty Pharma plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2024

/s/ Terrance Coyne

Terrance Coyne

Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with Royalty Pharma plc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report"), Pablo Legorreta, the Chief Executive Officer and Terrance Coyne, the Chief Financial Officer of Royalty Pharma plc, each does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Royalty Pharma plc.

Date: November 6, 2024

/s/ Pablo Legorreta

Name: Pablo Legorreta

Chief Executive Officer

/s/ Terrance Coyne

Name: Terrance Coyne

Chief Financial Officer