



# Royalty Pharma (RPRX)

Updated July 29<sup>th</sup>, 2026, by Yiannis Zourmpanos

## Key Metrics

|                             |      |                                             |             |                                  |          |
|-----------------------------|------|---------------------------------------------|-------------|----------------------------------|----------|
| <b>Current Price:</b>       | \$60 | <b>5 Year Annual Expected Total Return:</b> | -1.2%       | <b>Market Cap:</b>               | \$35.5 B |
| <b>Fair Value Price:</b>    | \$36 | <b>5 Year Growth Estimate:</b>              | 7.0%        | <b>Ex-Dividend Date:</b>         | 08/14/26 |
| <b>% Fair Value:</b>        | 165% | <b>5 Year Valuation Multiple Estimate:</b>  | -9.5%       | <b>Dividend Payment Date:</b>    | 09/10/26 |
| <b>Dividend Yield:</b>      | 1.6% | <b>5 Year Price Target</b>                  | \$51        | <b>Years Of Dividend Growth:</b> | 6        |
| <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 May 6<sup>th</sup>, 2025, Royalty Pharma reported Q1 2026 results, reporting non-GAAP EPS of \$1.30 that beat analysts' estimates by \$0.11, and revenue of \$631 million, which was up 11.1% year-over-year.

Royalty Pharma reported a solid first quarter, supported by robust cash generation, disciplined capital deployment and continued expansion of its royalty portfolio. Net cash provided by operating activities increased 20% year over year to \$718 million, while adjusted EBITDA rose 21% to \$889 million and portfolio cash flow climbed 18% to \$722 million. During the quarter, the company announced transactions with a total potential value of up to \$1.25 billion, including R&D co-funding agreements with Johnson & Johnson and Teva, highlighting its growing presence in innovative biopharmaceutical financing. Capital deployment totaled \$528 million, primarily reflecting upfront payments for the Ziihera and Avlayah transactions, alongside a milestone payment tied to Trelegy.

Management also highlighted encouraging progress across its royalty portfolio, with positive Phase 3 data for Revolution Medicines' daraxonrasib in pancreatic cancer and Cytokinetics' Myqorzo in non-obstructive hypertrophic cardiomyopathy. During the quarter, the FDA approved Denali's Avlayah for Hunter syndrome, while Nuvalent submitted a New Drug Application for neladalkib in lung cancer. Royalty Pharma strengthened its strategic capabilities through key leadership appointments focused on the Asia-Pacific region, partnering and artificial intelligence. The company ended the quarter with \$586 million in cash and cash equivalents and total debt of \$9.2 billion. It also continued returning capital to shareholders through dividends and share repurchases, buying back approximately 1.1 million Class A shares for \$50 million while also paying quarterly dividends of \$136 million during the period.

## Growth on a Per-Share Basis

| Year                      | 2016 | 2017 | 2018 | 2019 | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026          | 2031          |
|---------------------------|------|------|------|------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>EPS</b>                | ---  | ---  | ---  | ---  | \$1.32 | \$1.49 | \$0.10 | \$2.53 | \$1.91 | \$1.78 | <b>\$5.19</b> | <b>\$7.28</b> |
| <b>DPS</b>                | ---  | ---  | ---  | ---  | \$0.30 | \$0.68 | \$0.76 | \$0.80 | \$0.84 | \$0.88 | <b>\$0.94</b> | <b>\$1.20</b> |
| <b>Shares<sup>1</sup></b> | ---  | ---  | ---  | ---  | 375.0  | 415.0  | 438.0  | 447.6  | 448.2  | 429.8  | <b>421.3</b>  | <b>381.1</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 \$5.19 in earnings-per-share as this is

<sup>1</sup> In millions

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the midpoint of analysts' estimates. We forecast that earnings-per-share will grow at a rate of about 7% annually over the next five years, guiding our 2031 earnings-per-share estimate of \$7.28. 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      | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022  | 2023 | 2024 | 2025 | Now         | 2031        |
|-----------|------|------|------|------|------|------|-------|------|------|------|-------------|-------------|
| Avg. P/E  | ---  | ---  | ---  | ---  | ---  | 26.6 | 384.2 | 12.4 | 17.9 | 19.3 | <b>11.6</b> | <b>7.0</b>  |
| Avg. Yld. | ---  | ---  | ---  | ---  | ---  | 1.7% | 2.0%  | 2.3% | 2.5% | 2.6% | <b>1.6%</b> | <b>2.4%</b> |

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 below the current valuation. Today, the stock offers a 1.6% 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

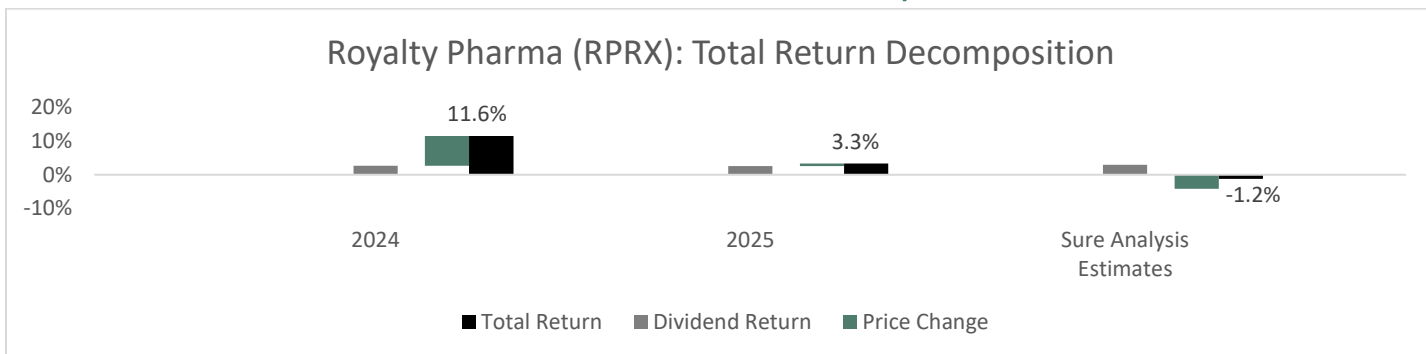
| Year   | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026       | 2031       |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | ---  | ---  | ---  | ---  | ---  | 46%  | 760% | 32%  | 44%  | 49%  | <b>18%</b> | <b>16%</b> |

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.

## 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 -1.2% annualized total returns over the medium-term, with the forecasted earnings-per-share growth of 7.0%, the 1.6% dividend yield, and a valuation headwind.

## Total Return Breakdown by Year



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## Income Statement Metrics

| Year             | 2016 | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  |
|------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue          | ---  | 1,598 | 1,795 | 1,814 | 2,122 | 2,289 | 2,237 | 2,355 | 2,264 | 2,378 |
| SG&A Exp.        | ---  | 106   | 62    | 103   | 182   | 183   | 227   | 250   | 237   | 573   |
| D&A Exp.         | ---  | 33    | 33    | 24    | 23    | 23    | 6     | 0     | 0     | 4     |
| Operating Profit | ---  | 940   | 1,364 | 2,623 | 1,660 | 1,431 | 923   | 1,492 | 1,292 | 1,560 |
| Op. Margin       | ---  | 58.8% | 76.0% | 145%  | 78.2% | 62.5% | 41.3% | 63.4% | 57.1% | 65.6% |
| Net Profit       | ---  | 1,210 | 1,378 | 2,349 | 975   | 620   | 43    | 1,135 | 859   | 1,324 |
| Net Margin       | ---  | 75.7% | 76.8% | 129%  | 45.9% | 27.1% | 1.9%  | 48.2% | 37.9% | 55.7% |
| Free Cash Flow   | ---  | 1,418 | 1,618 | 1,667 | 2,035 | 2,018 | 2,144 | 2,988 | 2,769 | 897   |
| Income Tax       | ---  | ---   | ---   | ---   | ---   | ---   | ---   | ---   | ---   | ---   |

## Balance Sheet Metrics

| Year               | 2016 | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024   | 2025   |
|--------------------|------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Total Assets       | ---  | 1,598 | 1,795 | 1,814 | 2,122 | 2,289 | 2,237 | 2,355 | 18,220 | 19,620 |
| Cash & Equivalents | ---  | 106   | 62    | 103   | 182   | 183   | 227   | 250   | 929    | 638    |
| Goodwill & Int.    | ---  | 33    | 33    | 24    | 23    | 23    | 6     | 0     | 0      | 17,130 |
| Total Liabilities  | ---  | 940   | 1,364 | 2,623 | 1,660 | 1,431 | 923   | 1,492 | 7,880  | 9,906  |
| Accounts Payable   | ---  | 58.8% | 76.0% | 145%  | 78.2% | 62.5% | 41.3% | 63.4% | 13.4   | 19.4   |
| Long-Term Debt     | ---  | 1,210 | 1,378 | 2,349 | 975   | 620   | 43    | 1,135 | 7,621  | 8,976  |
| Total Equity       | ---  | 75.7% | 76.8% | 129%  | 45.9% | 27.1% | 1.9%  | 48.2% | 6,947  | 6,477  |
| LTD/E Ratio        | ---  | 1,418 | 1,618 | 1,667 | 2,035 | 2,018 | 2,144 | 2,988 | 1.10   | 1.38   |

## Profitability & Per Share Metrics

| Year             | 2016 | 2017 | 2018 | 2019  | 2020  | 2021  | 2022 | 2023  | 2024 | 2025  |
|------------------|------|------|------|-------|-------|-------|------|-------|------|-------|
| Return on Assets | ---  | ---  | ---  | 19.7% | 6.8%  | 3.7%  | 0.2% | 6.8%  | 5.0% | 7.0%  |
| Return on Equity | ---  | ---  | ---  | 44.3% | 17.9% | 11.7% | 0.8% | 11.6% | 8.4% | 13.2% |
| ROIC             | ---  | ---  | ---  | 20.0% | 6.9%  | 3.7%  | 0.3% | 6.9%  | 5.0% | 7.2%  |
| Shares Out.      | ---  | ---  | ---  | ---   | 375   | 415   | 438  | 603   | 594  | 564.5 |
| Revenue/Share    | ---  | 4.51 | 5.07 | 5.12  | 5.65  | 5.52  | 5.11 | 3.91  | 3.81 | 4.21  |
| FCF/Share        | ---  | 4.00 | 4.57 | 4.71  | 5.42  | 4.86  | 4.90 | 4.96  | 4.66 | 1.59  |

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

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