



# Royalty Pharma (RPRX)

Updated August 14<sup>th</sup>, 2025, by Yiannis Zourmpanos

## Key Metrics

|                             |      |                                            |             |                                  |          |
|-----------------------------|------|--------------------------------------------|-------------|----------------------------------|----------|
| <b>Current Price:</b>       | \$36 | <b>5 Year CAGR Estimate:</b>               | 6.3%        | <b>Market Cap:</b>               | \$21.3 B |
| <b>Fair Value Price:</b>    | \$31 | <b>5 Year Growth Estimate:</b>             | 7.0%        | <b>Ex-Dividend Date:</b>         | 08/15/25 |
| <b>% Fair Value:</b>        | 115% | <b>5 Year Valuation Multiple Estimate:</b> | -2.8%       | <b>Dividend Payment Date:</b>    | 09/10/25 |
| <b>Dividend Yield:</b>      | 2.4% | <b>5 Year Price Target</b>                 | \$44        | <b>Years Of Dividend Growth:</b> | 5        |
| <b>Dividend Risk Score:</b> | C    | <b>Sector:</b>                             | Health Care | <b>Rating:</b>                   | Hold     |

## Overview & Current Events

Royalty Pharma (RPRX) is a company that buys biopharmaceutical royalties and funds innovations in the biopharmaceutical industry. Royalty Pharma was founded in 1996, and the company had its initial public offering in June 2020. Royalty Pharma's portfolio consists of royalties on approximately 35 marketed therapies and 10 development-stage product candidates that address various therapeutic areas, such as rare diseases, cancer, neurology, infectious disease, hematology, and diabetes. The company has 14 billion-dollar therapies in its portfolio, and the average royalty duration across the portfolio is 13 years. While some investors might be concerned that almost 30% of the company's royalty revenue comes from its Vertex CF franchisee, Vertex is the most robust name in its market, far ahead of its closest competitor. This concentration in Vertex CF appears to be a good way for the company to capitalize on strong assets.

On August 6<sup>th</sup>, 2025, Royalty Pharma reported Q2 2025 results, reporting non-GAAP EPS of \$1.14, beating analysts' estimates by \$0.11, and revenue of \$579.0 million, which was up 7.8% year-over-year.

Royalty Pharma posted a robust second quarter for 2025, with Portfolio Receipts climbing 20% year-over-year to \$727 million and Royalty Receipts rising 11% to \$672 million. Net cash provided by operating activities reached \$364 million, while adjusted EBITDA increased 13% to \$633 million. The gains were fueled by strong contributions from therapies such as Voranigo, Trelegy, Evrysdi, and Tremfya, alongside milestone payments. The company also completed the acquisition of its external manager, RP Management, transforming into an integrated public company. Capital deployment in the quarter totaled \$595 million, highlighted by an innovative \$2 billion funding deal with Revolution Medicines, including a synthetic royalty on the Phase 3 oncology therapy daraxonrasib.

Citing the portfolio's momentum, management raised full-year 2025 guidance for Portfolio Receipts to a range of \$3.05 to \$3.15 billion, representing 9%–12% expected growth. The company also repurchased \$277 million of Class A shares in the quarter, bringing first-half buybacks to \$1 billion. CEO Pablo Legorreta highlighted the strategic milestones achieved, from funding partnerships to share repurchases, as evidence of a strong market position and long-term growth potential. With multiple positive clinical updates and an expanding royalty base, Royalty Pharma heads into the second half of 2025 with what it calls its "strongest outlook yet," ahead of its September 11<sup>th</sup> Investor Day.

## Growth on a Per-Share Basis

| Year                      | 2014 | 2015 | 2016 | 2017 | 2018 | 2020   | 2021   | 2022   | 2023   | 2024   | 2025          | 2030          |
|---------------------------|------|------|------|------|------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>EPS</b>                | ---  | ---  | ---  | ---  | ---  | \$1.32 | \$1.49 | \$0.10 | \$2.53 | \$1.91 | <b>\$4.46</b> | <b>\$6.26</b> |
| <b>DPS</b>                | ---  | ---  | ---  | ---  | ---  | \$0.30 | \$0.68 | \$0.76 | \$0.80 | \$0.84 | <b>\$0.88</b> | <b>\$1.12</b> |
| <b>Shares<sup>1</sup></b> | ---  | ---  | ---  | ---  | ---  | 375.0  | 415.0  | 438.0  | 447.6  | 448.2  | <b>453.4</b>  | <b>480.4</b>  |

Royalty Pharma went public in June 2020. As such, the stock has only traded for a few years, so results are only available for the 2020 to 2024 period. In 2025, we expect Royalty Pharma to deliver about \$4.46 in earnings-per-share as this is the midpoint of analysts' estimates. We forecast that earnings-per-share will grow at a rate of about 7% annually over the next 5 years, guiding our 2030 earnings-per-share estimate of \$6.26. From 2020 to 2021, the dividend payment grew

<sup>1</sup> In millions

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by 126.7%, which is unsustainable, but in 2022 and 2023 it grew by a more modest rate of 12% and 5%, respectively. Thus, we revised our forecast with a more normalized dividend growth rate, with dividends projected to grow by 5% annually over the next five years.

## Valuation Analysis

| Year      | 2014 | 2015 | 2016 | 2017 | 2018 | 2020 | 2021 | 2022  | 2023 | 2024 | Now  | 2030 |
|-----------|------|------|------|------|------|------|------|-------|------|------|------|------|
| Avg. P/E  | ---  | ---  | ---  | ---  | ---  | ---  | 26.6 | 384.2 | 12.4 | 17.9 | 8.1  | 7.0  |
| Avg. Yld. | ---  | ---  | ---  | ---  | ---  | ---  | 1.7% | 2.0%  | 2.3% | 2.5% | 2.4% | 2.6% |

With limited trading history, it's difficult to use historic P/E multiples or dividend yields to estimate the stock's appropriate valuation multiples. However, considering the regulatory hurdles, the unpredictable nature of the business, and the reliance on FDA approvals, we estimate that a 7.0x P/E ratio is fair for the business, which is slightly above its current valuation. Today, the stock offers a 2.4% dividend yield, which is moderate for investors who prioritize dividend income, but investors might consider the stock if they like the business model of buying biopharmaceutical royalties.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

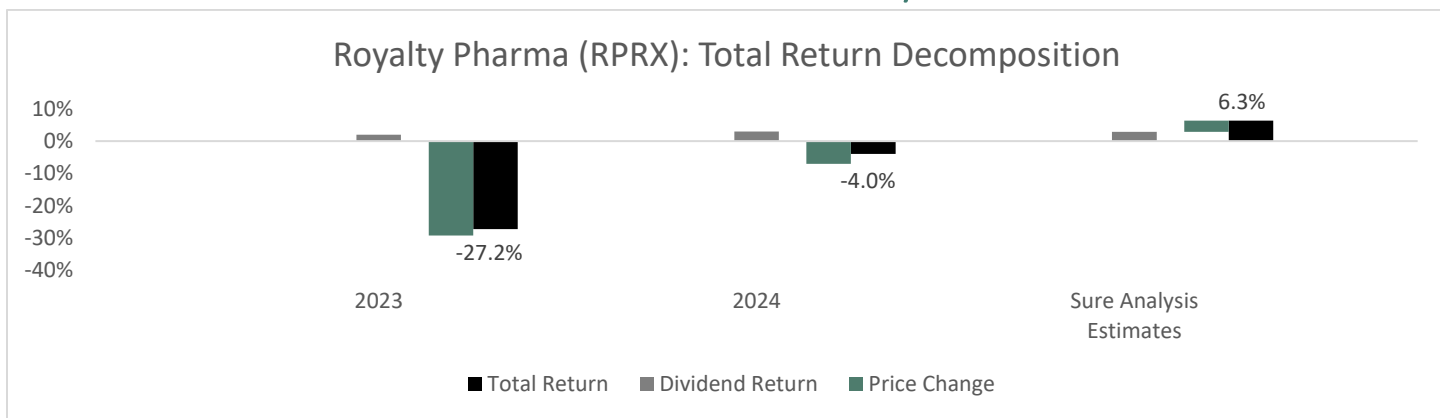
| Year   | 2014 | 2015 | 2016 | 2017 | 2018 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | ---  | ---  | ---  | ---  | ---  | ---  | 46%  | 760% | 32%  | 44%  | 20%  | 18%  |

Royalty Pharma plc boasts a distinctive competitive advantage in the pharmaceutical industry as a leader in acquiring revenue-generating intellectual property related to drugs. This unique business model allows the company to generate consistent cash flows even during economic downturns, showcasing a resilient recession performance. Additionally, RPRX maintains a prudent approach to debt management, utilizing its robust cash flows to efficiently handle debt obligations and fund future acquisitions, contributing to its financial stability. Royalty Pharma's repurchase plan has seen significant progress since its initiation in April 2023. We project that the dividend will be safe since the low payout ratio signifies that the dividend is adequately backed by strong earnings-per-share. Royalty Pharma has a strong balance sheet; this company has no liquidity or solvency risks. The business has some recession resiliency because it earns revenue from royalties on drug sales. During Q2, Royalty Pharma repurchased 8 million Class A ordinary shares for \$277 million, bringing total buybacks in the first half of the year to \$1 billion under its \$3 billion repurchase program.

## Final Thoughts & Recommendation

Royalty Pharma is a business that buys and holds biopharmaceutical royalties. Royalty Pharma can position itself as a leader in niche markets by investing in strong royalties. Thus, our hold rating is premised upon the 6.3% annualized total returns over the medium-term, with the forecasted earnings-per-share growth of 7.0%, the 2.4% dividend yield, and a small valuation headwind.

## Total Return Breakdown by Year



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## Income Statement Metrics

| Year             | 2015 | 2016 | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  |
|------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue          | ---  | ---  | 1,598 | 1,795 | 1,814 | 2,122 | 2,289 | 2,237 | 2,355 | 2,264 |
| SG&A Exp.        | ---  | ---  | 106   | 62    | 103   | 182   | 183   | 227   | 250   | 237   |
| D&A Exp.         | ---  | ---  | 33    | 33    | 24    | 23    | 23    | 6     | 0     | 0     |
| Operating Profit | ---  | ---  | 940   | 1,364 | 2,623 | 1,660 | 1,431 | 923   | 1,492 | 1,292 |
| Op. Margin       | ---  | ---  | 58.8% | 76.0% | 145%  | 78.2% | 62.5% | 41.3% | 63.4% | 57.1% |
| Net Profit       | ---  | ---  | 1,210 | 1,378 | 2,349 | 975   | 620   | 43    | 1,135 | 859   |
| Net Margin       | ---  | ---  | 75.7% | 76.8% | 129%  | 45.9% | 27.1% | 1.9%  | 48.2% | 37.9% |
| Free Cash Flow   | ---  | ---  | 1,418 | 1,618 | 1,667 | 2,035 | 2,018 | 2,144 | 2,988 | 2,769 |
| Income Tax       | ---  | ---  | ---   | ---   | ---   | ---   | ---   | ---   | ---   | ---   |

## Balance Sheet Metrics

| Year               | 2015 | 2016 | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024   |
|--------------------|------|------|-------|-------|-------|-------|-------|-------|-------|--------|
| Total Assets       | ---  | ---  | 1,598 | 1,795 | 1,814 | 2,122 | 2,289 | 2,237 | 2,355 | 18,220 |
| Cash & Equivalents | ---  | ---  | 106   | 62    | 103   | 182   | 183   | 227   | 250   | 929    |
| Goodwill & Int.    | ---  | ---  | 33    | 33    | 24    | 23    | 23    | 6     | 0     | 0      |
| Total Liabilities  | ---  | ---  | 940   | 1,364 | 2,623 | 1,660 | 1,431 | 923   | 1,492 | 7,880  |
| Accounts Payable   | ---  | ---  | 58.8% | 76.0% | 145%  | 78.2% | 62.5% | 41.3% | 63.4% | 13.4   |
| Long-Term Debt     | ---  | ---  | 1,210 | 1,378 | 2,349 | 975   | 620   | 43    | 1,135 | 7,621  |
| Total Equity       | ---  | ---  | 75.7% | 76.8% | 129%  | 45.9% | 27.1% | 1.9%  | 48.2% | 6,947  |
| LTD/E Ratio        | ---  | ---  | 1,418 | 1,618 | 1,667 | 2,035 | 2,018 | 2,144 | 2,988 | 1.10   |

## Profitability & Per Share Metrics

| Year             | 2015 | 2016 | 2017 | 2018 | 2019  | 2020  | 2021  | 2022 | 2023  | 2024 |
|------------------|------|------|------|------|-------|-------|-------|------|-------|------|
| Return on Assets | ---  | ---  | ---  | ---  | 19.7% | 6.8%  | 3.7%  | 0.2% | 6.8%  | 5.0% |
| Return on Equity | ---  | ---  | ---  | ---  | 44.3% | 17.9% | 11.7% | 0.8% | 11.6% | 8.4% |
| ROIC             | ---  | ---  | ---  | ---  | 20.0% | 6.9%  | 3.7%  | 0.3% | 6.9%  | 5.0% |
| Shares Out.      | ---  | ---  | ---  | ---  | ---   | 375   | 415   | 438  | 603   | 594  |
| Revenue/Share    | ---  | ---  | 4.51 | 5.07 | 5.12  | 5.65  | 5.52  | 5.11 | 3.91  | 3.81 |
| FCF/Share        | ---  | ---  | 4.00 | 4.57 | 4.71  | 5.42  | 4.86  | 4.90 | 4.96  | 4.66 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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