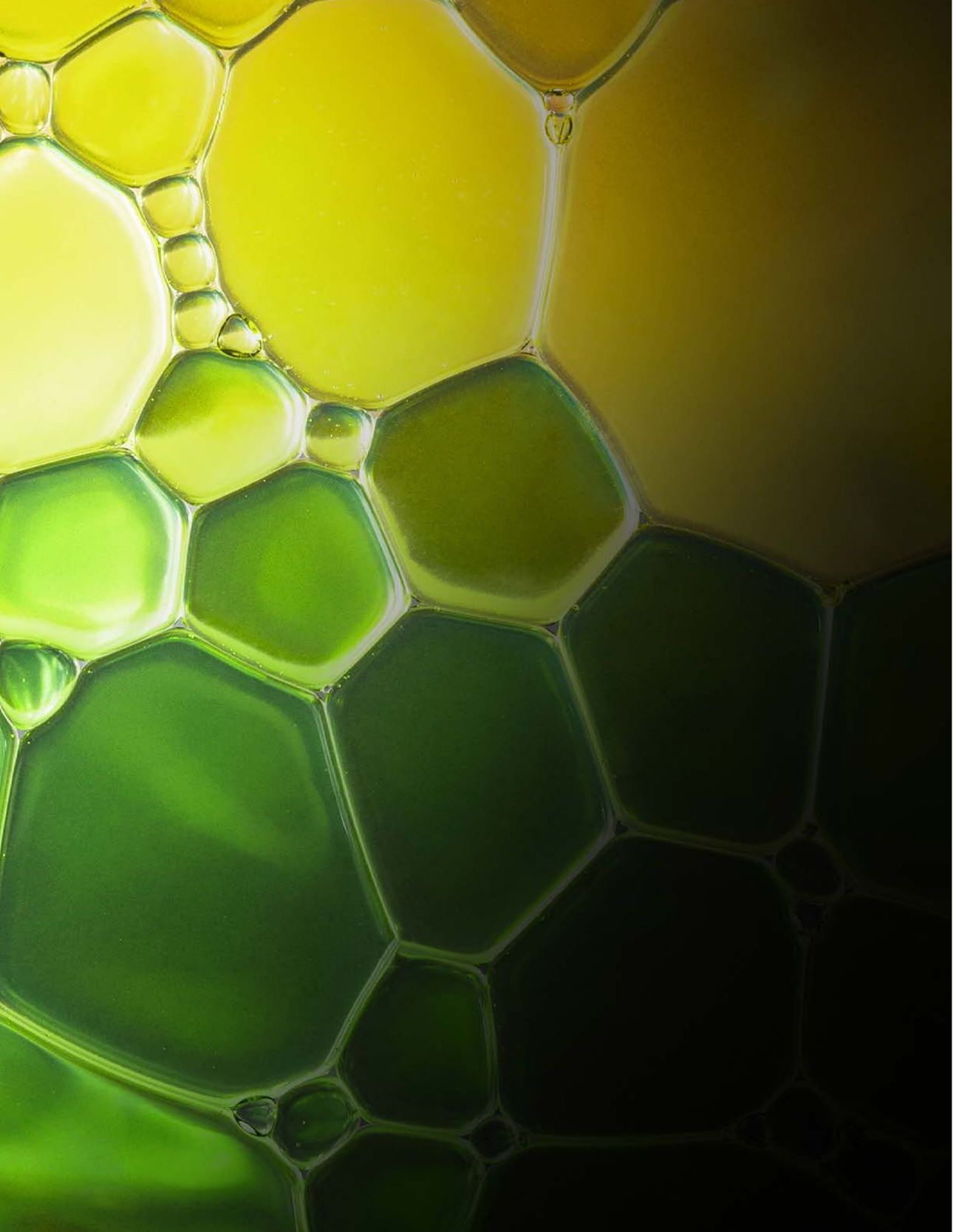
ROYALTY FINANCE IN LIFE SCIENCES

Market Update 2026

2020 - 2025

GIBSON DUNN



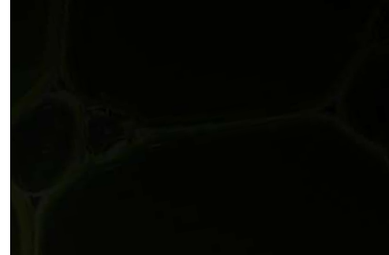
FOREWORD

Royalty finance has become one of the most important capital formation tools in the life sciences sector. Over the past six years, more than $32 billion in royalty-linked transactions have closed - funding drug launches, enabling non-dilutive capital raises, and expanding a growing new asset class that sits at the intersection of structured finance and biopharma dealmaking.

This report provides a comprehensive analysis of that market. Drawing from Gibson Dunn's proprietary Royalty Finance Tracker (a database of 133 transactions spanning 2020 through 2025) we examine the structural, economic, and competitive dynamics that are shaping how companies, investors, and their advisors approach royalty finance in 2026.

The headline numbers tell a story of resilience and growth: deal value grew 37% from 2020 ($5.2B) to 2025 ($7.1B), with transaction volume stabilizing at 25–27 deals per year even as interest rates climbed to levels not seen in two decades. That durability, with deal flow holding steady while the fed funds rate hovered around 4% for most of 2025 may be the most important finding in this report. But the more interesting story lies beneath the surface in how these deals are being structured, who is doing them, and what the economics look like for both sides.

We hope this report serves as both a useful reference for practitioners and an invitation to engage with Gibson Dunn on the opportunities and challenges ahead.



ROYALTY FINANCE

2020-2025

KEY TAKEAWAYS

- The royalty finance market has nearly doubled in six years. Annual deal value grew 37% from 2020 to 2025 ($5.2B to $7.1B), with transaction count stabilizing at 25–27 deals per year, which we view as a sign of a maturing, not overheating, market.
- The 2022 dip was temporary. Deal activity contracted briefly as rapid monetary tightening and a biotech equity collapse created a market freeze. However, volume has recovered to record levels even as interest rates climbed above 5%, demonstrating that royalty finance demand is embedded in how biopharma companies fund themselves, not dependent on cheap capital.
- The synthetic royalty market is converging on true-sale structures. In 2020–2021, half of synthetics were structured as true sales; by 2024–2025, that figure reached 71% of deals and 91% of value – representing a structural shift catalyzed by Royalty Pharma's transaction approach and adopted by the broader buyer market.
- Sellers are capturing more value as the market becomes more competitive. Cap structures vary significantly across deal types. Among capped synthetic royalties, the median cap is 1.9x (range: 1.43x–4.0x), although many synthetics remain uncapped, reflecting a broad spectrum of risk allocation. Tiered rates are quite common (functionally creating annual caps at higher net sales tiers), all reflecting improved seller leverage.
- Gibson Dunn advised on 27% of all transactions over the six-year period and accounted for 52% of the deal volume in 2025.

Market at a Glance

$32.7B
Total Deal Value

133
Total Transactions

$7.1B
2025 Deal Value

27%
Gibson Dunn Market Share

Key Market Dynamics

Rate Resilience
$7.1B volume at 4%+ rates

Not rate dependent

True Sale Convergence
76% of all deals | 91% synthetic value

(2024-2025)

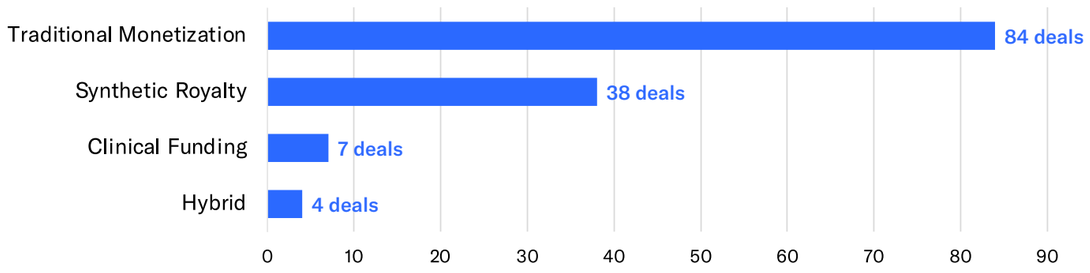
Buyer Concentration
RPRX: 38 deals | 54% of total value

Competition rising

Cap Range
1.3x - 4.0x

Median: 1.95x

Transaction Type Mix



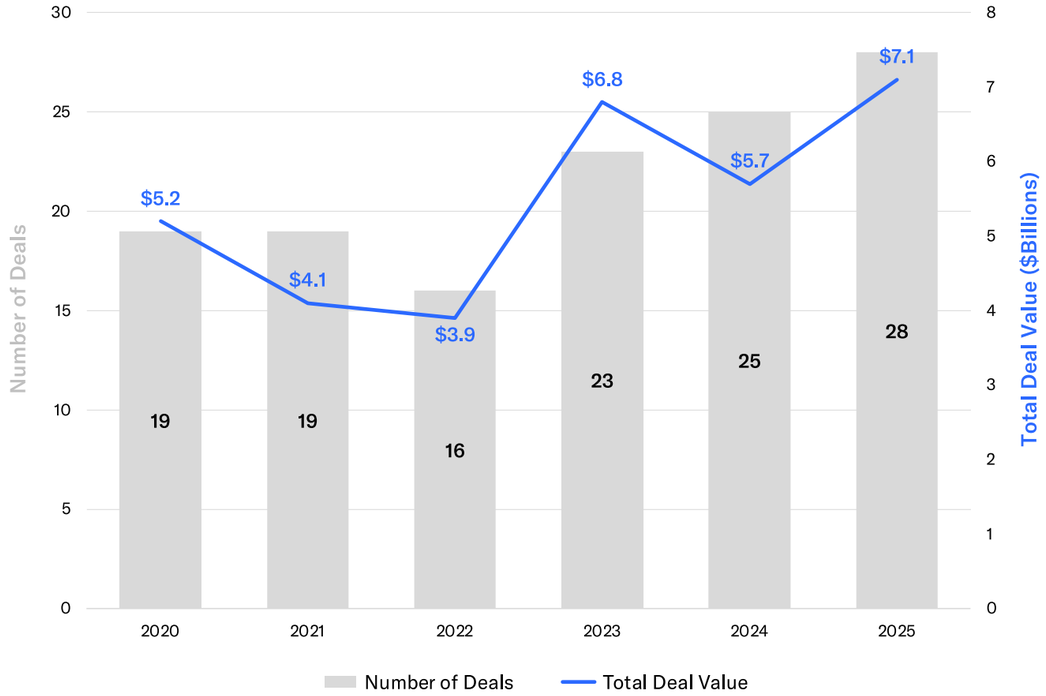
The Macro Picture: Growth, Disruption, and Recovery

KEY TAKEAWAYS

- Annual volume grew from $5.2B (2020) to $7.1B (2025), with a temporary dip to $3.9B in 2022.
- The 2022 contraction reflected a temporary market freeze driven by rate shock and a simultaneous biotech equity collapse - not a structural weakness in the asset class. Volume recovered to record levels even as interest rates stabilized above 5%.
- Deal count stabilized at 25–27 per year from 2023 onward, suggesting the market has found a sustainable equilibrium.
- Median deal size trended upward to $221M in 2025, as buyers demonstrated comfort with larger commitments.

Over the past decade, the life sciences royalty finance market has undergone a meaningful transformation – from a niche corner of structured finance to a scaled, competitive asset class that deploys billions of dollars annually. The numbers tell a clear story.

Life Sciences Royalty Finance Market Annual Deal Volume and Value (2020-2025)



The 2022 Dip: What Actually Happened

The most striking feature of the six-year dataset is the 2022 contraction. Deal count dropped to 16, the lowest in the period, and total value fell to $3.9 billion. Synthetic issuances were hit particularly hard, falling from 7 deals (35% of volume) in 2021 to just 3 (19%) in 2022. Understanding why requires looking beyond any single factor.

The obvious candidate is monetary policy. The Federal Reserve raised rates 425 basis points in 2022 alone, which was the fastest tightening cycle since the 1980s. But the rate ***level*** does not explain the pattern. The fed funds rate averaged 1.68% in 2022, yet deal volume rebounded sharply in 2023–2025 even as rates climbed to 5.33% and stayed there before declining throughout 2025. If high rates suppressed royalty deal activity, 2023–2025 should have been worse than 2022, not dramatically better.

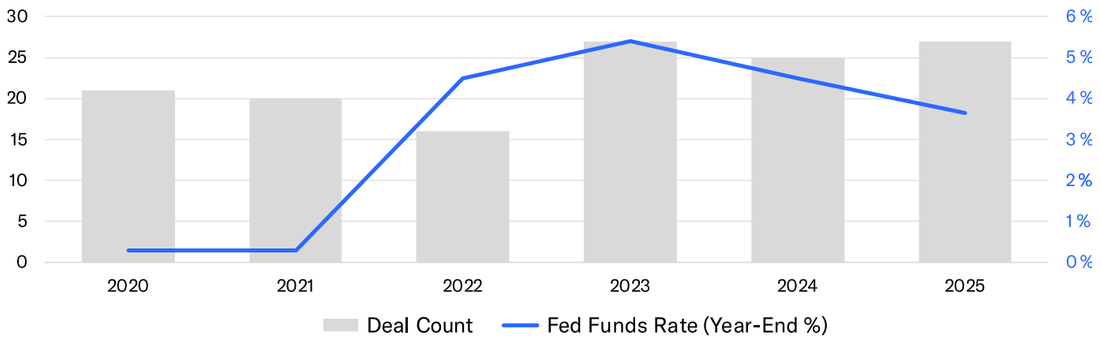
What matters is not the level of rates but the speed and uncertainty of the move. In 2022, no one knew where rates were going. Buyers could not underwrite returns when the cost of capital was shifting 75–100 basis points per quarter. By mid-2023, rates had stabilized at a known level, and buyers could price deals with confidence - even at 5%+. The difference between a 5% rate that everyone expects and a 2% rate that might be 4% next quarter is enormous for deal execution.

The rate shock also coincided with a severe biotech equity market collapse. The XBI biotech index fell roughly 30% from early 2021 through mid-2022. Paradoxically, this should have ***increased*** demand for royalty finance as biotechs unable to raise equity traditionally look to non-dilutive alternatives. But there is a lag: in 2022, most companies were still hoping equity markets would recover and delayed exploring royalty structures. By 2023, issuers with distressed stock prices capitulated and biotechs pivoted to royalty finance in earnest. The 76% surge in 2023 deal value reflects pent-up demand from companies that had exhausted their patience with the equity window.

The more interesting observation is what happened ***after*** the dip. Deal volume stabilized at 25–27 transactions per year from 2023 onward even with a fed funds rate the climbed above 5%. That durability is the real headline. It demonstrates that royalty finance demand is structurally embedded in how biopharma companies fund themselves, not dependent on a low-rate environment. The 2022 contraction was a temporary freeze driven by unprecedented uncertainty; the recovery confirmed that the market's growth trajectory is intact.

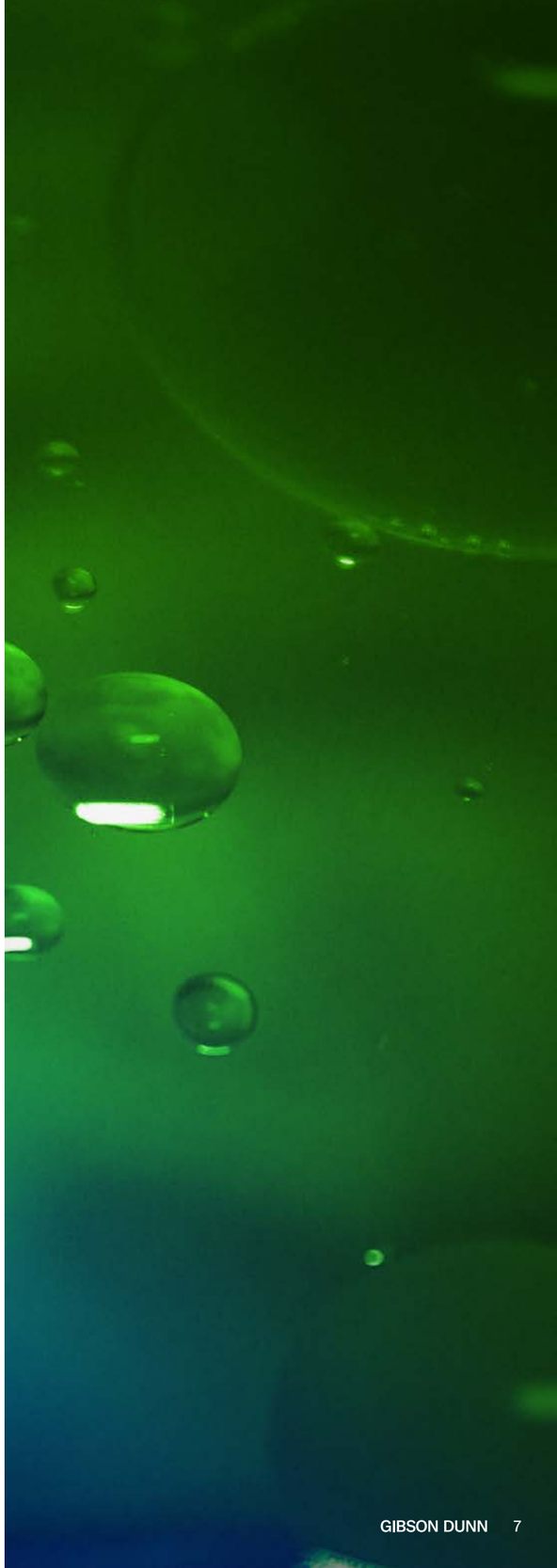
"The most important finding in this dataset is not the 2022 dip - it is the fact that deal volume held steady at 25–27 transactions per year with rates climbing above 5%. Royalty finance demand is structural, not rate-dependent."

Deal Volume vs. Fed Funds Rate



WHAT THIS MEANS FOR DEALMAKERS

- For sellers: royalty finance has proven rate-resilient. The market sustained $5.7–$7.1 billion in annual volume at even 5% rates, meaning sellers should not wait for rate cuts to pursue a transaction - the buyer market is active and competitive at current rate levels.
- The stabilization at 25–27 deals per year means there is no need to over-pay in competitive processes—but the window for below-market terms may be closing as more capital continues to enter the space.
- For advisors and boards of directors: the 2022 experience suggests that rate *volatility* - not rate levels - is the variable more likely to disrupt deal flow. Periods of rapid monetary policy change create temporary deal flow instability; stable rate environments, even at higher levels, support consistent transaction activity.



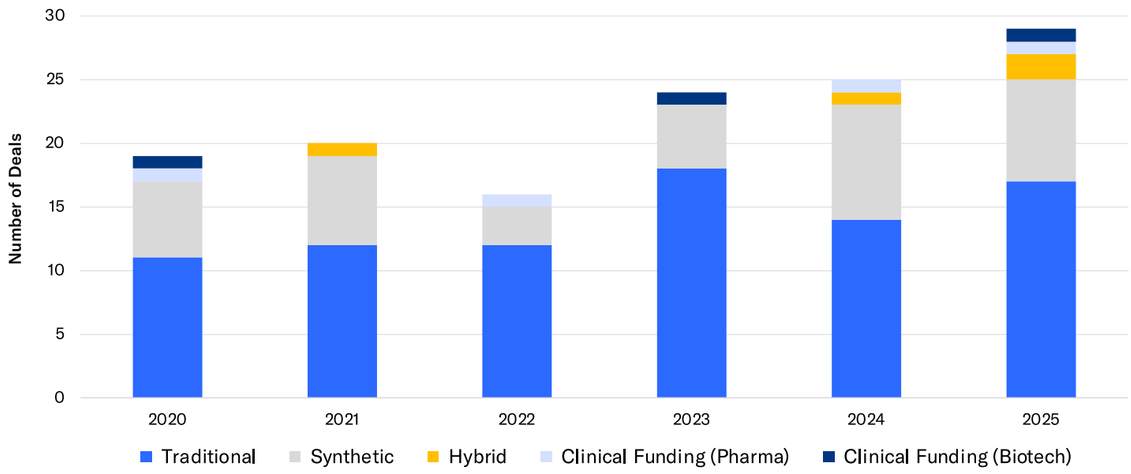
The Structural Toolkit: Five Ways to Finance a Royalty

KEY TAKEAWAYS

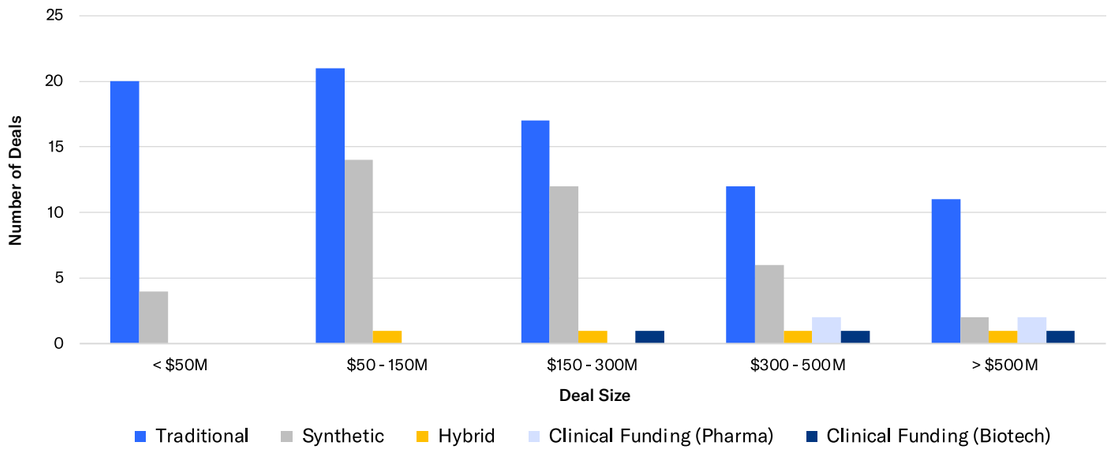
- While traditional royalty monetizations dominate at 64% of total deal volume, it is the other 36% that reveals the market's growing sophistication.
- Synthetic royalties have stabilized at roughly one-third of annual deal count, creating a permanent feature of the biopharma capital markets.
- Clinical funding arrangements have bifurcated into two distinct sub-markets with fundamentally different economics: development-stage biotech deals and large pharma co-investment structures.
- Hybrid deals, which may combine royalty, debt, equity, and/or milestone structures in a bundled investment, are producing some of the largest and most innovative transactions in the space.

Historically, "royalty finance" meant one thing: selling an existing royalty entitlement often for a lump-sum payment. Today, the market encompasses five distinct transaction types, each serving different capital needs and risk profiles. That proliferation of structure is perhaps the clearest signal that this is no longer a niche market - it is a fully developed financing toolkit.

Royalty Finance Transactions by Type (2020-2025)



Deal Size Distribution by Transaction Type (2020-2025)



Traditional Monetizations: Still the Backbone

Traditional royalty monetizations - the sale or financing of an existing royalty entitlement from a license agreement - remain the market's workhorse, accounting for 84 of 133 transactions and $21.5 billion in value since 2020. The category encompasses both outright sales and limited recourse loans secured by existing royalty streams (e.g., the XOMA Royalty / Blue Owl loan secured by XOMA's Vabysmo royalty stream). The economic exposure for the buyer is the same in either case, with the primary distinction being tax treatment (e.g., gain recognition on a sale versus loan proceeds). These passive royalty monetizations represented four of the five largest transactions in the dataset, led by the $1.6 billion Theravance/Innoviva sale to Royalty Pharma in 2022 and the $1.425 billion MorphoSys transaction in 2021 for Tremfya (a hybrid transaction that also featured an equity investment, milestone payments and clinical funding commitments).

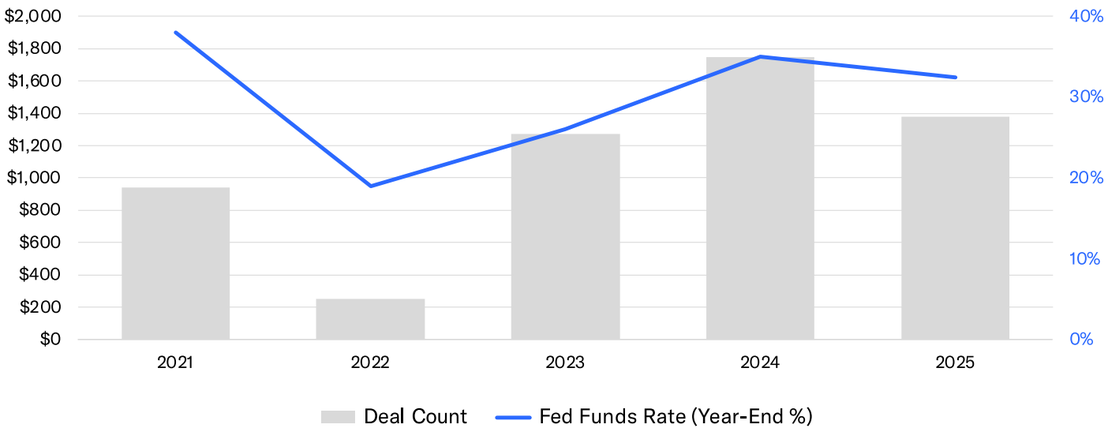
The BeOne Medicines/Royalty Pharma deal in late 2025 - a $950 million transaction covering IMDELLTRA (tarlatamab), Amgen's bispecific T-cell engager - illustrates how traditional monetizations are evolving. The deal included a $65 million put option exercisable within 12 months, giving BeOne the right to sell an additional slice of its royalty interest. It is the kind of structural optionality that would have been unusual several years ago; today, it reflects growing sophistication in deal structures.

Synthetic Royalties: A Growing Feature of the Royalty Market

Synthetic royalties - where a company creates a new royalty obligation on its own product in exchange for upfront capital - have established themselves as a permanent (and growing) financing tool. After dropping to just three deals in 2022, synthetic royalties volume has stabilized at 5–9 deals per year, consistently representing roughly one-third of annual transaction count.

The appeal is clear: synthetic royalties allow companies to raise non-dilutive capital without an equity offering and without many of the restrictive covenants associated with traditional debt. The Revolution Medicines/Royalty Pharma hybrid included a $500 million synthetic royalty component alongside a $750 million term loan, demonstrating how synthetic royalties can serve as a building block within larger financing packages. As discussed below, synthetic royalties may be uncapped or subject to a participation cap as a multiple of the invested capital.

Synthetic Royalty Share Over Time



Clinical Funding: Two Markets in One

Clinical funding arrangements, where a buyer provides capital for clinical drug development in exchange for royalties or revenue share, have bifurcated into two distinct sub-markets with fundamentally different risk profiles and economics.

On one side are large pharma co-investment deals. Blackstone's partnerships with Moderna and Merck, for example, represent a model in which institutional capital funds late-stage clinical development for established pharmaceutical companies. The Merck deal - funding 15 global Phase 3 trials for sacituzumab tirumotecan - is tied to FDA approval in first-line triple-negative breast cancer, illustrating the milestone-gated approach that characterizes these arrangements. The economic returns for the funding partner in these large pharma funding arrangements are typically long-dated uncapped royalties representing an equity-like investment in the product franchise.

On the other side are development-stage biotech deals where a buyer co-funds clinical trials for an asset often with higher risk and commensurately different economics. The distinction matters because the risk profiles, return expectations, and structural terms of these two sub-categories are materially different. Biotech clinical funding arrangements typically have a series of milestone payments tied to success (either a successful clinical trial or FDA/EMA approval), with a capped royalty that provides a total return to the investor at a multiple of the initial investment.

WHAT THIS MEANS FOR DEALMAKERS

- For sellers considering a synthetic royalty, the proliferation of buyers and varied deal structures is creating real optionality. Sellers can evaluate true-sale versus debt-like proposals, negotiate cap multiples and buyout provisions, and leverage competition among buyers with different return profiles and structural preferences. The right structure depends on the seller's dilution tolerance, covenant flexibility, and broader capital strategy.
- Hybrid structures are producing the market's most creative dealmaking. The Revolution Medicines and Cytokinetics transactions demonstrate that royalty, debt, and equity-like features can be combined to meet complex capital needs that no single product can address alone.
- Within traditional monetizations, the choice between an outright sale and a limited recourse financing against the same royalty stream is primarily a tax-planning question. Sellers should evaluate both structures with their tax advisors.

The True Sale Revolution: How a Novel Structure Became Dominant

KEY TAKEAWAYS

- True-sale synthetics grew from 50% of deals (2020–2021) to 71% of deals and 91% of value (2024–2025), making this change the most significant structural shift in the royalty finance market over the past six years.
- Royalty Pharma has structured every one of its synthetic transactions since 2020 as a true sale. Other royalty finance providers have historically shown a preference for more debt-like structures, which often include true-up payments and an ultimate maturity date. Sellers of royalty interests should consider the tax implications of each structure as well as the cost of capital relative to the flexibility afforded by each structure.
- The catalyst for this shift in the market was the BioCryst/Royalty Pharma deal in 2020, which established a replicable true-sale template that new market entrants have overwhelmingly adopted.
- By 2025, other market participants beyond Royalty Pharma have also adopted the true sale synthetic structure, signaling that the Royalty Pharma model has become the predominant market standard.

Beneath the synthetic royalty headline category lies a fundamental structural divide that has reshaped the market over the past six years: the distinction between true-sale synthetics and debt-structured synthetics. This is not a technicality, as it drives the economic risk profile, covenant framework, and, importantly the seller's flexibility. And the data shows a decisive market-wide shift toward the true-sale model.

Two Models, Two Philosophies

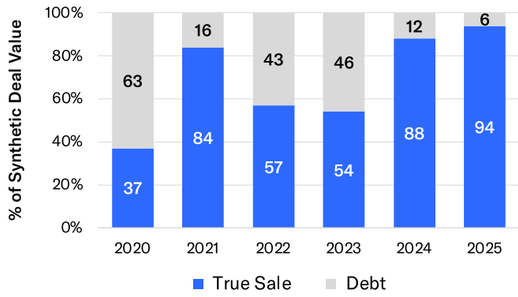
In a **true-sale synthetic**, the company seller irrevocably sells a newly created revenue interest to the buyer. The royalty obligation is an asset sale, not a borrowing – it does not function as debt with fixed payments or a maturity date, and the buyer's interest is bankruptcy-remote. True-sale synthetics may or may not include a cap on the buyer's participation in future sales. If the seller defaults on other obligations or enters bankruptcy, the buyer's royalty stream is protected. For the seller, this means fewer (if any) financial covenants, no ongoing leverage-ratio testing, and no cross-default risk.

In a **debt-structured synthetic**, the economics look similar initially - the seller pays a percentage of revenue in exchange for upfront capital – but there is downside protection for the royalty buyer in the form of true-up payments (e.g., 1x invested capital by a given year) and an ultimate maturity date when a balloon payment is due to achieve the hard cap. Debt-like synthetics always have a cap on the lender's participation – a fundamental hallmark of a loan. The royalty obligation sits on the balance sheet and functions as debt, and the buyer holds a secured creditor position rather than an ownership interest in a discrete revenue stream. This model typically comes with more restrictive covenant packages, prepayment mechanics, and cross-default provisions.

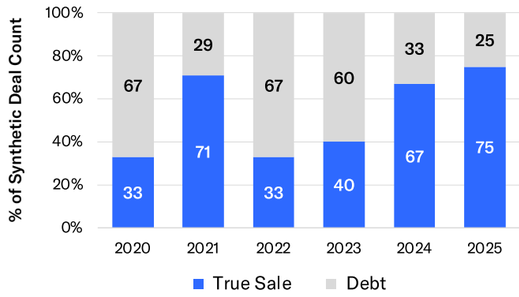
The Shift in Numbers

The data tell a clear story of convergence toward the true-sale model:

Synthetic Royalty Structure Evolution (By Deal Value)



Synthetic Royalty Structure Evolution (By Deal Count)



The trajectory is unmistakable. In 2020, debt-structured synthetics outnumbered true-sale transactions; By 2021 the balance had already begun to shift. By 2024–2025, however, true sales represented 71% of synthetic deals and 91% of synthetic deal value. The debt model has not disappeared, but has moved to a smaller niche within the synthetic category as more competition from capital providers in the space has driven the market toward a more seller-friendly structure while innovation in the space has created a roadmap for others to follow.

The BioCryst Catalyst

The inflection point for true-sale synthetics was the BioCryst Pharmaceuticals/Royalty Pharma transaction in 2020. BioCryst sold a newly created royalty interest on ORLADEYO (berotralstat) to Royalty Pharma for $125 million - structured as an irrevocable true sale of a percentage of net sales. The deal established a template: clean revenue-interest documentation, minimal covenants, no ongoing leverage compliance, and bankruptcy remoteness for the buyer's interest. Gibson Dunn represented BioCryst in the transaction and worked closely with Royalty Pharma's team to develop the true-sale structure that would become the market template – demonstrating that a newly created revenue interest on a commercial-stage product could be documented as an irrevocable asset sale rather than a secured lending arrangement.

What made this transaction catalytic was the ability to pair the true sale with a targeted collateral package that provided Royalty Pharma with lower downside risk in exchange for a more seller-friendly set of documents. When BioCryst returned to market eleven months later with two companion synthetic transactions - $150 million from Royalty Pharma and $150 million from OMERS, both true sales - it demonstrated that the template could be repeated and scaled. OMERS' adoption of the same structure signaled to the broader buyer market that the true-sale model was not specific to Royalty Pharma but a viable market standard. This was repeated in 2021 when DRI Capital borrowed the BioCryst documentation for its first true sale synthetic financing opposite CTI BioPharma (also a Gibson Dunn transaction).

Both models (true sale vs. debt-like structures) serve important market functions and offer distinct advantages. The debt-structured model avoids upfront taxes on a sale and can provide sellers with a lower effective cost of capital and capped return in all instances. Because the buyer retains downside protections (covenants, minimum payments, security interests), it potentially allows the lender to price more aggressively on rate, upfront payment, or both. For companies that value certainty of terms and are comfortable with a stricter covenant framework, this can be a superior economic outcome. The true-sale model offers different advantages: no (or minimal) financial covenants and no required true-up or maturity payments, which are structural features that may matter most for companies desiring greater financial flexibility.

"The synthetic royalty market now offers sellers a genuine choice between two well-developed models — and that competition is producing better terms for issuers across the board."

WHAT THIS MEANS FOR DEALMAKERS

- Sellers should evaluate the tradeoffs between true-sale and debt-structured synthetics carefully. True-sale structures offer greater flexibility with payment terms, as well as covenant-free (or covenant-light) terms and the absence of any make-whole or maturity payments, which are advantages that matter most for companies prioritizing flexibility and certainty. Debt-like deals are capped and may offer a lower effective cost of capital because the buyer's downside protections potentially allow for more aggressive pricing. The right structure depends on the seller's priorities and the potential pool of interested buyers.
- The existence of both models creates a healthy competitive dynamic. Sellers working with debt-structured buyers can benchmark covenant packages against true-sale precedents; sellers working with true-sale buyers can benchmark pricing against the economics that debt-structured buyers may offer. Competition between the two models benefits sellers regardless of which structure they choose.
- Buyers in both models are finding ways to differentiate. True-sale buyers compete on structural simplicity and covenant-free terms; debt-structured buyers often compete on pricing and flexible drawdown mechanics. The increasing sophistication of sellers means that both buyer types need to articulate a clear value proposition beyond capital alone.
- The convergence toward true sale transactions has important implications for distressed situations: a true-sale royalty interest should be protected in a seller's bankruptcy, although the structure remains untested in bankruptcy, whereas a debt-structured synthetic royalty may be more predictable. This distinction could become critical if biotech distress accelerates.

The Economics: Rates, Caps, and the Shift in Seller Leverage

KEY TAKEAWAYS

- Cap structures track the true sale/debt divide: royalty-backed debt always includes a functional cap (typically 1.55x–2.50x), while true sale synthetics may be capped or uncapped. Among capped synthetics, the median is 1.9x (range: 1.43x–4.0x); a meaningful number of true sale synthetics are entirely uncapped, although tiered rates often serve as annual caps.
- Tiered rate structures are now very common: sellers often pay higher rates on initial sales, with declining rates as annual sales grow; tiers may drop royalties to zero or near-zero annually as the asset matures and sales reach higher levels in later years (providing a functional annual cap even with notionally uncapped deals).

The economics of royalty finance have shifted meaningfully in favor of sellers over the past six years. Three trends tell the story: rate sophistication, cap structure variation, and the emergence of buyback provisions.

Royalty Rates: The Rise of Tiered Structures

Royalty rates vary widely, from 5.0% (BridgeBio/Blue Owl) to 13.8% (Syndax/Royalty Pharma), reflecting differences in product stage, launch trajectory, market potential, and buyer competition. The more important trend, however, is structural. The majority of recent synthetics employ tiered rate structures where the effective royalty rate declines as cumulative sales grow. The Viridian/DRI Healthcare deal (2025) illustrates the concept: a 7.5% rate applies to initial sales, stepping down through several tiers to zero above $2 billion in annual sales. For the seller, this structure lowers the cost of capital if the product becomes a blockbuster. For the buyer, higher rates at lower tiers provide attractive economics on early sales with a natural hedge against overpayment.

Company	Year	Rate Structure	Cap[1]	Value
Denali / Royalty Pharma	2025	9.25% worldwide	2.5x–3.0x	$275M
Syndax / Royalty Pharma	2024	13.8% U.S.	2.35x	$350M
Viridian / DRI	2025	7.5% declining; 0% >$2B	Uncapped (tiered)	$300M
Verona / OMERS / Oaktree	2024	6.50% global + 5% sublicense	1.75x	$250M
BridgeBio / Blue Owl	2024	5% (up to 10% in 2027)	1.9x	$500M
Savara / RTW	2025	7.0% – 1.0% tiered (9.5% step-up)	2.5x	$75M
KalVista / DRI	2024	6.0%/<$500M; 1.1%/to $750M; 0.25%/>$750M	Uncapped (tiered)	$179M

[1] A note on methodology: many cap multiples in our dataset are time-contingent — the buyer receives a lower cap if the return threshold is achieved within a specified period, stepping up to a higher cap if repayment takes longer. For example, Denali/Royalty Pharma is 2.5x if achieved by Q1 2039 but 3.0x thereafter; Geron/Royalty Pharma is 1.65x if by mid-2031, otherwise 2.0x. This structure effectively rewards faster-performing assets with a tighter cap (and correspondingly better seller economics). For consistency, the range and median figures cited in this report use the upper end of time-contingent caps. The median using lower-end caps would be modestly lower.

Cap Multiples: Greater Heterogeneity, Not Compression

Cap multiples – the maximum total return a buyer can receive as a multiple of invested capital – have become one of the most varied and nuanced terms in the royalty finance market. Understanding cap structures requires appreciating a fundamental distinction that tracks the true sale versus debt divide.

In royalty-backed debt transactions, a cap is inherent in the structure. Whether expressed as a hard multiple (e.g., 1.95x), an IRR-based make-whole (e.g., 11.5%), or a floating-rate return (e.g., SOFR + spread), the buyer's participation is always functionally limited – the debt must be repaid, and the royalty stream reverts to the seller once the buyer achieves its contracted return. In our dataset, every debt-structured synthetic with publicly disclosed terms includes some form of return cap, typically in the range of 1.55x to 2.50x. This is economically equivalent to high-yield debt with a variable payment schedule tied to product revenues.

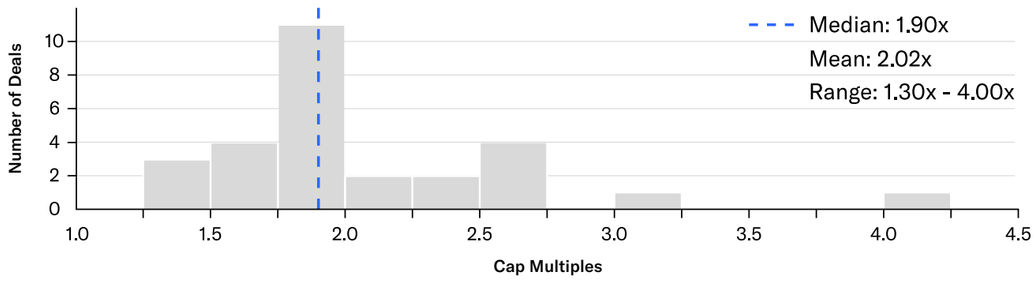
True sale synthetics present a different picture. Here, the seller has permanently transferred a royalty interest, and the buyer's return is governed by the royalty rate, any tiered step-downs, and the term of the agreement. A slight majority of true sale synthetics in our data set include hard caps, while the remainder are entirely uncapped. An uncapped true sale synthetic royalty represents a genuine equity-like investment in product economics – the buyer has no downside protection and the return has no ceiling, but the seller retains no repurchase right and bears no repayment obligation.

Among the capped synthetic deals with disclosed multiples, the median is 1.9x with a range from 1.43x to 4.0x. The dispersion reflects the perceived risk profile of the underlying asset. Deals funded upon FDA approval – where the commercial launch curve is still unknown – tend to command higher caps (2.0x–3.0x), while deals on products with established sales histories tend to have tighter caps (1.43x–2.0x). The most significant factor driving cap levels is the certainty of the revenue trajectory at the time of the transaction.

Cap structures have also emerged in traditional monetizations, though less frequently. Among the traditional deals surveyed with disclosed cap data, the range is 1.30x to 2.50x, with a tighter median of 1.65x. As one would expect, lower caps relate to derisked mature assets with more certain cash flows.

What the data show is that increased buyer competition has given sellers greater negotiating leverage across all economic terms, including whether to accept a cap at all – and whether to structure the transaction as a true sale or as royalty-backed debt. The terms a seller achieves are increasingly a function of asset-specific factors – commercial maturity, launch curve visibility, competitive landscape, and remaining patent life – rather than a uniform market rate. For sellers, the choice between a capped true sale, an uncapped true sale, and royalty-backed debt involves distinct tradeoffs: a cap limits buyer upside but may command a higher upfront payment; an uncapped structure aligns buyer incentives with long-term product performance; and debt offers a potentially lower cost of capital in exchange for limiting the buyer's downside risk. Below is the distribution of caps from six-year period surveyed (among those deals that featured caps).

Distribution of Cap Multiples in Royalty Finance (2020-2025)



Buyback Options: Accelerating Returns for Both Sides

As caps have become more common in synthetic royalties, early buyback options have emerged as a natural complement. A buyback option allows the seller to terminate the royalty obligation by paying a capped return on an accelerated timeline, often at a lower cap in a shorter time period. From the buyer's perspective, this is an attractive feature: they receive 100% of their capped return sooner, driving a meaningfully higher IRR than if the cap were reached through cumulative sales over a longer period. From the seller's perspective, it provides an exit valve if the product outperforms — pay off the obligation early and eliminate the ongoing royalty drag, which can be particularly attractive in eliminating a royalty overhang in connection with or in advance of a future M&A transactions. Any deal with a defined cap is a natural candidate for a buyback right, and the economics work for both sides.

CTI Biopharma's deal with DRI Capital illustrates the mechanic. The deal included a time-limited change-of-control repurchase right that allowed CTI, within a pre-set period of time after closing, to reacquire 100% of the royalty interest at a fixed premium multiple of invested capital, net of royalties already paid. Several other capped deals in our dataset include similar buyback mechanics (which may or may not be tied to a change of control), and we expect this feature to become increasingly standard in future transactions.

"The widening range of cap multiples and the emergence of more nuanced cap structures reflect a maturing market. Six years ago, the structure was uniform. Today, sellers and buyers are tailoring economics to specific asset profiles – and that customization is producing better outcomes for both sides."

WHAT THIS MEANS FOR DEALMAKERS

- Cap multiples are asset-specific rather than market-driven. Sellers with approved, commercially launched products are achieving caps below 2.0x, while pre-launch assets command 2.5x or higher. Understanding where a product sits on that risk spectrum — and which buyers are best positioned for that profile — is the most important variable in achieving optimal terms.
- Buyers should expect continued heterogeneity in cap multiples as the market matures. Differentiation will increasingly depend on speed of execution, structural flexibility, and willingness to provide creative features like buyback options.
- Early buyback options are becoming a key deal point. For sellers with high-conviction products, the ability to recapture the royalty stream at a lower price is a powerful tool, and one that more sellers should be requesting.

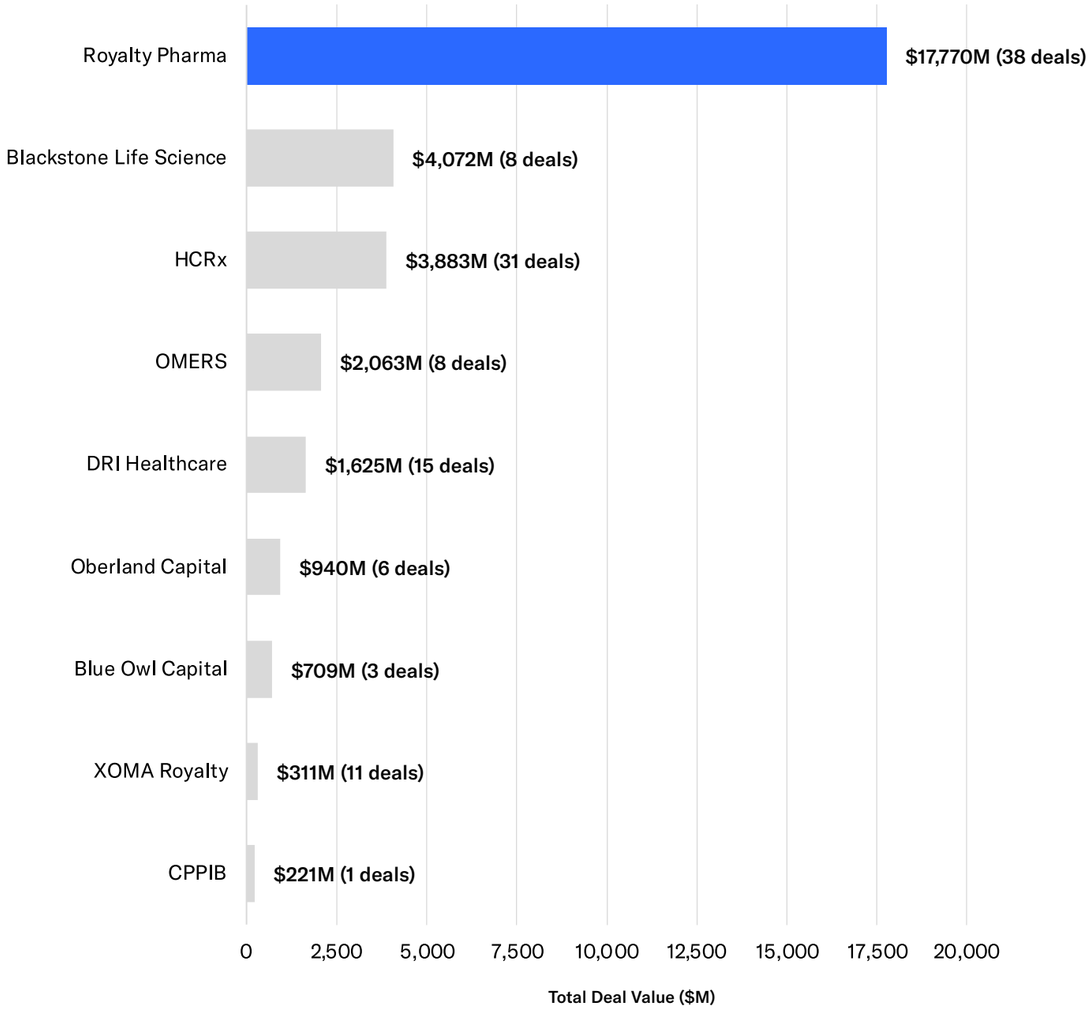
The Buyer Landscape: Concentration and Competition

KEY TAKEAWAYS

- Royalty Pharma remains the dominant force: 38 deals, $17.8B, 54% of total value.
- HCRx is the most prolific buyer by count after Royalty Pharma (31 deals), with deep synthetic expertise.
- Blackstone has emerged as the primary clinical funding partner for large pharma, deploying $4.1B across 8 deals.
- Other players in the royalty space, including OMERS, DRI Capital, Blue Owl, Sagard, RTW, Braidwell, and Ligand, continue to add capital and competitive dynamics.
- XOMA Royalty is a significant player in earlier-stage assets or smaller royalties, with 10 total transactions over the past six years (plus one sell-side monetization to Blue Owl).

The royalty finance buyer landscape is defined by a paradox: one firm has historically dominated virtually every metric, yet the market is more competitive than it has ever been. Royalty Pharma closed 38 transactions worth $17.8 billion over the six-year period – more than all other buyers combined. But that dominance is moderating. In 2021, Royalty Pharma accounted for over 70% of synthetic deal value; in 2025, that share has come down as other buyers have scaled up their operations and available capital.

Top Buyers in Life Sciences Royalty Finance (2020-2025)



Increasing Competition

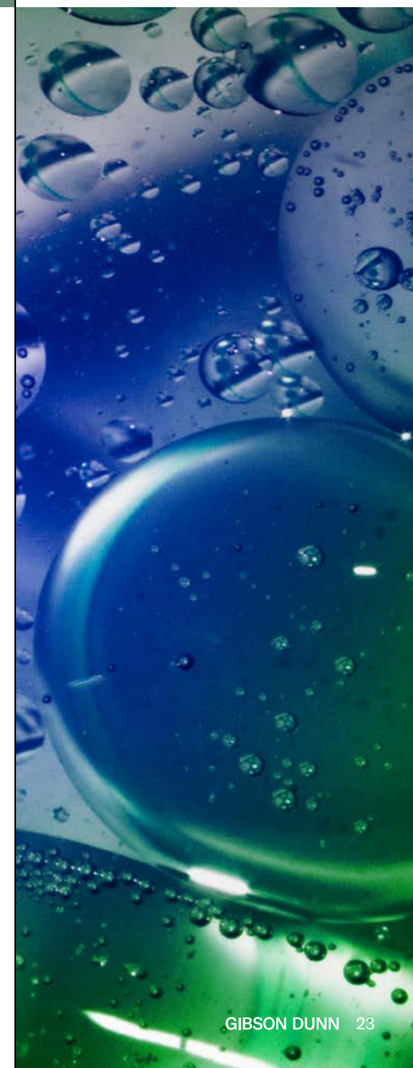
What is changing is not Royalty Pharma's dominance – it's the depth of the buyer bench behind it. **HCRx** has a long-standing franchise in the space and has the most prolific synthetic royalty practice after Royalty Pharma. HCRx's recent acquisition by KKR signals that even more institutional capital is flowing into the strategy.

Blackstone has carved a distinctive niche in clinical funding partnerships with large pharma companies. Its deals with Moderna ($750M), Merck ($700M), Sanofi ($300M), and the earlier Alnylam and Medtronic transactions represent a model that no other buyer has replicated at scale – essentially functioning as a co-development partner for Big Pharma clinical programs. At the same time, OMERS continues to deploy capital at a steady pace with a competitive cost of capital and Blue Owl has steadily gained market share with disciplined underwriting standards.

Other active participants, including DRI Capital, RTW Investments, XOMA Royalty, Sagard and Ligand, have been gaining market share in the small- and mid-cap segments where the larger buyers are less active. This is healthy for the market: more buyers mean more options for sellers, more competitive pricing, and faster deal execution.

WHAT THIS MEANS FOR DEALMAKERS

- Sellers considering a synthetic royalty should run a competitive process – ideally with an experienced financial advisor who knows the asset class well and who can help to drive the most favorable terms. With multiple credible buyers now active in the space, running a competitive process can materially improve terms.
- The high concentration in Royalty Pharma-led transactions creates asymmetric market risk. Any shift in Royalty Pharma's deployment strategy – whether due to capital allocation changes, portfolio rebalancing, or strategic direction – could have outsized effects on deal flow and pricing.
- For institutional investors, the royalty finance asset class offers an attractive entry point. The returns are de-correlated from broader equity markets, the cash flows are tied to drug sales (not interest rates), and the structural protections are improving.



Looking Ahead: What Will Shape Royalty Finance in 2026

KEY TAKEAWAYS

- The macro environment is supportive: relative rate stability (regardless of level), robust biopharma product launches, and a continued focus on non-dilutive capital all favor royalty issuance.
- Drug pricing reform – particularly the IRA's expansion and MFN proposals – poses the most significant structural risk to royalty valuations (particularly for longer-dated royalties where such changes may have the greatest effect in the out-years).
- Structural innovation will continue to accelerate: expect more hybrid deals, more creative cap structures with buyback options, and continued evolution in deal terms. The market's demonstrated rate-resilience should give participants confidence to transact in any rate environment.
- Buyer competition is the seller's best friend. As institutional capital continues to flow in, terms will keep improving for issuers.

Tailwinds

The setup for 2026 is favorable. The royalty finance market has demonstrated that it can sustain a consistent annual deal value even with an elevated federal funds rate - a finding that should give both buyers and sellers confidence that the current environment supports robust transaction activity regardless of where rates settle. At the same time, the biopharma sector is generating a strong pipeline of product launches and regulatory approvals, providing a deep reservoir of monetizable assets. And for the biotech companies facing punitively dilutive equity markets, royalty finance offers an increasingly attractive alternative.

We expect deal volume to remain in the 25–30 transaction range, with total value potentially exceeding $7 billion if several large traditional monetizations and clinical funding arrangements that are currently in diligence reach completion.

Headwinds

The primary risk is regulatory. The Inflation Reduction Act's drug pricing negotiation program, which directly affects the revenue trajectory of products subject to negotiated prices, could reduce the terminal value of royalty streams on certain high-revenue assets. The Trump Administration's Most Favored Nation pricing proposals add an additional layer of uncertainty that dealmakers will need to account for in their models.

A renewed period of rate volatility – whether from reaccelerating inflation, unexpected Fed policy shifts, or geopolitical disruption – could create another temporary freeze in deal activity, as the 2022 experience demonstrated. The market has shown it can operate at high rate levels, but not through rapid, unpredictable rate movements. And the high concentration of deal value in Royalty Pharma (54%) means that any change in its deployment velocity would have market-wide effects.

The Bottom Line

Royalty finance has matured from a niche financing technique into a core component of the biopharma capital markets toolkit. The market's ability to sustain record deal volume at 5%+ interest rates confirms that this demand is structural – driven by companies' permanent need for non-dilutive capital, not by cheap money. The structural innovations of the past six years – the shift to true-sale synthetics, tiered rates, varied cap structures, buyback options – have made these transactions more balanced for both sides. For sellers, the message is clear: the market is competitive, the terms are favorable, and the capital is available in any rate environment. For buyers, the opportunity remains compelling, but the days of setting terms unilaterally are over.

"Royalty finance is no longer a niche. It is a scaled, competitive, structurally sophisticated asset class—and the best years for dealmakers on both sides of the table may still be ahead."

About Gibson Dunn

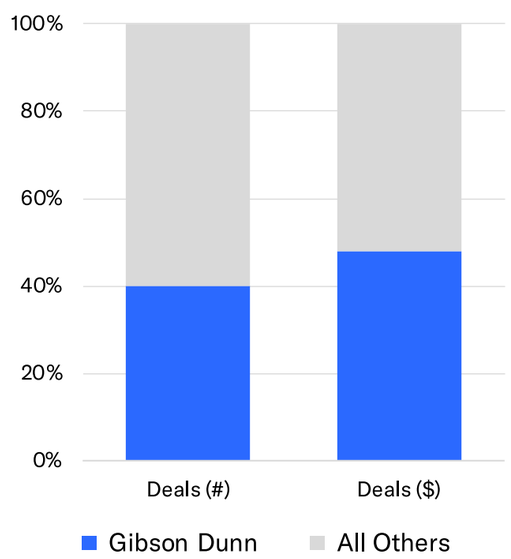
KEY TAKEAWAYS

- Gibson Dunn advised on 27% of all royalty finance transactions tracked in this report (2020–2025).
- The firm represents both sides of the market: sellers (Merck, Denali, Ultragenyx, Arrowhead, BioCryst) and buyers (Royalty Pharma, HCRx, Blackstone, RTW, Blue Owl, and XOMA).
- In 2025, the firm accounted for 52% of total dollar volume in the royalty market.

Gibson Dunn has been at the forefront of the royalty finance market since its earliest transactions. Over the 2020–2025 period, the firm advised on 27% of all tracked transactions (36 transactions in total for $8.5 billion in aggregate proceeds) and accounted for 52% of 2025 deal volume by dollar value.

The breadth of the practice is notable. Gibson Dunn represents both sellers and buyers, spanning the full range of transaction types. On the seller side, the firm advised Merck, Denali Therapeutics, Ultragenyx, Arrowhead Pharmaceuticals, and BioCryst – advising on traditional monetizations, clinical funding arrangements and synthetic royalty issuances. On the buyer side, the firm is counsel to Royalty Pharma, XOMA Royalty, Blue Owl Capital, RTW Investments, HCRx and others across numerous transactions. The overall mix of Gibson Dunn royalty-backed transactions during the six-year study of this report generally mirrored the overall market – 68% traditional monetizations, 26% synthetics and 6% clinical funding transactions.

2025 Market Share



Methodology & Definitions

Scope

This report analyzes 133 royalty finance transactions in the life sciences sector announced between January 2020 and December 2025. Total six-year deal value is approximately $32.7 billion. The dataset includes deals where royalty-linked economics are the primary basis of the transaction.

Data Sources

Transaction data is drawn from Gibson Dunn's proprietary Royalty Finance Tracker, supplemented by SEC EDGAR filings (8-K, 10-K, 10-Q), company press releases (PR Newswire, Business Wire, GlobeNewswire), and fund portfolio announcements. AI-assisted extraction was used to identify and standardize transaction terms from public disclosures, with manual verification of material data points.

Transaction Type Definitions

Traditional: Sale or financing of an existing royalty entitlement arising from a license or collaboration agreement. This category includes both outright sales and limited recourse loans secured by existing royalty streams. The economic exposure for the buyer is identical in either case; the primary distinction is tax treatment (gain recognition on a sale versus loan proceeds on a borrowing).

Synthetic: Creation of a new royalty obligation on the seller's own products. The seller grants the buyer a newly created right to receive payments based on the seller's own net product sales. Synthetics may be structured as either true sales (irrevocable transfer of a revenue interest) or debt-structured arrangements (secured lending with royalty-based repayment).

Clinical Funding: Capital provided for clinical development in exchange for royalties or revenue share. We bifurcate this category between development-stage biotech deals and large pharma co-investment arrangements due to materially different risk/return profiles.

Hybrid: Transactions combining multiple structures – typically synthetic royalty combined with a term loan or debt facility.

Limitations

Covenant and security package analysis is excluded due to limited public availability of definitive agreement terms. Aggregate deal values may include contingent milestone payments that may not be realized. Certain privately negotiated transactions may not be captured in the dataset.

For more information about Gibson Dunn's royalty finance practice,
or to discuss any of the insights in this report:

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