



Royalty Pharma (RPRX)

Updated December 20th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$36	5 Year Annual Expected Total Return:	6.5%	Market Cap:	\$22.2 B
Fair Value Price:	\$32	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	02/20/26 ¹
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.6%	Dividend Payment Date:	03/10/26 ²
Dividend Yield:	2.4%	5 Year Price Target	\$44	Years Of Dividend Growth:	5
Dividend Risk Score:	C	Sector:	Health Care	Rating:	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 November 5th, 2025, Royalty Pharma reported Q3 2025 results, reporting non-GAAP EPS of \$1.17, beating analysts' estimates by \$0.13, and revenue of \$609 million, which was up 7.8% year-over-year.

Royalty Pharma delivered a strong third quarter in 2025, marked by double-digit growth across its core metrics and improved full-year expectations. Portfolio Receipts increased 11% year over year to \$814 million, driven primarily by strong contributions from Voranigo, Tremfya, and the cystic fibrosis franchise. Royalty Receipts also rose 11% to \$811 million, reflecting the durability and diversification of the company's portfolio. Cash generation remained robust, with net cash provided by operating activities of \$703 million, underscoring the high-margin, capital-efficient nature of Royalty Pharma's business model.

Momentum extended beyond reported results. Management raised full-year 2025 Portfolio Receipts guidance to a range of \$3.2 billion to \$3.25 billion, citing continued strength across key products and an increasingly active deal environment. Capital deployment accelerated, with recent acquisitions adding exposure to innovative therapies such as Imdelltra, obexelimab, and Amvuttra, further enhancing long-term growth potential. Shareholder returns also remained a priority, with \$152 million of share repurchases completed in the quarter and \$1.2 billion returned year-to-date. Backed by a strong balance sheet, long-dated low-cost debt, and a growing royalty market opportunity, Royalty Pharma remains well positioned to deliver consistent, compounding growth while maintaining flexibility to deploy capital opportunistically.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2020	2021	2022	2023	2024	2025	2030
EPS	---	---	---	---	---	\$1.32	\$1.49	\$0.10	\$2.53	\$1.91	\$4.51	\$6.32
DPS	---	---	---	---	---	\$0.30	\$0.68	\$0.76	\$0.80	\$0.84	\$0.88	\$1.12
Shares³	---	---	---	---	---	375.0	415.0	438.0	447.6	448.2	453.4	480.4

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions

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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 \$4.51 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 \$6.32. From 2020 to 2021, the dividend payment grew 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	8.0	7.0
Avg. Yld.	---	---	---	---	---	---	1.7%	2.0%	2.3%	2.5%	2.4%	2.5%

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 below the 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

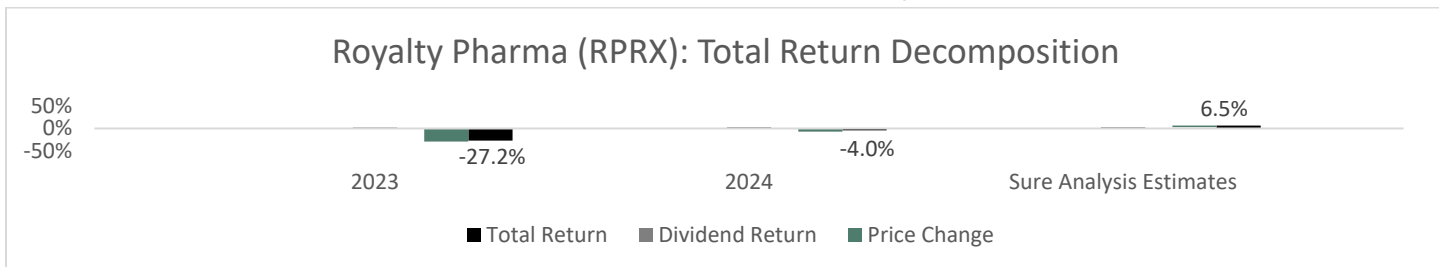
Year	2014	2015	2016	2017	2018	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	46%	760%	32%	44%	20%	18%

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 Q3, the company repurchased approximately four million Class A ordinary shares for \$152 million, bringing total share repurchases to \$1.2 billion year-to-date.

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 6.5% 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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