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RPRX.OQ - Q2 2024 Royalty Pharma PLC Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Royalty Pharma's Second Quarter Earnings Conference Call.

I would like now to turn the conference over to George Grofik, Senior Vice President, Head of Investor Relations and Communications. Please go ahead, sir.

George Grofik - *Royalty Pharma PLC - Senior Vice President, Head of Investor Relations and Communications*

Good morning, and good afternoon to everyone on the call. Thank you for joining us to review Royalty Pharma's Second Quarter 2024 results. You can find the press release with our earnings results and slides of this call on the Investors page of our website at royaltypharma.com.

Moving to slide 3. I would like to remind you that information presented in this call contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from these statements. I refer you to our 10-K on file with the SEC for a description of these risks. All forward-looking statements are based on information currently available to Royalty Pharma, and we assume no obligation to update any such forward-looking statements.

Non-GAAP liquidity measures will be used to help you understand our financial performance. The reconciliation of these measures to our non-GAAP to our GAAP financials is provided in the earnings press release available on our website.

And with that, please advance to slide 4. Our speakers on the call today are Pablo Legorreta, Founder and Chief Executive Officer; Marshall Urist, EVP, Head of Research and Investments; Chris Hite, EVP, Vice Chairman; and Terry Coyne, EVP, Chief Financial Officer. Pablo will discuss the key highlights, after which Marshall and Chris will provide portfolio updates, highlighting three important recent transactions. Terry will then review the financials and following concluding remarks from Pablo, we will hold a Q&A session. And with that, I'd like to turn the call over to Paolo.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Thank you, George, and welcome to everyone on the call. I am delighted to report a successful quarter of execution against our vision to be the leading partner funding innovation in life sciences.

Slide 6 summarizes our strong business momentum in the second quarter. In terms of the financials, we delivered 12% growth in Portfolio Receipts, our top line. This was significantly above our guidance of high single-digit growth, which we provided last quarter. The bedrock of this strong performance was an impressive 11% growth in Royalty Receipts. This represents our recurring cash flows and are driven by our high-quality portfolio of more than 35 commercial products.

Turning to capital allocation. We had a very active quarter for new royalty transactions. Capital deployment was approximately $2 billion, including the cash to be paid for US royalties on Voranigo, which was just approved a couple of days ago. In addition, we continue to pursue our balanced capital allocation strategy, and we stepped up the pace of share repurchases given the disconnect of our share price with our strong fundamental outlook.

Looking at our portfolio, we acquired royalties on six therapies in the quarter, including one approved and five development-stage therapies. More specifically, we increased our royalty exposure to the blockbuster Evrysdi for spinal muscular atrophy and to aficamten, an exciting cardiovascular therapy, which is expected to be filed with regulators imminently.

Chris will expand on these details, as well as highlight the multiple upcoming events for our development-stage portfolio, which has the potential to unlock significant value for Royalty Pharma. In this regard, we were pleased to see FDA approval of Voranigo this week, as well as the positive Phase 3 results for seltorexant in depression and for Tremfya in Crohn's disease, all of which could represent important new growth drivers for Royalty Pharma.

Lastly, I'm happy to report that we're raising our full year 2024 guidance by 3% at the midpoint, following our excellent performance in the first six months of the year driven by the strong momentum of our diversified portfolio. We now expect Portfolio Receipts to be between $2.7 billion and $2.775 billion. This is based on expected growth in Royalty Receipts of around 9% to 12%, which compares with our previous guidance of 5% to 9%. Consistent with our standard practice, this guidance is based on our current portfolio and does not include the benefit of future transactions.

Slide 7 shows our impressive track record of strong growth since our IPO. As I noted earlier, we delivered 11% growth in Royalty Receipts in the second quarter. Taken together with our double-digit performance in Royalty Receipts in the first quarter, this sets us up well to deliver our new full year guidance. This consistent track record of strong growth speaks to our ability to execute successfully against our strategy in the growing market for biopharma royalties.

Slide 8 shows that we continue to be the clear leader in the market for large royalty transactions with two more transactions north of $500 million announced this year. Of the 26 royalty transactions to date valued at $500 million or more, we have executed 20 with a market share of 77%.

You will also note that half of our transactions have taken place in the four years since our IPO. This, in part, reflects an important competitive advantage of our business, namely our scale and rapid access to substantial capital. It also reflects the talent and creativity of our team as we strive to create win-win solutions for our partners in the growing biopharma royalty market. Finally, it reflects the acceleration of the biopharma royalty market as a whole, where we are the clear market leader.

With that, I will hand it over to Marshall.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Thanks, Pablo. I want to focus today on the value of repeat business to our model and why we are so excited about acquiring a royalty on Servier's vorasidenib, now available commercially as Voranigo.

Slide 10 shows an important aspect of what differentiates us from our competition, namely repeat business with our partners. Recently, we completed our second transaction with Agios and our third transactions with Cytokinetics and PTC. If we go back further, we have a strong track record over nearly two decades of completing multiple transactions with our partners.

Slide 11 shows that of the approximately $15 billion of transactions we have announced since 2020 around $6 billion, or nearly 40%, has been with repeat partners. Our partner-centric approach is one of our core values at Royalty Pharma. It brings multiple benefits, including speed of execution and in-depth knowledge of both products and our partner, resulting in a higher probability of transacting both the first and subsequent deals as our partners grow over time.

Slide 12 summarizes our recent transaction with Agios to acquire their royalty on US net sales of Servier's Voranigo, which we believe has blockbuster commercial potential in the treatment of low-grade glioma. We will pay $905 million following Voranigo's FDA approval on Tuesday, which was based on the remarkable Phase 3 results and high unmet patient need. We are entitled to a 15% royalty on US sales up to $1 billion, which steps down to a 12% royalty on sales greater than $1 billion.

Furthermore, Voranigo has a long duration of patent protection with royalties through 2038, and we forecast peak sales greater than $1 billion and expect an IRR in the teens. Importantly, Voranigo is another great example of our ability to consistently execute large transactions, as we have completed 10 transactions of $500 million or more and four transactions of $1 billion or greater just since our IPO in 2020. As Pablo discussed earlier, we have strong competitive advantages, which have allowed us to remain the clear market leader for large royalty transactions.

Slide 13 provides an overview of why we think Voranigo could represent a blockbuster commercial opportunity. First, there's high unmet patient need with overall survival of approximately 10 years for relatively young patients with low-grade glioma and no approved targeted therapies. Second, IDH mutations are estimated to drive low-grade gliomas in over 70% of patients, resulting in an estimated 1,500 incident and 10,000 prevalent US patients addressable by Voranigo. Third, we expect Voranigo to have a long duration of treatment of over two years given the median 27 months of progression-free survival in Phase 3 and manageable safety profile.

Fourth, there are no other potentially competing therapies in late-stage clinical development. We have performed deep due diligence, including a comprehensive demand survey, which indicates physician excitement for Voranigo and expected broad and deep uptake across many subsets of low-grade glioma patients.

Lastly, given that low-grade glioma patients tend to be relatively young and Voranigo's orphan status from the FDA, we do not expect any impact from the IRA. We see additional upside from the launch ramp, duration of therapy and depth of prescribing across patient segments in low-grade glioma.

And with that, I'll hand it over to Chris.

Christopher Hite - *Royalty Pharma PLC - Vice Chairman, Executive Vice President*

Thanks, Marshall. I want to expand on our recent transactions involving Evrysdi and aficamten, and highlight the broader potential of our growing development-stage pipeline.

Slide 15 highlights our growing partnership with PTC on Evrysdi. We gained our first exposure to this exciting therapy in 2020 when we acquired 43% of PTC's royalty interest for $650 million. In 2023, we entered into a second royalty transaction with PTC. In this case, in return for an upfront payment of $1 billion, we acquired 67% of PTC's remaining royalty. It also extended the royalty duration to 2035 to 2036 from the early 2030s.

Importantly, this transaction included a joint option structure for the remainder of PTC's royalty interest. This would allow PTC to sell all of its residual royalty to us by the end of 2025 in return for a $500 million payment less royalties received.

In June of this year, as part of that option structure, we made our third investment. In return for a payment of $242 million, we acquired additional royalties on Evrysdi, which we will start to receive in the third quarter of 2024. This new investment is expected to deliver an unlevered return in

the low double digits. In total, it takes our investment to $1.9 billion across the three transactions and increases our effective royalty rate of 7.2% to 14.5%. This makes Evrysdi the third largest investment in our history after cystic fibrosis and Tysabri.

Furthermore, the option structure means PTC retains the right to sell the remainder of its Evrysdi royalties to us by the end of 2025. For those less familiar, Evrysdi is the global leader in the treatment of a rare disease called spinal muscular atrophy, or SMA. Roche recently reported sales in the first six months of 2024 of approximately $940 million, growing by 25%. Given that consensus forecasts are tracking to $3 billion plus by 2030, we now expect to receive annual peak royalties on Evrysdi of around $350 million.

Slide 16 is another great example of repeat business and highlights how we have strengthened our long-standing partnership with Cytokinetics, including our May 2024 transaction, we have provided access to more than $1 billion in total funding across three deals. As a reminder, Cytokinetics recently presented the pivotal Phase 3 results for aficamten, which we believe demonstrates its potential to be the best-in-class therapy for hypertrophic cardiomyopathy. Following our most recent transaction, we are now entitled to a 4.5% royalty on net sales up to $5 billion, and a 1% royalty on sales above $5 billion.

Based on research analyst consensus, aficamten has the potential to generate peak annual royalties to Royalty Pharma in excess of $180 million. We have also provided launch and development funding, of which $200 million has been drawn and an additional $350 million remains available. The return on this funding is based on fixed payments expected to range between 1.9x to 2.4x over time. Taken together, our third transaction with Cytokinetics highlights our ability to structure creative funding solutions and underscores the breadth of our funding capabilities.

On slide 17, I want to now move to the multiple important clinical and regulatory events which we expect for our exciting development-stage portfolio over the next 12 months or so. In particular, I would point to the upcoming FDA action dates for KarXT in schizophrenia and Tremfya in ulcerative colitis and Crohn's, FDA and EMA regulatory filings for aficamten and long-term safety data for TEV-'749 in schizophrenia.

We also expect the Phase 1/2b results for Roche's trontinemab in Alzheimer's before the end of this year. And in 2025, we expect outcomes data for pelacarsen, which has the potential to be a very significant royalty for our portfolio. As you can see, these events have the potential to unlock very significant value for Royalty Pharma.

Slide 18 shows our late-stage development pipeline by potential peak sales and the associated royalties we could expect to receive. As you saw on my previous slide, many of these assets will have major potential derisking events in the next 12 months or so.

Importantly, the programs listed here all have first or best-in-class potential and are supported by world-class marketers. The majority have multi-blockbuster potential, and in aggregate, we estimate the combined peak sales at over $25 billion on a non-risk adjusted basis. Based on the respective royalty rates, this could potentially translate to over $1.2 billion in annual peak royalties to Royalty Pharma with frexalimab and olpasiran potentially being the largest individual contributors. We expect many of these products to contribute to our attractive compounding growth in the years ahead.

With that, I would like to hand it over to Terry.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Thanks, Chris. Let's move to slide 20. This slide shows how our efficient business model generates substantial cash flow to be reinvested. As you heard from Pablo, Royalty Receipts grew by 11% in the second quarter, reflecting the strength of our diversified portfolio. The key drivers of growth were the strong performance of our base business, notably our cystic fibrosis franchise, Trelegy, Tremfya and Evrysdi. Including a modest contribution from milestones and other contractual receipts, Portfolio Receipts, our top line, grew by 12% to $608 million.

As we move down the column, operating and professional costs equated to 7.9% of Portfolio Receipts. Net interest received of $14 million reflected the semiannual timing of our interest payment schedule with payments falling due in the first and third quarters.

Moving further down the column, we've consistently stated that when we think of the cash generated by the business to then be redeployed into value-enhancing royalties, we look to Adjusted EBITDA, plus net interest paid, or as we call it, Portfolio Cash Flow. This amounted to $574 million in the quarter, equivalent to a margin of around 94%. This high level of cash conversion once again underscores the efficiency of our business model.

Capital deployment in the second quarter was $951 million, and as Marshall highlighted, we will pay $905 million this month following the FDA approval of Voranigo. This would take our total for the year to approximately $2 billion.

Slide 21 shows that we continue to maintain significant financial capacity for future royalty acquisitions. In total, we have approximately $3 billion available through a combination of cash on our balance sheet, the cash our business generates and access to the debt markets. At the end of the second quarter, we had cash and equivalents of just under $1.8 billion. Following the $905 million payment related to Voranigo, this will take our cash and equivalents to $860 million on a pro forma basis.

When we turn to our borrowing position, we issued $1.5 billion of notes in the second quarter, which increased our outstanding investment-grade debt to $7.8 billion with a weighted cost of debt of 3.1%. Our weighted average maturity is around 13 years, which aligns with the duration of our royalty portfolio. Our total and net pro forma leverage now stands at 3x -- it stands at around 3x, and we have stated that we would be prepared to take our leverage up to 4x if the right opportunity arose. Furthermore, we have additional undrawn financial capacity from the $1.8 billion revolver. As Pablo noted, despite a busy quarter for royalty acquisitions, we also took advantage of the fundamental disconnect in our share price and stepped up the pace of share repurchases in the second quarter. On a year-to-date basis, we have spent $115 million on buybacks.

Slide 22 is a reminder of our capital allocation strategy and how we expect this to drive shareholder value creation. At our Investor Day in 2022, we outlined that over a five-year period through a combination of cash generation and our debt capacity, we expected to have access to around $20 billion of capital.

As you can see on this slide, we expect to deploy the majority of our capital on value-enhancing royalty acquisitions with a target of $10 billion to $12 billion invested over the period. As many of you are aware, we are on track to meet or exceed this target having announced transactions of $9.4 billion with actual capital deployment of $6.6 billion since 2022. The difference represents contingent payments on certain of our investments.

We aim to balance this primary focus on royalty acquisitions with returning capital to shareholders through a combination of dividends and share repurchases. Regarding the latter, the Board authorized a multiyear share buyback program of up to $1 billion in March of 2023, of which we have spent just over $400 million to date.

While investing in royalties is our number one priority, we use our share buyback program tactically for repurchases when we see a disconnect between our intrinsic value and the current stock price. We believe our intrinsic value is well in excess of the current stock price, and as a result, we have repurchased $115 million of our shares from the second quarter through today. By executing against this capital allocation strategy, we are confident we will continue to deliver on our mission of accelerating innovation in life sciences, while generating strong returns and creating significant shareholder value.

Slide 23 provides our raised full year 2024 financial guidance. We now expect Portfolio Receipts to be in the range of $2.7 billion to $2.775 billion. Let me walk you through our assumptions. First, within our top-line guidance, we expect to deliver growth in Royalty Receipts of around 9% to 12%. The increase from our previous guidance of 5% to 9% reflects the strong momentum of our diversified portfolio.

Second, when we move to Portfolio Receipts, we face a high base of comparison as a result of the $525 million of Biohaven-related payments we received last year. Milestones and other contractual receipts are, therefore, expected to decline from around $600 million in 2023 to approximately $30 million in 2024.

Lastly, our guidance assumes a negligible foreign exchange impact. Importantly and consistent with our standard practice, this guidance is based on our portfolio as of today, and does not take into account the benefit of any future royalty acquisition.

Turning to operating costs. Payment for operating and professional costs are expected to be approximately 8% to 9% of Portfolio Receipts in 2024. Interest paid for full year 2024 is expected to be around $150 million with a de minimis amount to be paid in Q4. This does not take into account any interest received on our cash balance, which was $21 million in the first six months of the year. It also does not reflect the interest payments on the $1.5 billion of notes issued in June of 2024, for which the first payment is due in the first quarter of 2025.

To close, we are very pleased to be able to raise guidance based on the excellent momentum of our diversified royalty portfolio and continued successful execution against our strategy.

With that, I would like to hand the call back to Pablo.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Thanks, Terry. Let me begin my concluding remarks by saying how proud I am of the performance in the first six months of 2024. We delivered double-digit growth in Royalty Receipts, we strengthened our portfolio including our exciting development-stage pipeline, and we maintained our leadership position in the royalty market, which is growing rapidly and being driven by powerful secular tailwinds.

My final slide highlights our incredible track record of consistently identifying exciting waves of biopharma innovation and finding ways to participate. The roster of therapies listed here includes some of the most transformative and commercially successful in the history of our industry. From Rituxan, the first monoclonal antibody for cancer, to Gilead's HIV franchise, to Humira, to more recent life-changing therapies such as Trikafta for cystic fibrosis or Evrysdi for spinal muscular atrophy. And when we look ahead, we expect to see a number of the exciting therapies we discussed today join this list, transforming the lives of patients with brain cancer, cardiovascular disease, multiple sclerosis and schizophrenia, among others.

The ability to identify new waves of innovation and to constantly replenish our portfolio with novel transformative therapies is in our DNA. Taken together, with our simple but powerful business model and our deep access to capital, we're confident we will continue to deliver attractive, compounding growth over the remainder of this decade and beyond.

With that, we will be happy to take your questions.

George Grofik - *Royalty Pharma PLC - Senior Vice President, Head of Investor Relations and Communications*

Operator, please take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Chris Shibutani, Goldman Sachs.

Chris Shibutani - *Goldman Sachs & Company, Inc. - Analyst*

I appreciate the strong performance and the guidance raised here. One aspect that everyone is keen to understand is how you're seeing the outlook in terms of what's available to you. I know you have a consistent model, scientific discipline. But what are you seeing in terms of receptivity, valuations, opportunities, just the general environment overall to continue to gather more royalties.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

And I'll ask Marshall maybe to add, or Chris, maybe Chris is the better one to add a little bit to what I'm going to say. But I think there's two key things that are happening with our business. One is the massive capital needs that innovation requires in life sciences, both from the biotech ecosystem, 8,000 or so biotech companies out there, and the large pharmas, which in some of our materials in the past, we actually have quantified this at about $200-plus billion invested per year in R&D and Life Sciences. And so it's a massive figure, growing.

There's another $100 billion invested by academic institutions, but that's not something we fund that's funded by government. But when you look at the investment by the corporate side, it's the $200 billion that is required every year. When we look at the decade that is in front of us, we're talking about a $3 billion -- $3 trillion capital need to fund the ecosystem. So that's one thing.

The second thing that is definitely an important driver is the acceptance today among biotech companies of using royalties to fund late-stage clinical trials, what we call synthetic royalties, that has developed in a very attractive way. There are so many companies now that know that this is a very attractive way to fund their business and that reach out to us or we go out and visit them, get to know them and have discussions with them about funding their business.

And then there's also now a real acceptance from the side of the big pharma to drive this growth. And you've seen us do transactions with Merck for the schizophrenia program, recently with Teva, another schizophrenia drug, and other transactions. But that's my answer to your question.

Chris, do you want to add anything to that?

Christopher Hite - *Royalty Pharma PLC - Vice Chairman, Executive Vice President*

Sure. Thanks, Pablo, and thanks for the question, Chris. The deal pipeline continues to be very robust. The timing of new acquisitions, as always, as you know, difficult to predict and can be highly variable. But we have shown over our history to -- that we can deploy a lot of capital, particularly over a multiyear period. And that's really the way we encourage you to think about it.

And just as a reminder, we've deployed about $10.4 billion since 2020 and announced transactions of about $14.7 billion since 2020. And the value of those transactions has increased every year. And if you think about our deal funnel, we've seen a significant increase in opportunities as witnessed by our in-depth reviews in 2023, up over 130% since 2019. So we're super excited about the quality of the deals that we've done and certainly the one -- and the opportunity set that we're looking at currently.

Operator

Our next question comes from Chris Schott at JPMorgan.

Hardik Parikh - *J.P. Morgan Securities LLC - Analyst*

This is Hardik Parikh, in for Chris Schott. Just wanted to ask about -- you issued about $1.5 billion of debt in June, and you just said you're willing to kind of raise that leverage to about 4x. How do you think about raising additional debt going forward as you invest beyond your internal cash flow? And then if this deal kind of flow continues to exceed your internal targets, is the 4x a reasonable probability?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Right. Thank you for the question. Terry, why don't you take this question, please?

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Yes. So just a reminder, we're fortunate that the business generates a pretty significant cash flow every quarter. And so that's going to be the first source of how we're going to fund new investments. But over time, we have used leverage when the right opportunities come along.

And when I put out that -- when I mentioned that 4x number, that's for if there was a large acquisition that came along that we needed to fund, and we were really excited about it, and we would take it up to 4x. But that's certainly not the level that we plan to operate at. Over the last couple of years, we've been in the low 3s or even lower than that. So I think that that's probably more of a normal range. But from time to time, we will take it higher if right opportunities come along.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

And by the way, that higher level of leverage is totally consistent with our investment-grade rating, which is really, really important to us.

Operator

Our next question comes from Terence Flynn with Morgan Stanley.

Terence Flynn - *Morgan Stanley Co. LLC - Analyst*

Great. Maybe two for me. Slide 18 was very helpful in terms of framing the future opportunity for some of the pipeline assets here. Lp(a) represents about a third of the revenue opportunity based on your numbers. So maybe just a question for Marshall, you could remind us in your confidence level in seeing positive Phase 3 data from Novartis next year.

And then the second question relates to the CF franchise. VanzaCaftor has a PDUFA date in January now. So any update on timing of when we might have visibility on how the royalty situation might play out here with Vertex.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Marshall, the first question that Terence suggested is for you and the second one for Terry, please.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Thanks, Terence. Good question. So on Lp(a), just as a reminder, or just as a reminder, a quick reminder for everyone, this is an emerging new class of cardiovascular drugs. We actually have two opportunities in this space from the two leading programs, one from Novartis' program in pelacarsen where we expect data outcomes data sometime next year and then Amgen's program olpasiran, which we expect data the following year in 2026. And it is an exciting opportunity that we eagerly await the data.

I point to a few things that we see as attractive. I think first of all, both drugs provide pretty profound reductions in Lp(a). So the data to date on the biomarker is really compelling. Second, there's a lot of clinical epidemiological genetic data that links Lp(a) to risk of cardiovascular disease and having cardiovascular events.

Finally, if you look at what's in Lp(a), it does have a lot of parallels to LDL, which is obviously a highly validated target. And so you put all of that together, and I think we're really excited about seeing that data over the next couple of years. But I think an important thing just to keep in mind, if you take a step back about our pipeline chart is, certainly, Lp(a) is exciting and could be a meaningful contributor for us. But as we continue to build the portfolio, we will continue to add other really exciting pipeline opportunities like that, like you've seen us do this year with frexalimab, for example, and that's just part of our business that we'll continue to add and continue to build to the portfolio with really exciting opportunities.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

And then, Terence, on your question on the Vanza triple. There's no update from our side on timing there, but just as a reminder for everyone, we provided in the past a sensitivity to just walk through the various different sort of scenarios that could play out here. As you all know, we're paid on all three components of Trikafta. There is a debate with the new vanzacaftor triple on whether we're owed royalties on the deuterated ivacaftor component of that triple. We believe we are, but that is an area of debate, and we feel very strongly about our position there.

But what we've also said is that if we are wrong, and the royalty -- we are not owed a royalty on that portion, which, by the way, would take our royalty to 4% on the new triple versus 8% if we are owed a royalty. If we're wrong, and there's significant share conversion, 50% to 75% conversion to the new triple over time, that the impact on our top line would be a couple of hundred million dollars. And so from that perspective, when you think about the growth of the business and all of the assets that we're adding and the growth that's embedded from the new assets -- I mean if you look at our pipeline, today, we highlighted that over $1 billion of potential new royalties there. So this is something we feel good about our position, but it's a couple of hundred million dollars either way, and it's not going to be particularly material over the long term for Royalty Pharma.

Operator

The next question comes from Michael DiFiore with Evercore.

Michael DiFiore - *Evercore ISI - Analyst*

Congrats on the continued progress this quarter. Two questions for me. One, regarding the CD19 development for autoimmune indications, it continues to become more widespread. Wondering if you're seeing any collaboration opportunities in that space, especially since most companies seem to be starting their development on equal footing here?

And separately, with regard to your Portfolio Receipt guidance on slide 23, it says that it reflects a range of scenarios for the launch of Promacta generics and biosimilar Tysabri. So to the extent that you can, could you elaborate further on this, especially if you're current thinking about the competitiveness of biosimilar Tysabri has changed?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Sure. So Marshall, why don't you take the question on CD19. And then Terry will take the question on the guidance and the contributors to the growth.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Absolutely, Mike. So on CD19, we agree with you. We've been watching closely all of the really exciting clinical data that's been that's been emerging there between the cell therapies and bispecifics. And certainly, something that we are continuing to follow and understand kind of how the various players and the various programs are going to play out.

And we will certainly look for opportunities that make sense for us in that space because the data is certainly compelling. But we're going to stick to the approach that we've had in terms of building in terms of building the portfolio, which is being educated and smart about emerging science, really exciting emerging science like that, but also having our discipline where we wait for the right thing to come along where we can really drive a win-win for us and our partner, but certainly not lost on us all the exciting innovation that's happening there.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

And then, Mike, on your question on the guidance, we were really excited to raise the guidance. And I think it just speaks to the strong momentum of our portfolio. But like all businesses with as many products as we have, there are some that face various headwinds. So the two that we called out were Promacta and Tysabri. We don't have perfect visibility on when potential generics of Promacta or biosimilars of Tysabri could launch. And so that's why we wanted to make sure that we highlighted. And we basically in those situations, we have the same information that you do. So we're going off of what the companies have said.

And so we highlighted that we do look at sensitivities around those potential biosimilar potential launches of competitive products. In the case of Tysabri, I think one of the things that we've highlighted in the past is that this is a unique product, and we think that it's going to be more durable over time just because of some of the unique aspects of that product. We've seen it's been holding in well outside of the US, despite biosimilar competition. And I think we -- but the -- it does seem like it's coming in the US. And so we'll be watching that closely as well.

Operator

The next question comes from Michael Nedelcovych with TD Cowen.

Michael Nedelcovych - *TD Cowen (Research) - Analyst*

My question is on KarXT. I'm curious if you have a sense whether we've passed the point at which we might expect the FDA to ask for an advisory committee? And when it comes to competition, particularly from other muscarinics, do you have a base case assumption around what we should expect long term and more imminently from the readout on Cerevels compound now AbbVie's compound?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Sure. Marshall, this is a question for you.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Absolutely. Thanks for the question. So I think on your first question on KarXT and some of the specifics around the AdCom, I think that's certainly a better question for Bristol. And second, on competition. I think what's happened with KarXT is exactly the kind of opportunities that we hope to create when we invest in really important new medicines, like KarXT, and more broadly thinking about your question about competition, about the competitive landscape in this class, where this is a first in class of an exciting -- a medicine with a really profound impact on patients, that is now in the hands of Bristol, which has the company to really maximize its impact on patients and create the most attractive commercial opportunity possible.

So certainly, when we made this investment, we assumed there would be others in this class, just given what was visible in the pipeline and the importance of this mechanism. But I think we are really excited to be part of this part of this product, a really great addition to our portfolio, and we're excited to see what's going to happen with it commercially in the launch in Bristol also in terms of their public statements, it seems like they share that enthusiasm.

Operator

The next question comes from Di Zhao with UBS.

Di Zhao - *UBS Securities LLC - Analyst*

This is Di Zhao for Ash from UBS. I just want to ask, have you considered maybe splitting your fund into two different investment entities? Clearly, you are reached like a large scale and have like a lion's share of the royalty investment market. So if you look into the active like asset management space, a lot of like large and scaled funds have like a right capacity constraint and into two like T. Rowe and Capital Group. So like, for instance, if you were dividing up your portfolio into like commercial only and clinical only drugs, do you think like you can get your creditors provide you better terms perhaps?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

So Chris, do you want to take this question? I think in terms of getting our lenders and the rating agencies to give us better terms, actually, the lenders better terms than the rating agencies to give us a better rating. I think the business we have is so strong. Like when you look at Royalty Pharma and compare us to many other players in life sciences -- companies in life sciences, we have really an incredible portfolio with, I think, 15 or 16 blockbuster products that is like when you look at the big pharmas, they typically have more like 10, we have 15 or 17 -- like 1.5 to 1.7 times more blockbusters in our portfolio than the big pharma.

And then we have super, super strong diversification, like a really well diversified portfolio. Better than even some of the big pharmas that may be more reliant on one or two products for the vast majority of their -- for more than half of the revenues. So I think in terms of our credit rating and our cost of debt capital, it's pretty efficient. It's very, very attractive.

But Chris, I'll pass it on to you for the other parts of the question.

Christopher Hite - *Royalty Pharma PLC - Vice Chairman, Executive Vice President*

I think you've covered it, Pablo. I think that covers the answer there.

Operator

The next question comes from Chris Schott with JPMorgan.

Hardik Parikh - *J.P. Morgan Securities LLC - Analyst*

This is Hardik again. I had one more question. On Voranigo, you mentioned peak sales estimates of $1 billion. And I was just wondering how do you kind of see those sales ramping? So is there like a bolus of patients that can lead to a very quick launch? Or on the other hand, is there some more kind of groundwork to have to be laid for the launch?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Yes. Thank you. Marshall, you should take this question.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Absolutely. Yes. Thanks for the follow-up question on Voranigo. We're obviously really happy to see the approval this week and the strong label behind it, and we're excited to see Servier launch the product. Specifically with your question about the commercial potential and we talked about $1 billion in peak sales. There are kind of multiple ways and multiple drivers that play into that. I think you asked one about ramp like we mentioned there, one of the attractive things that we thought about this opportunity was that it wasn't just about incident patients who are coming on therapy,

there are a lot of prevalent patients who are existing out there who are following up with watch and wait with their doctor who we believe could come on to therapy in the relatively near term. So we do think that's an exciting opportunity.

But like we always do when we look at products, we consider lots of different scenarios. So like we mentioned, certainly, there's the core glioma indication. There are some indications around that same patient populations around that that are also attractive. And then we talked about duration of therapy as another important driver here that has upside as well potentially. So there's lots of ways I think that Voranigo is going to help patients, but also be an attractive commercial opportunity, and we're looking forward to the launch.

Operator

I show no further questions at this time. I would now like to turn the call back over to Pablo for closing remarks.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board, Chief Executive Officer*

Thank you, operator, and thanks everyone on the call for your continued interest in Royalty Pharma. I'll just close by saying that the team at Royalty Pharma and myself are incredibly excited about many things going on with our business. One is a very strong performance. You saw us increase our guidance just now in the middle of the year by a meaningful amount over $100 million, $175 million on the $2.6 billion, $2.7 billion base.

We're also super excited about the opportunities we're seeing in very high-quality assets and our ability to continue to dominate this market. Very excited about the very strong relationships we're building with management teams in the biotech and pharma and our continued ability to partner with them and deploy capital. And believe that when you look at the price today of our stock, there is significant upside because it really only reflects the value of our portfolio.

And this business has really two components of the portfolio that we own. And then the ability of this team that helps me run the business and their very strong qualifications, their experience, the network, the connections they have throughout the industry, and that come to work every day at Royalty Pharma to deliver for you, our investors, and make this a great business and successful business over the very long term.

So I'll finish with that and just say that if you have any other questions, please feel free to reach out to George Grofik. Thank you, everyone.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.
