

March 12, 2025

LIFE SCIENCES 2025 OUTLOOK WEBCAST SERIES: ROYALTY FINANCE

GIBSON DUNN

Presenters:

- Todd Trattner
- Ryan Murr
- Doug Prescott

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Today's Panelists



Todd Trattner

Partner – Gibson Dunn

Todd Trattner, Ph.D., is a partner in the San Francisco office of Gibson, Dunn & Crutcher where he is a member of the firm's Corporate Department with a practice focused on intellectual property transactions in the life sciences industry. Dr. Trattner advises public and private companies, investors, and academic institutions in connection with royalty finance, licensing and collaborations, mergers and acquisitions, joint ventures, R&D financing arrangements, venture finance, and manufacturing and supply agreements. He also regularly advises clients on complex intellectual property issues in connection with various corporate transactions. Dr. Trattner advises and represents numerous non-profit entities and serves on the Board of Directors for the Berkeley Law Foundation.



Ryan Murr

Partner – Gibson Dunn

Ryan Murr is a nationally ranked, leading practitioner in the life sciences industry, advising companies and investors across a range of transactions. Ryan currently serves as co-chair of Gibson Dunn's Life Sciences Practice Group, as well as co-partner-in-charge of the firm's San Francisco office. Previously, he served as a member of the firm's Executive Committee and Management Committee. Ryan has over 25 years of experience representing public and private life sciences companies and investors in connection with securities offerings and business combination transactions. Ryan regularly serves as principal outside counsel for publicly traded companies and private venture-backed companies, advising management teams and boards of directors on corporate law matters, SEC reporting, corporate governance, and M&A transactions.



Doug Prescott

Director, Global Private Credit – TD Cowen

Doug Prescott is a Director in the Global Private Credit group at TD Cowen, focused on capital markets advisory to healthcare companies raising through royalty, debt, and development financing structures. Doug has advised on transactions representing over \$9B of proceeds for clients in the therapeutics, life sciences tools and diagnostics, and medical technology sectors. Prior to joining TD Cowen, Doug worked in the Southeast Louisiana commercial banking group at Capital One.

Agenda

01 Introduction

02 Royalty Finance

03 Q&A

Introduction

01

Introduction – 2024 Developments

Key developments in 2024 laid the groundwork for the coming year, including the following:

- Continued momentum in licensing activity in 2024 (fueling the creation of royalty streams), including an increase in out-licensing deals from China, which is expected to continue into 2025 depending on geopolitics.
- Continued growth in non-dilutive financing through debt, royalty financings and synthetic royalty financings, with a deeper pool of capital on the investor-side and a favorable macro-economic environment, provided that inflation does not return, and interest rates increase

Introduction – 2025 Outlook

- The robust demand for royalty assets is expected to continue in 2025, with increased activity in royalty monetizations, synthetic royalty financings, and royalty/debt hybrid structures.
- Both biotech and large pharma companies with late-stage clinical pipelines or marketed products will continue to selectively leverage these assets for upfront capital.
- Therapeutic areas such as ADCs and gene therapies are expected to attract substantial interest from investors, driven by advancements in precision medicine and personalized therapies.
- Challenges to the royalty deal environment in 2025 include:
 - interest rates;
 - regulatory uncertainty;
 - the strength of equity capital markets; and
 - Geopolitics.

Royalty Finance

02

Royalty Finance

Royalty Finance

- Types of Royalty Finance
- Significant Transactions from 2024

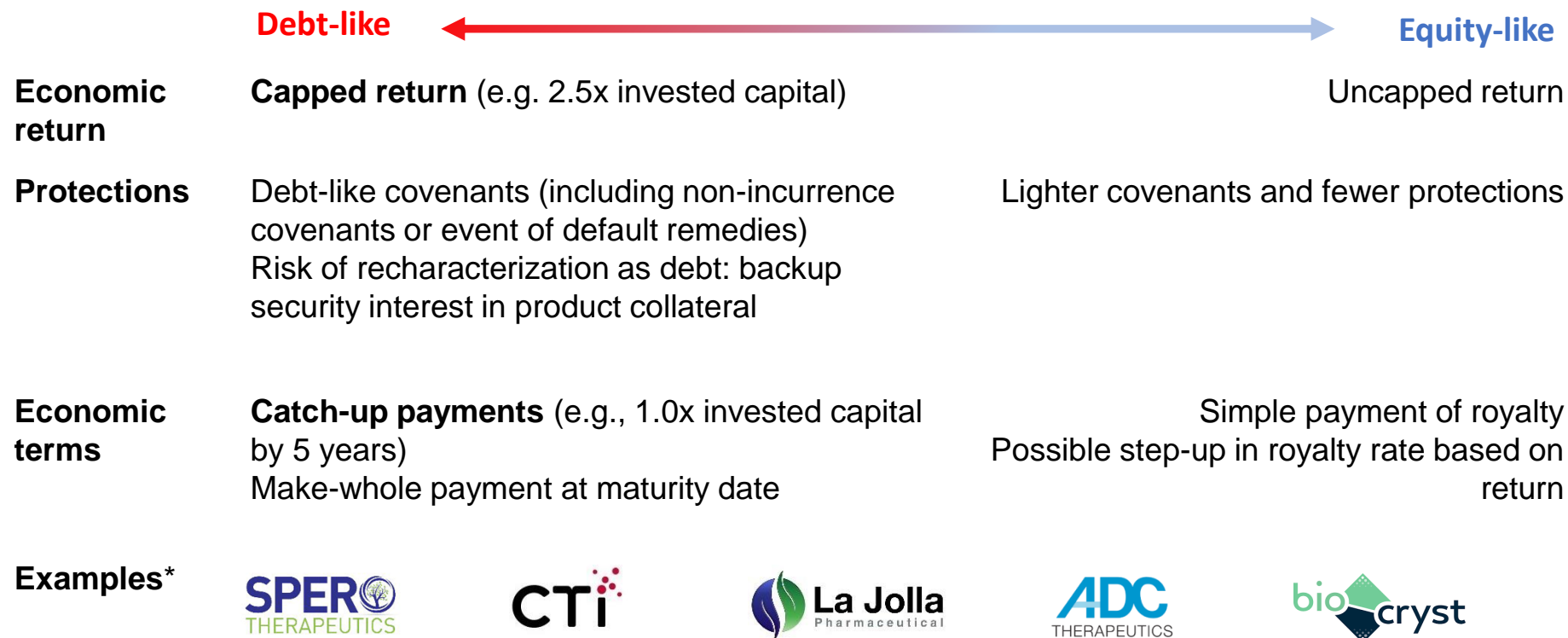
Royalty Market Overview & Update

- TD Cowen

Royalty Report

- 2024 Year in Review
- Financials

Types of Royalty Finance



* Gibson Dunn synthetic royalty transactions. Arrangement is debt-like to more equity-like in structure and/or economics.

Significant Transactions from 2024

- Traditional Royalty Finance: Servier's \$905 million royalty monetization and Sanofi's \$525 million royalty monetization, both with Royalty Pharma
- Synthetic Royalty Finance: BridgeBio's \$500 million synthetic royalty financing with Blue Owl and CPP Investments
- Clinical Funding: Blackstone's \$750 million agreement with Moderna to fund the development of its flu vaccines
- These deals, along with the other traditional and synthetic royalty finance deals completed in 2024, highlight the appeal of monetizing predictable revenue streams for both sellers and investors



Active Debt and Royalty Market for Healthcare Issuers

Royalty and debt have been integrated as core capital markets tools for later-stage life sciences companies

- **Approval or early launch continues to be the most active window, where companies historically face commercial skepticism from equity markets**
 - Trend of larger, multi-product solutions that remove overhang and optimize cost
 - Well-capitalized companies are using these products as "the last raise" to message independence from capital markets – focus on execution amid a lack of public company M&A
- **Royalty financings are increasingly utilized as an equity replacement to raise permanent capital**
 - Allows issuers to combat equity dislocation by monetizing, or structuring around, management's view of the commercial forecast
 - Private processes can preserve optionality and provide market intelligence as conditions evolve
- **An expanding investor base continues to drive competition across non-dilutive products and largely isolate pricing from broader market volatility**
 - New entrants seeking to displace established players with aggressive pricing and structural flexibility
 - Supply/demand imbalance for transactions without regulatory risk and proven uptake
 - Recent processes have resulted in outlier proposals as investors seek to lock in uncorrelated yields

2024 HIGHLIGHTS

\$4.5B+

**ROYALTY CAPITAL
COMMITTED**

20+

ROYALTY-BASED DEALS

13

UNIQUE INVESTORS

\$7.4B+

**PRIVATE DEBT
COMMITTED**

40+

PRIVATE DEBT DEALS

26

UNIQUE LENDERS

EXPECTATIONS FOR 2025

1

Equity dislocation will drive higher utilization of non-dilutive products by more established small and mid-cap marketers

2

Competition for quality commercial-stage assets will keep downward pressure on pricing and high focus on structural flexibility

3

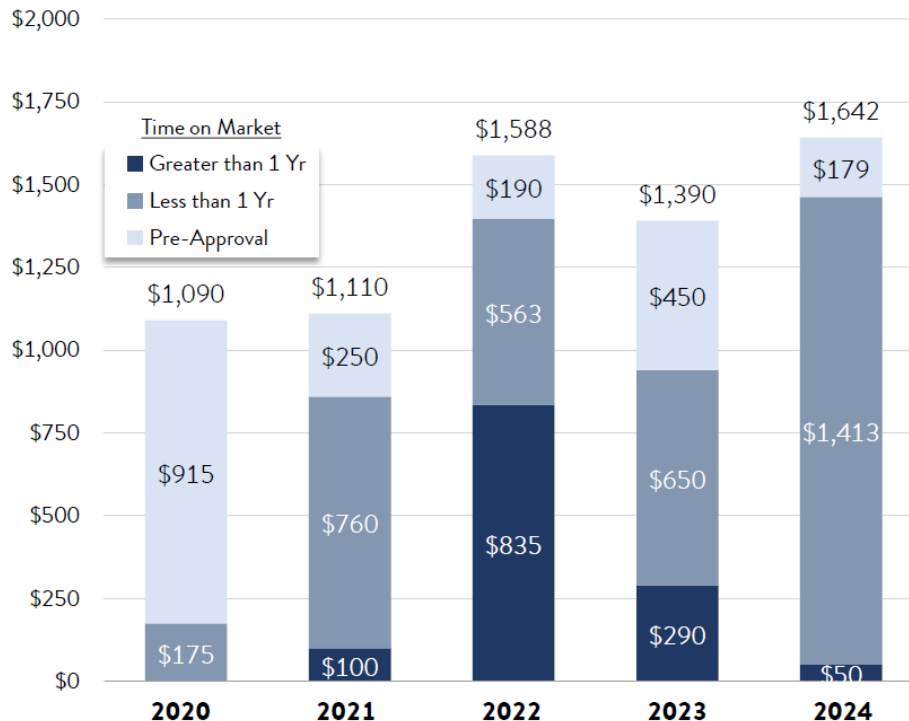
Earlier-stage royalty activity (standalone or paired) will increase as investors try to avoid a "race to the bottom" at-or-post-approval

Synthetics Dominated by Multi-Product Launch Financings

Early launch period allows companies to market data-driven forecasts and leverage scarcity value to a growing investor base

While most issuance is approval-based, prolonged equity dislocation can bring more mature issuers to market

Committed Royalty Capital by Time Post-Approval at Funding, \$Millions

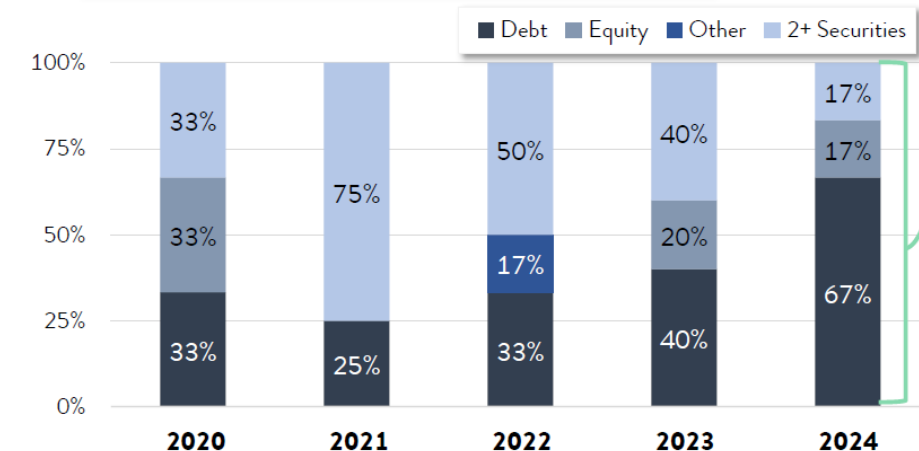
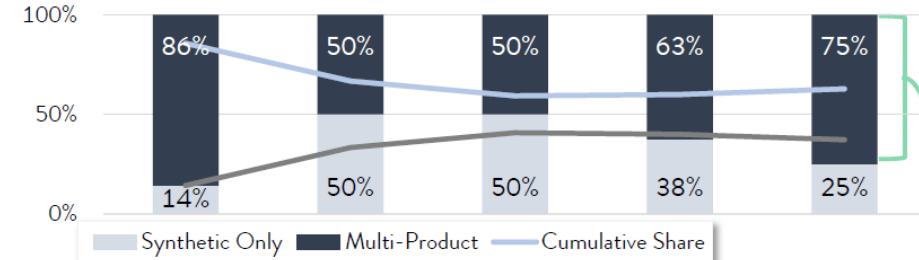


# Deals	7	8	12	8	8
XBI	+48%	(20%)	(26%)	+8%	+1%



Many synthetics are paired with other securities to optimize across sizing, structure, and cost

Top: % of Synthetic Deals, Bottom: % of Multi-Product Financings, Both by Count



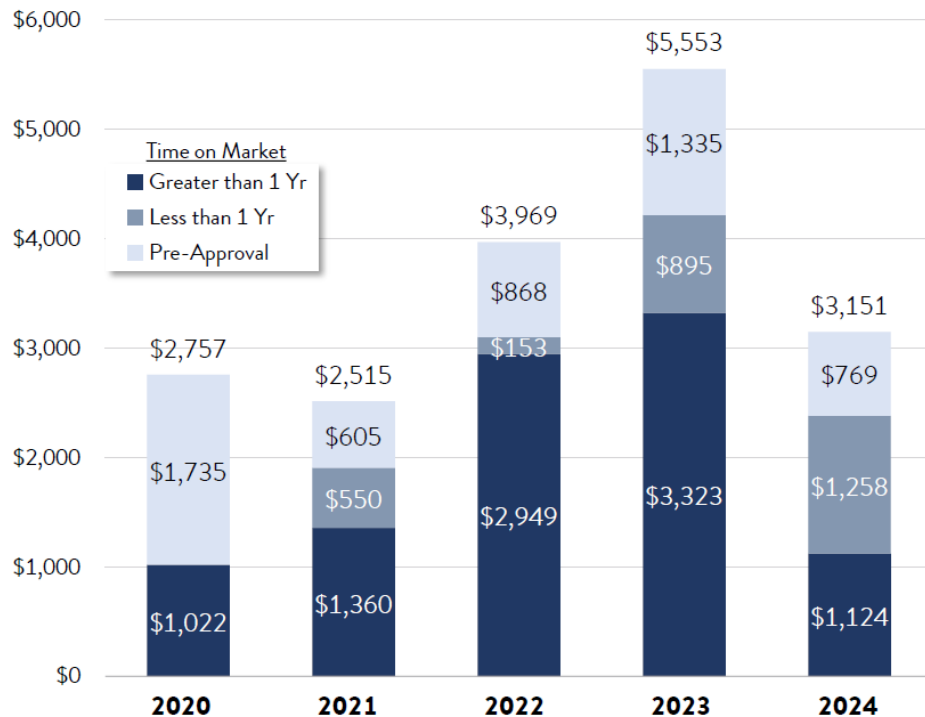
SOFR, YE	0.07%	0.09%	4.59%	5.33%	4.31%
Δ	(150)bps	+3bps	+450bps	+74bps	(103)bps

Monetizations Remain Later-Stage But Start to Trend Earlier

Products with proven or line of sight to uptake will have options, appetite for true clinical risk is limited to a small number of funds

Periods with limited supply of mature royalties can shift volume to assets that are early in launch and, selectively, pre-approval

Committed Royalty Capital by Time Post-Approval of Key Asset at Funding, \$Millions

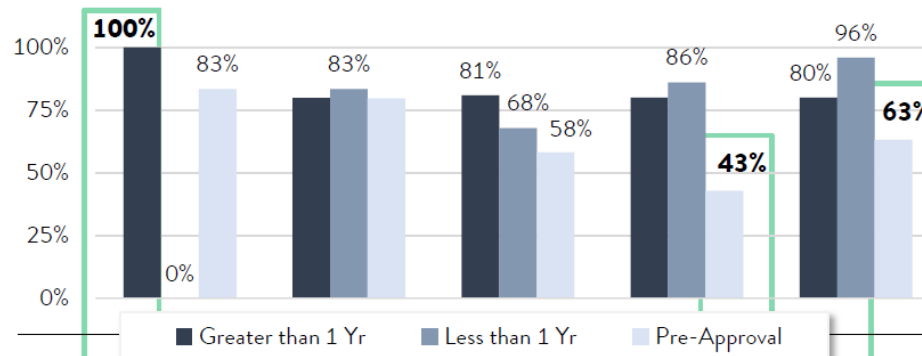


# Deals	8	9	16	15	16
XBI	+48%	(20%)	(26%)	+8%	+1%

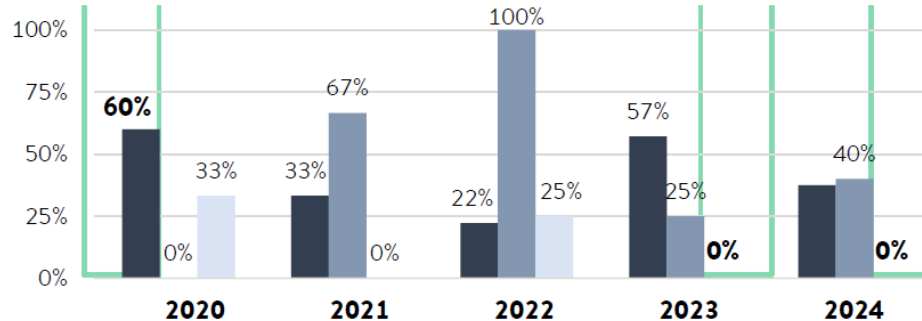


Earlier royalties tend to bridge value with earn-outs, Later-stage royalties capture most value upfront through \$ and/or structure

Avg. of Upfront to Total Monetization, %; Sorted by Time Post-Approval at Funding



Monetizations with Hard Caps by Count, %; Sorted by Time Post-Approval at Funding



SOFR, YE	0.07%	0.09%	4.59%	5.33%	4.31%
Δ	(150)bps	+3bps	+450bps	+74bps	(103)bps

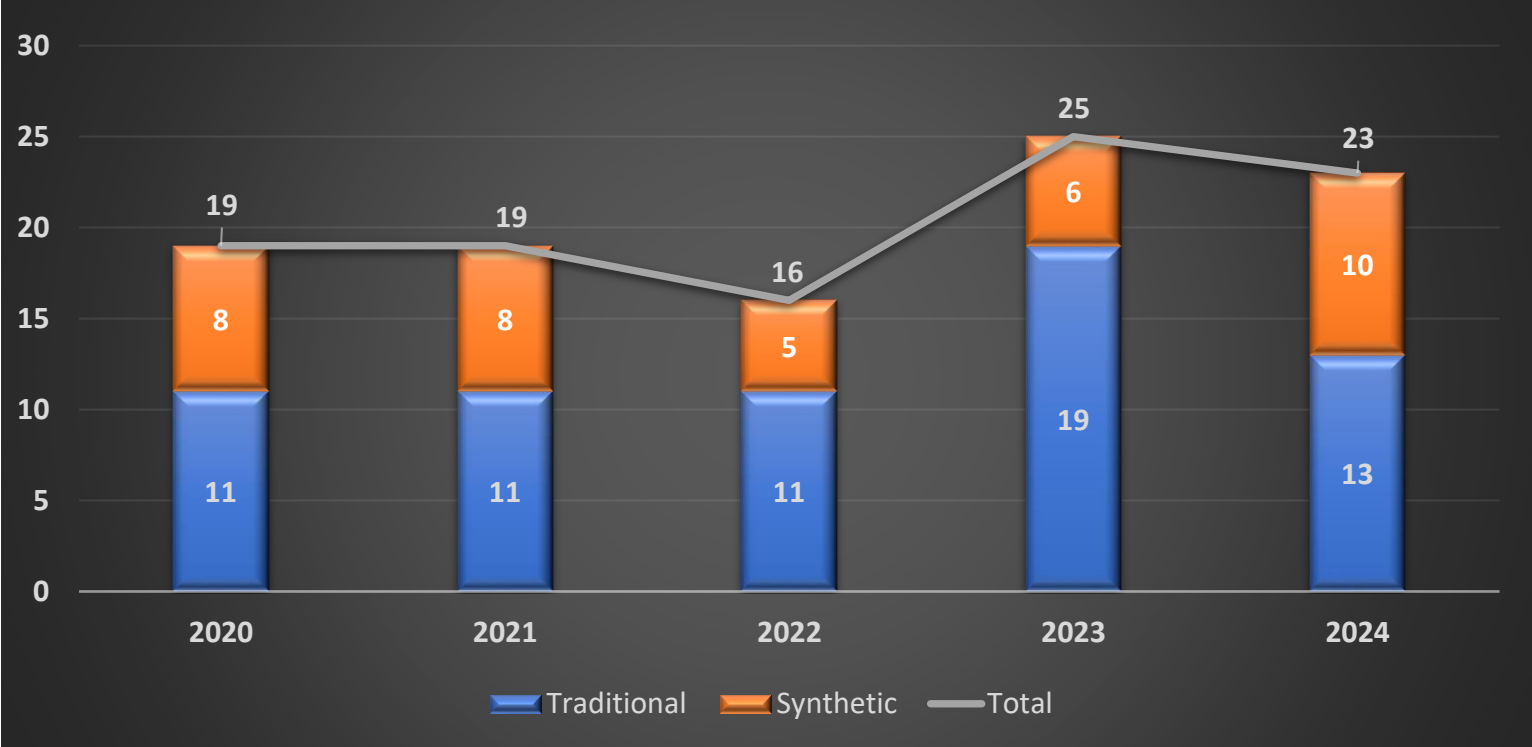


Royalty Report – 2024 Year in Review

- Traditional royalty financings account for the majority of royalty finance transactions
- Synthetic royalty financings have been steadily climbing since a dip in 2022, with a year-over-year growth rate of 67% from 2023 to 2024
- No. of Transactions in 2024: 23
 - Traditional: 13
 - Synthetic: 10

The Data – Royalty Financings (2020-2024)

Number of Transactions by Transaction Type and Year



102
Total Transactions¹

Traditional royalty financings, with less risk and more consistent returns, account for the majority of royalty finance transactions across all years. Synthetic royalty financings are leveraged for innovative financing structures with potentially greater upside due to the heightened risk, and have been steadily climbing since a dip in 2022, which coincided with the Fed beginning to raise interest rates to moderate inflation, as well as a significant sell-off in biotech stocks.

¹ Before excluding certain transactions (where funds acted as the seller/entity receiving financing and add-ons/amendments to prior transactions where there was no up-front or milestone compensation included in such amendments or add-ons) the total transaction count was 106. See Appendix 1 for a list of assumptions.

Royalty Report – 2024 Year in Review

- The aggregate value of traditional royalty financings has been steadily increasing since 2021, but then saw a meaningful dip in 2024.
- At the same time, the market saw significant growth in synthetic royalty financing transactions, with a year-over-year growth rate of 88% from 2023 to 2024.
- The growth in synthetic royalties as a portion of the royalty finance market is a significant trend that we expect will continue in the coming years.
- Aggregate Transaction Size: \$5.07 billion
 - Traditional: \$2.57 billion
 - Synthetic: \$2.50 billion



Financials

Aggregate Transaction Size (billions) by Transaction Type and Year



\$24.6 billion
Aggregate Value

\$4.92 billion
Average Annual Aggregate Value

The aggregate value of traditional royalty financings has been steadily increasing since 2021, but then saw a meaningful dip in 2024.² At the same time, the market saw significant growth in synthetic royalty financing transactions, with an average annual growth rate of 33% over the five-year period. The growth in synthetic royalties as a portion of the royalty finance market is a significant trend that we expect will continue in the coming years.

² The top five deals in terms of aggregate value (all at least \$1 billion) occurred in 2020-2023, which could account for the drop in 2024.

Financials

Average Transaction Size (millions) by Transaction Type and Year



Traditional royalty financings historically have accounted for higher average transaction sizes. While the average size of traditional royalties has trended down over this five-year period, we have seen a 14% average annual growth rate in the average size of synthetic royalties.

\$249 million billion
Average Transaction Size

\$1.2 million to \$1.61 billion
Range of Transaction Sizes

Royalty Report – 2024 Year in Review

Other Stats: Across all transactions for 2024

- Average Transaction Size: \$220.58 million
- Average upfront: \$160.50 million
- 38% included milestone payments
- 60% were uncapped
- 33% had liens on product-related assets



Q&A

03



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