

Royalty Financing: Aligning Capital at the Asset Level

Biopharma is not just capital constrained. It is capital misallocated.

Market Reality: Capital Is Hard to Access and Harder to Fit the Asset

- Capital remains difficult to access, particularly for emerging companies and non-consensus assets
 - \$310B raised^{1,2}, yet assets stall as scope, capital intensity, and expectations diverge
- Even when available, capital is often deployed inefficiently at the asset level
- Royalty financing has scaled (\$32B+³) but remains <10% of funding^{1,2}, highlighting both adoption and runway³

Hidden Driver: Asset Capital Misalignment

Capital is raised at the company level but deployed across assets with fundamentally different risk, timelines, and capital needs.

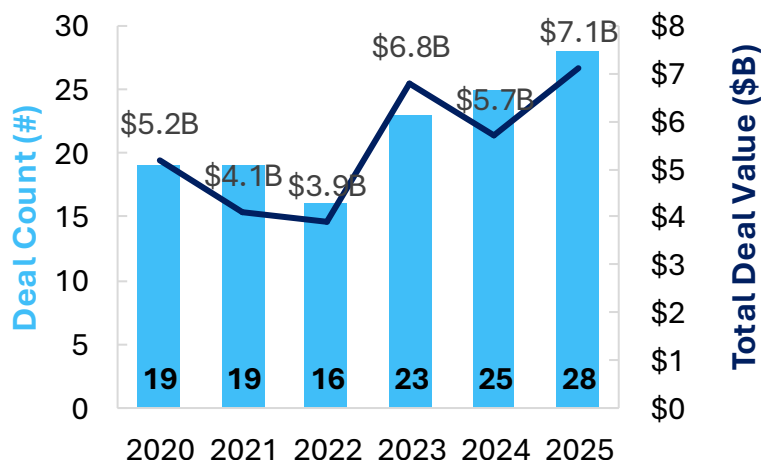
As a result:

- Development plans exceed evidence
- Capital is deployed ahead of validation
- Commercial expectations exceed asset reality

Signal: Market Acceptance Is Established

- ~90% of executives are willing to consider royalty financing^{1,2}
- Royalty financing is now a repeatable, institutionalized funding strategy
- Royalty aggregation is attracting scaled capital (e.g., Ligand's ~\$739M acquisition of XOMA⁴)

Royalty Finance Market Growth (2020-2025)



The question is no longer whether to use royalty financing. It is when it creates value.

Why It Works

Cost of Capital Has Converged

- High single to low double-digit returns
- Competitive with dilutive equity and restrictive credit

Market Structure Has Evolved

- Traditional: ~60 to 65% of deals³
- Synthetic: ~33% of transactions³
- Median caps ~1.9x

**Royalty financing is no longer a single structure.
It is a tool to align capital to the asset.**

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From Binary Funding to Calibrated Capital



Creates Value When

- Late-stage assets with validated evidence
- Mispriced equity / capital dislocation
- Non-core monetization to optimize portfolio



Destroys Value When

- Capital deployed ahead of evidence
- Upside transferred from high-conviction assets



Capital Calibration Lens

Three variables drive value:

- Evidence Maturity
- Capital Intensity
- Commercial Scope

Alignment preserves value.
Misalignment erodes it.



Binary Model

Capital raised at company level

One funding approach

Maximize proceeds

Financing as an event



Calibrated Model

Capital deployed at asset level

Capital structured at the asset level

Optimize alignment

Financing as a continuous strategy

Conclusion

Royalty financing is not simply an alternative funding tool. It reflects a broader shift toward structuring capital at the asset level.

Applied with discipline, it aligns capital with evidence, risk, and commercial reality. Applied poorly, it embeds misalignment into the capital structure.

Royalty financing is not cheaper capital. It is more aligned capital.

¹ Public biopharma M&A, licensing, and financing data (2021–2025); company filings, press releases, and investment bank sector reports; ² Royalty Pharma; analysis of biopharma royalty market trends and capital dynamics; ³ Gibson Dunn, *Royalty Finance Market Update (2026)*; ⁴ Ligand Pharmaceuticals announcement of XOMA acquisition (April 2026); ⁵ Blacklight analysis of biopharma transactions and capital allocation outcomes