



Royalty Pharma (RPRX)

Updated August 17th, 2026, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$59	5 Year Annual Expected Total Return:	-0.3%	Market Cap:	\$33.7 B
Fair Value Price:	\$38	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	08/14/26
% Fair Value:	157%	5 Year Valuation Multiple Estimate:	-8.7%	Dividend Payment Date:	09/10/26
Dividend Yield:	1.6%	5 Year Price Target	\$53	Years Of Dividend Growth:	6
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 August 5th, 2025, Royalty Pharma reported Q2 2026 results, reporting non-GAAP EPS of \$1.32 that beat analysts' estimates by \$0.05, and revenue of \$773 million, which was up 6.33% year-over-year.

Royalty Pharma delivered strong Q2 2026 results, with Royalty Receipts increasing 14% year-over-year, driven primarily by Tremfya, Voranigo, Imdelltra and Evrysdi, partially offset by declines in Promacta and Imbruvica. Adjusted EBITDA rose 16% to \$736 million, while Portfolio Cash Flow increased 15% to \$736 million, supported by significantly lower operating and professional costs following the 2025 internalization. Net cash provided by operating activities was \$728 million. Capital Deployment totaled \$349 million during Q2 and reached \$1.1 billion through August 4, reflecting continued investment in new royalty opportunities and development-stage assets.

Management raised its FY2026 outlook for the second time this year, reflecting strength across the diversified portfolio. Royalty Receipts are now expected to grow 7%–10%, while operating and professional costs remain targeted at 5.5%–6.5% of Portfolio Receipts and interest payments at \$350–\$360 million. Royalty Pharma ended Q2 with \$812 million of cash and \$9.2 billion of debt, subsequently repaying a \$380 million term loan in July. Transaction activity remained robust, with up to \$1.7 billion of new transactions announced through August 4, including the acquisition of a royalty interest in AstraZeneca's Phase 3 cliramitug.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	---	---	---	---	\$1.32	\$1.49	\$0.10	\$2.53	\$1.91	\$1.78	\$5.36	\$7.52
DPS	---	---	---	---	\$0.30	\$0.68	\$0.76	\$0.80	\$0.84	\$0.88	\$0.94	\$1.20
Shares¹	---	---	---	---	375.0	415.0	438.0	447.6	448.2	429.8	421.3	381.1

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 \$5.36 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 five years, guiding our 2031 earnings-per-share estimate of \$7.52. 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%,

¹ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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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	11.0	7.0
Avg. Yld.	---	---	---	---	---	1.7%	2.0%	2.3%	2.5%	2.6%	1.6%	2.3%

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

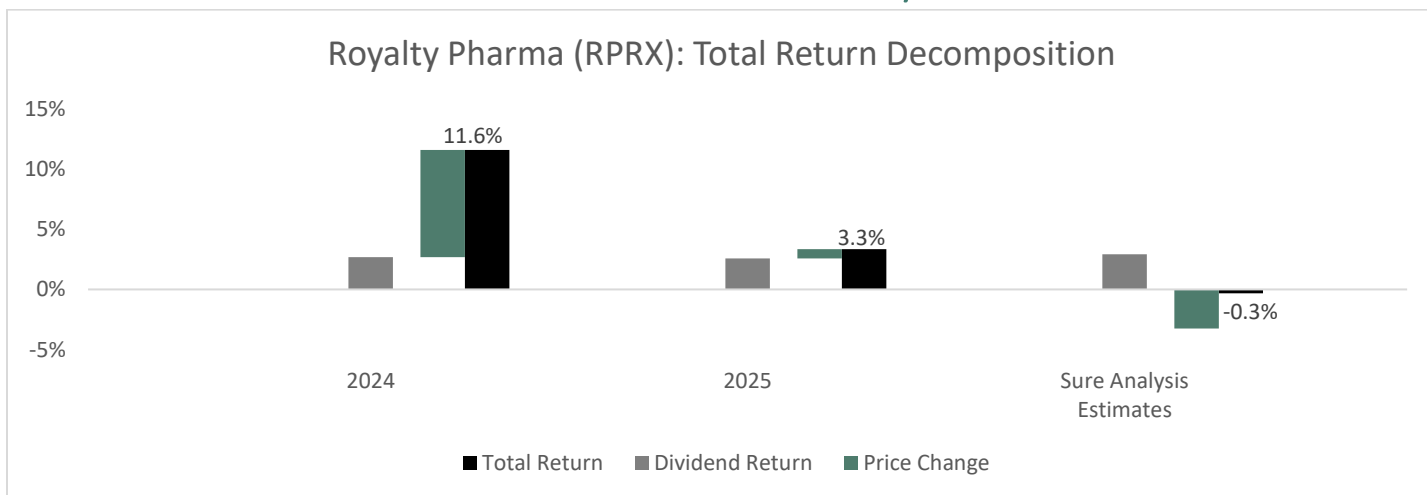
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	---	---	---	---	46%	760%	32%	44%	49%	18%	16%

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. In Q2, Royalty Pharma repurchased approximately 0.9 million Class A ordinary shares for \$45 million during Q2, bringing first-half 2026 repurchases to \$96 million. 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. However, our hold rating is premised upon the -0.3% 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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