Deloitte.

ROYALTY PHARMA

Role of Royalties in Funding Biopharma Innovation

September 2025

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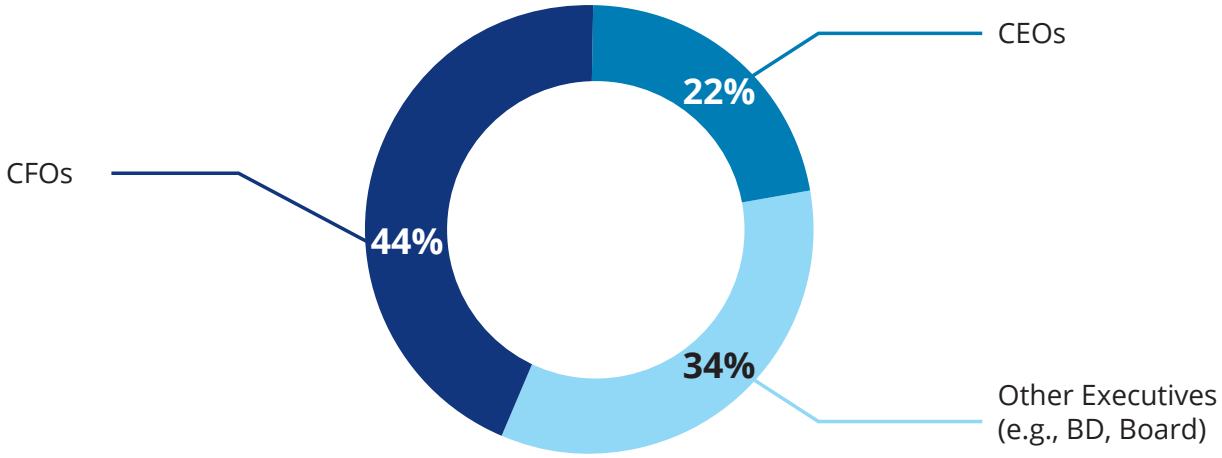
Executive summary

The biopharma industry continues to evolve rapidly. Novel treatments and new modalities are quickly emerging, while rising R&D costs and infrastructure investments are increasing capital demands. In response to growing capital needs, biopharma companies are diversifying their funding approaches, with royalty funding gaining prominence as a non-dilutive capital source that preserves operational control at an attractive cost of capital and avoids the challenges of debt alternatives, among other benefits.

From November 2024 to January 2025, Deloitte engaged with over 110 biopharma leaders, primarily CFOs and CEOs (including a select number of bankers), through a digital survey and interviews, to assess views on royalty funding and its role relative to other options.



The following are key findings from the study:

According to our survey, **nearly 55%** of executives **reported an increased interest in royalties** over the past three years, citing their non-dilutive nature and absence of covenants or debt-like repayments.

"I am a big believer in royalty funding and royalties will continue to be a very important part of the toolkit"
– Biotech CEO

Nearly 90% of executives would consider royalties to meet capital needs over the next three years

More than 90% of executives plan to raise capital over the next three years, of which **nearly nine out of 10 are willing to consider royalty funding** for their future capital needs.

The integration of royalties into diversified funding strategies is on the rise given their **low-to-moderate cost of capital** and **positive investor perception**.

Up to 75% of biopharma executives are likely to pursue royalty funding in combination with equity or debt

Nearly 80% of biopharma executives expressed interest in creating synthetic royalties to help meet their capital needs over the next three years

Synthetic royalties have **quadrupled in growth** over the last five years[1], with transactions during 2020-2024 rising to **approximately $10 billion**, up from $2.3 billion during 2015-2019. Executives cited the ability to retain operational control and fund individual products as key benefits.

Concerns about synthetic royalties limiting strategic options, such as acquisitions or licensing, were broadly dismissed. Executives and bankers described these as myths, noting that **synthetic royalties preserve flexibility**.

"I don't think royalty funding impacts the possibility of an acquisition in any way…it's nothing more than just a myth"
– Biotech CEO

These findings highlight evolving executive thinking on funding strategies across the biopharma sector.

Introduction

Innovation in biopharma continues at a rapid pace, with advances like PD-1 inhibitors in cancer and GLP-1s in obesity reshaping treatment paradigms. Breakthroughs in understanding the genome and proteome, new drug discovery techniques, and innovation around new modalities have led to an expansive and diverse clinical pipeline, necessitating substantial R&D investments.

Biotech companies are also responsible for many of the new therapeutics approved and in late-stage development. Biopharma partnerships are common, with large multinational pharma companies also sourcing innovation from smaller biotechs in exchange for milestone payments and royalties, helping to fuel the royalty market. Further, China is emerging as another source of biopharma innovation, with licensing deals to global pharmaceutical companies reaching a record high in 2024.

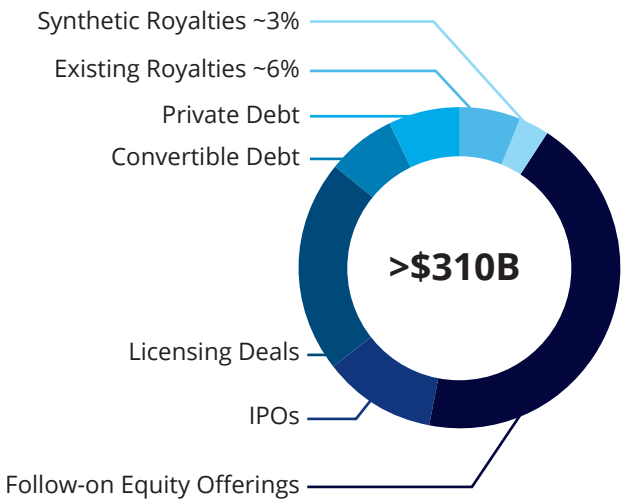
The average R&D investment to progress a drug from discovery to launch has now soared to $2.3 billion.[2] Additionally, a changing political and regulatory landscape can add to the complexity of drug development.

Looking ahead, the capital required to sustain biopharma innovation over the next decade is projected to exceed $1 trillion[3]. As the industry continues to grow, companies recognize the importance of a broad range of capital sources to fund innovation, including alternatives to equity and debt, driving a significant increase in royalty funding.

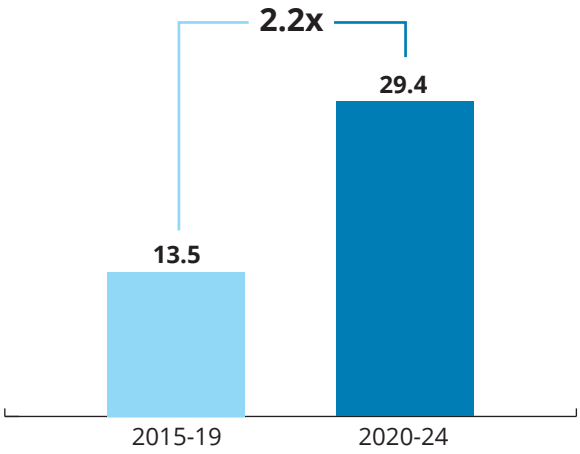
Royalties offer biopharma companies the opportunity to secure long-term capital in exchange for a portion of future revenues. These tailored solutions support biopharma's significant capital requirements and preserve operational control and product rights while sparing equity dilution.

Between 2020 and 2024, biopharma companies raised over $310 billion[1,4] in new capital. Royalty transactions during these years surged to nearly $30 billion, more than doubling the capital raised during 2015-2019. Despite this growth, royalties accounted for less than 10% of biopharma industry funding during 2020-2024[1], indicating substantial room for growth.

Biopharma Industry Funding (2020-24)[1,4]



Royalty Funding Market Size ($B)[1]



Types of Royalty Funding

Existing royalty

Contractual right to a percentage of top-line sales from a product, technology, or intellectual property, typically arising from a collaboration or licensing deal.

For example, in 2020, following the sale of Agios' oncology pipeline to Servier, a royalty on Voranigo® was created, payable from Servier to Agios Pharmaceuticals. Agios sold a substantial portion of the royalty on Voranigo® in 2024.[5]

Synthetic royalty

Newly created contractual right to a percentage of top-line sales by the developer and/or marketer of a therapy in exchange for funding.

For example, in 2025, Revolution Medicines created and sold a royalty on global net sales of daraxonrasib in exchange for up to $1.25 billion ($250 million upfront). This royalty did not exist prior to this transaction.[6]

The following sections delve deeper into industry executives' perspectives on royalty funding and its role in supporting biopharma capital requirements, along with some key considerations that might influence its broader adoption.

Today: Royalty funding is an increasingly common option for biopharma

Increasing capital needs and an accelerating global innovation landscape are driving a shift in the biopharma funding model to a greater diversification in sources of capital. The benefits of royalty funding are coming into clearer focus, and it has emerged as an attractive complement to equity and debt to support the continued advancement of innovation.

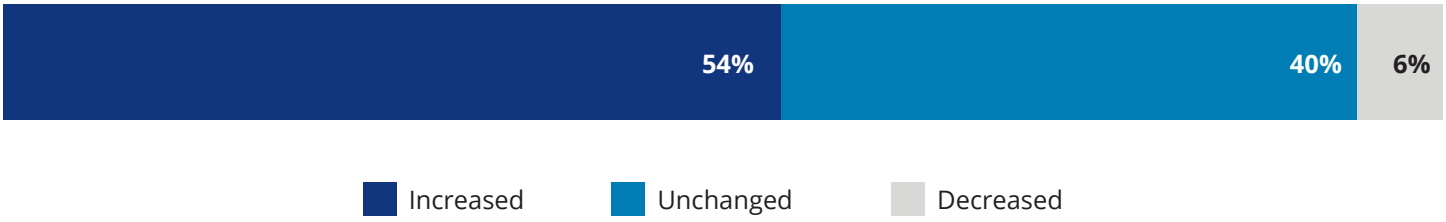
Royalty funding is gaining traction among biopharma executives

Amid a backdrop of growing capital needs and significant economic uncertainties, reliance solely on historical funding modalities poses risks. Diversifying funding beyond debt and equity to include royalties offers greater flexibility and helps manage uncertainty. The interviews highlighted several key factors that are critical to biopharma executives: cost of capital, investor perception, attractiveness of deal terms and level of risk-sharing.

Royalty transactions are now widely accepted. Executives, boards, and investors are knowledgeable about royalties, and they are increasingly integrated into funding strategies. **Nearly 55% of executives reported a growing interest in royalty funding** over the past three years (See Figure 1).

"Royalties are attractive as they ensure access to non-dilutive capital… helped us overcome setbacks when equity capital markets were closed for us."
– Biotech CEO

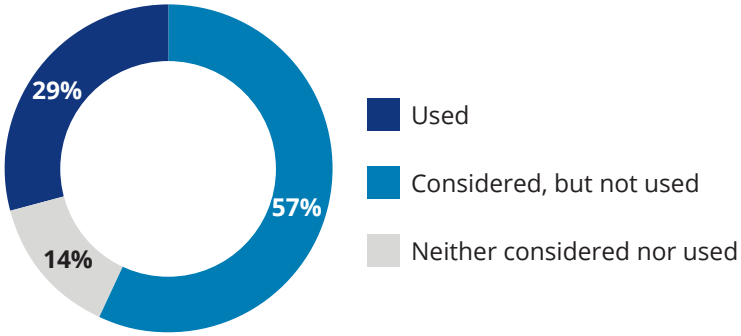
Figure 1: Over the last 3 years, how has your interest in royalty funding changed? (n = 78)



Source: Biopharma Innovation Study, 2024-25

Over 85% of survey respondents have used or considered using royalties to fund their capital needs. The growing awareness and interest in royalty funding has yielded significant transaction volume. Despite this growth, there is a significant opportunity for further growth in royalty funding. While approximately 30% of executives have used royalty funding, over 55% have considered but not yet completed a royalty transaction. (See Figure 2).

Figure 2: Please describe your or your company's experience with royalties. (n = 91)



"I'd continue to use royalty funding for late-stage and commercialized therapies… and Phase 3 readout would be the sweet spot for its use."
– Biotech CFO

Source: Biopharma Innovation Study, 2024-25

Case Study

Revolution Medicines' strategic use of royalties to retain full global rights

Revolution Medicines' strategy to retain full control of its RAS(ON) inhibitor pipeline while expanding globally was advanced through a large-scale funding partnership with Royalty Pharma.

In June 2025, Revolution Medicines secured up to $2 billion to support its plans to independently develop and commercialize daraxonrasib and its pipeline programs for patients with RAS-addicted cancers, retaining full strategic and executional control. The transaction consisted of the following components:

- Up to $1.25 billion ($250 million upfront) of synthetic royalty funding
- Up to $750 million in secured debt

Revolution Medicines CEO remarked "This funding agreement significantly increases the financial resources we can deploy while preserving optionality as we scale our operations to create the industry-leading global targeted medicines franchise for patients with RAS-addicted cancers."[6]

Revolution Medicines transaction illustrates the breadth of funding capabilities that were uniquely tailored to their needs, highlighting why royalties are becoming a core component of biopharma's broader funding strategies.

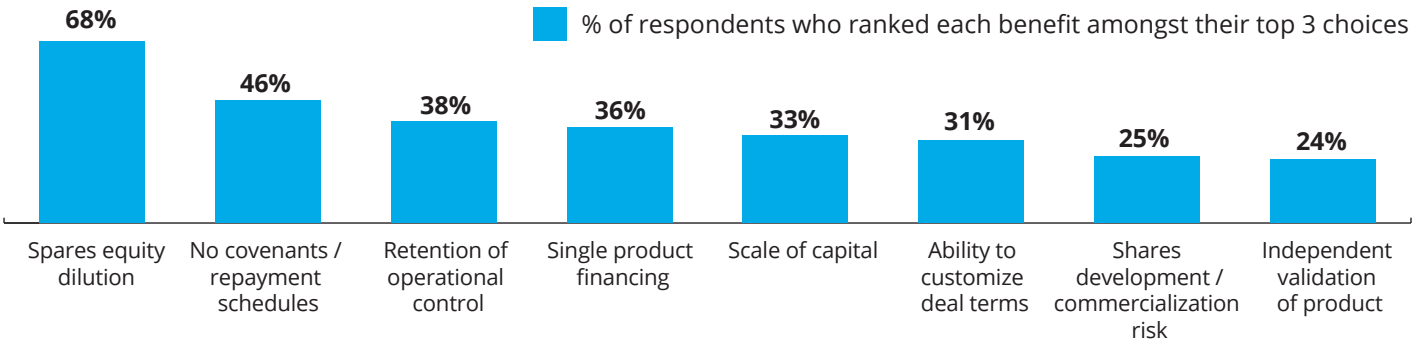
Biopharma executives recognize the benefits of royalty funding, supporting its integration into a diversified funding strategy

Executives ranked the top benefits of royalty funding as its **non-dilutive structure (68%)** and **absence of covenants or debt-like repayments (46%)**. Additional benefits included the **retention of operational control (38%)**, the **ability to fund individual products (36%),** and **scale of capital (33%)**.

Other notable advantages included the ability to tailor funding solutions, to share development / commercialization risk of individual products, and third-party validation of the product (Figure 3).

"The beauty of a [synthetic] royalty lies in the fact that it is almost like a licensing deal, without the loss of operational control."
– Biotech CBO

Figure 3: What do you believe are the main benefits associated with royalty funding? (n = 80)



Source: Biopharma Innovation Study, 2024-25

Royalties offer a competitive cost of capital and favorable investor perception

Our survey highlights that a majority of biopharma executives view royalties as having a **low-to-moderate cost of capital,** a key consideration when selecting funding sources.

Respondents also ranked **investor / shareholder perception of royalty funding** – another key factor that influences decisions – **as more favorable than debt and roughly on par with equity**.

One biopharma CEO remarked: "Royalty funding will always be part of the equation… it will be considered at par with equity in the future."

"Royalty is better than equity and debt financing because it is non-dilutive, simpler than debt and positively received by investors."
– Biotech CFO

Future: Biopharma embracing royalty funding for capital needs

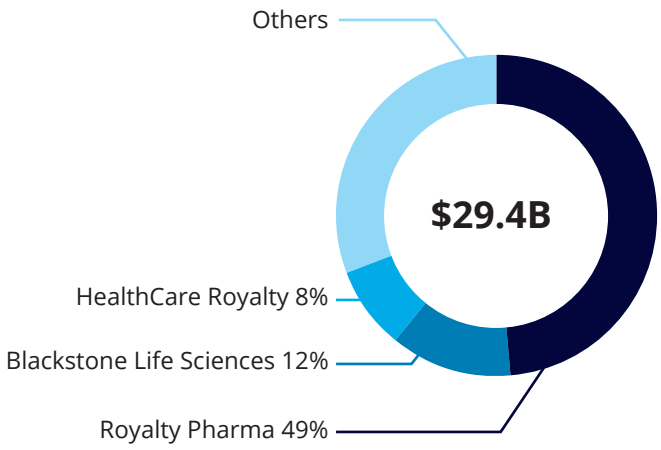
Royalty funding is expected to grow and play a crucial role in supporting biopharma's future capital requirements. Notably, synthetic royalties – an innovative funding modality – have been gaining traction among biopharma executives in recent years. This marks a considerable shift, as misconceptions about royalties – particularly concerns that raising capital through royalties could limit a company's strategic options – have been dispelled. Such evolving perspectives underscore the growing recognition and importance of royalties in meeting the capital needs of the industry.

Royalty funding is rising – and here to stay

Royalty funding adoption has **more than doubled** from 2015-2019 to 2020-2024, reaching nearly **$30 billion**, representing almost 10% of all biopharma capital raised in that period.[1]

"Royalty funding will always be part of the equation... it will be considered at par with equity in the future."
– Biotech CFO

Royalty Funding Market Share (2020-24)[1]



Case Study

PTC Therapeutics – royalties powering rare disease innovation

Between 2020 and 2024, PTC Therapeutics secured up to $2.15 billion in funding[7] through strategic royalty transactions with Royalty Pharma. The deals were tied to future royalties from Evrysdi®, including a mutual option allowing PTC to sell and Royalty Pharma to acquire a portion of the remaining royalties at a later date.

PTC's CEO emphasized, "With this funding, we have strengthened our balance sheet and added financial flexibility as we pursue our strategic objectives, including continued development and commercialization of innovative therapies for patients with rare disorders." [8]

PTC's experience shows how creatively structured royalty funding can deliver large-scale capital, preserve financial flexibility and support long-term goals in all funding environments.

Companies are using royalty transactions as a key part of their funding mix, with some raising substantial portions of capital through this modality. Executives surveyed noted that:

- More than 90% of them plan to raise capital in the next three years, of which **nearly nine out of 10 say they will consider royalty funding** (See Figures 4 and 5)
- **More than two thirds of executives would likely pursue royalty funding** in combination with equity or debt (See Figure 6)

The takeaway: Royalties are becoming an attractive option and will play a crucial role in fueling future innovation and growth across biopharma.

Figure 4: Which of the following best describes your company's capital needs over the next 3 years? (n = 74)

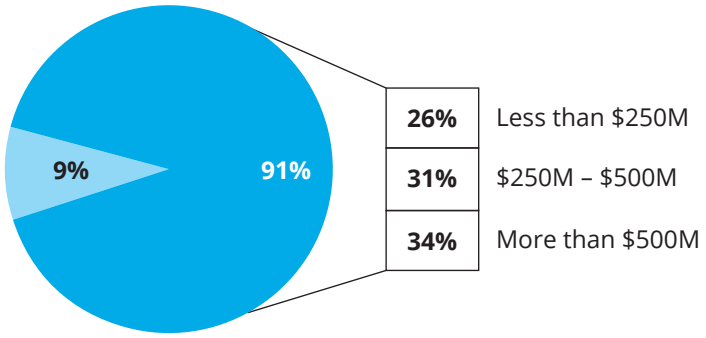


Figure 5: If your company plans to raise capital in the next 3 years, to what extent would royalty funding be considered? (n = 67)

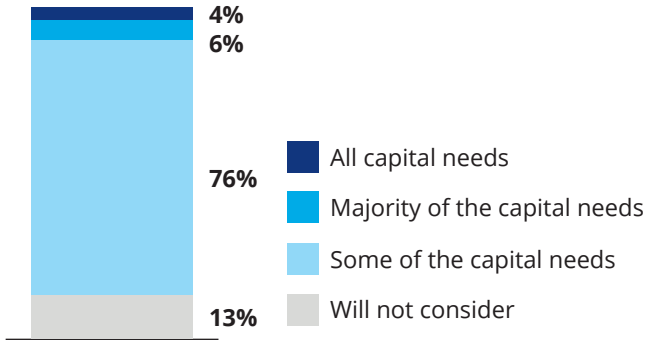
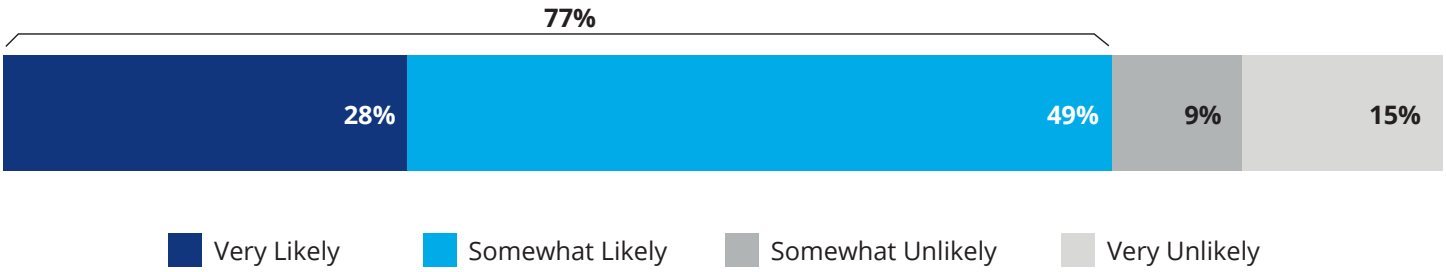


Figure 6:

Equity: How likely are you to pursue royalty funding instead of or in addition to equity financing? (n = 79)

Debt: How likely are you to pursue royalty funding instead of or in addition to debt financing? (n = 79)



Source: Biopharma Innovation Study, 2024-25

Synthetic royalties: Small share, big momentum

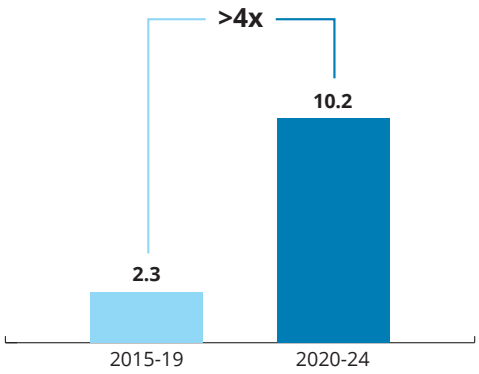
Once a niche idea in the 2010s, synthetic royalties are now squarely on the radar of biopharma boards and C-suite leaders. Executives are embracing synthetic royalties for their flexibility, including retention of operational control and program-specific financing. As one investment banker noted, "Most of the evolution in the industry is happening within synthetic royalties."

In November 2024, Syndax Pharmaceuticals created a synthetic royalty to secure funding for launches of Niktimvo™ and revumenib, as well as continued product development[9]. As the CEO of Syndax Pharmaceuticals stated: "We expect this transaction to fund us through profitability, while ensuring that we continue to participate in the profits from Niktimvo and retain the upside of its future growth. With this significant infusion of capital, we are well positioned to successfully launch two first-in-class medicines and expand their opportunity with additional indications."

The rise of synthetics in numbers:[1,4]

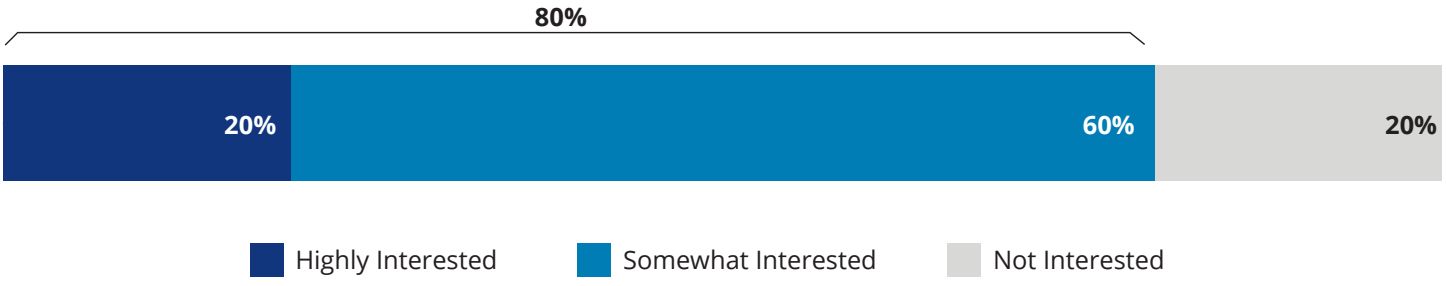
- $10 billion in synthetic royalty deals from 2020-2024, a 4x increase from 2015-2019
- Synthetics share of the royalty market has increased from 20% to 33% during these periods
- 2024 was a landmark year, with synthetics accounting for 50%+ of all royalty funding for the first time
- While still just 3–4% of total biopharma funding in 2020-24, they are growing rapidly

Synthetic Royalty Funding ($B)[1]



What's next: Nearly 80% of biopharma execs are **open to using synthetic royalties in the future** (See Figure 7).

Figure 7: What is your company's interest level in creating a synthetic royalty to help meet its capital needs over the next three years? (n = 75)



Source: Biopharma Innovation Study, 2024-25

"The [synthetic] royalty market is here to stay. It's the only way I can see to sell equity in one of our products without encumbering the rest of the portfolio."
– Biotech CFO

"For the right subset of companies in the right zone, it's a really attractive option… I would be surprised if synthetic royalties didn't grow in popularity."
– Biotech CFO

Royalty funding supports R&D investment

Large multinational biopharma firms use royalties to offset R&D costs, expanding R&D capacity. These transactions provide capital in exchange for future sales-based royalties, contingent upon development and regulatory success.

A notable example is Teva Pharmaceuticals' royalty-based strategic funding arrangement in November 2023 where Teva secured upfront capital and ongoing development payments to advance olanzapine long-acting injectable Phase 3 development without affecting its broader R&D efforts.[10]

This funding option offers companies several advantages. It allows them to share development risk, and offers P&L relief, expanding their R&D budget while maintaining focus on innovation.

As one Big Pharma Executive noted, "**Alleviating P&L pressure and risk sharing are the main reasons for considering royalty transactions**, it won't be because of lack of capital."

Debunking myths: Royalties do not impact strategic opportunities

While royalties are now commonplace, misconceptions still hold some companies back.

Myth #1: Royalties limit M&A or licensing flexibility.

The reality: Major deals have moved forward with royalty agreements in place.

- Pfizer's 2022 acquisition[11] of Biohaven's CGRP programs (~$12B) was successful despite low teens tiered royalties owed on Nurtec® ODT
- Merck's 2021 deal[12] for Acceleron (~$12B) occurred despite a low 20% royalty on sotatercept
- Gilead's 2020 acquisition of Immunomedics ($21B) was completed[13] even with a mid-single digit percentage royalty[14] on Trodelvy™

We found even more common ground among the biopharma executives and investment bankers interviewed, who noted a changing mindset about synthetic royalties. This group emphasized that synthetic royalties do not hinder strategic opportunities unless companies give away a disproportionate portion of future revenue. One investment banker stated, "**Big Pharma companies have a lot of royalties at any point in time, so it is not a big deal to add another one into the mix**."

"Fundamentally, there is no impact on strategic options, but depends on what you do... if you sell 50% of your therapy, it might limit potential attractiveness."
– Biotech CFO

"The biggest hurdle to [synthetic] royalties growing in the future are the misunderstandings about how they work in an acquisition."
– Investment Banker

Myth #2: Royalty transactions take too long to execute.

The reality: Executives in our survey dispelled this notion, emphasizing that the time to execute transactions does not limit their use of royalty funding.

Only 5% of survey respondents cited the time required to execute a royalty transaction as the top limiting factor to their use of royalty funding.

As capital needs evolve, synthetic royalties are poised to play a bigger role in enabling innovation and maintaining strategic flexibility across the biopharma sector.

Case Study

Biohaven's royalty-powered capital raise

Biohaven's growth journey shows how strategic use of royalties can help biopharma companies bring transformative therapies to market.

Royalty Pharma was key to advancing Nurtec® ODT and Zavzpret™ , two migraine treatments that helped define Biohaven's success. By the numbers:

- $3.2 billion capital raised since 2017, of which 25%+ consisted of funding from Royalty Pharma[15]
- Four transactions from 2018-2024 which secured $837 million in committed capital
  - Nearly 50% raised via synthetic royalties, with additional capital raised via equity financing and launch capital[16]

The bottom line: Biohaven leveraged royalties to fuel innovation, scale commercialization and retain operational control as it reached an important value-inflection point for the company, which was the successful launch of Nurtec® ODT in the United States. This ultimately led to the acquisition of Biohaven's CGRP programs by Pfizer for ~$12 billion.[11]

Conclusion

Biopharma's continued innovation is leading to ground-breaking therapies – and demanding record levels of investment. This innovation is being matched by financial innovation in funding options to support this growth.

Companies are exploring options beyond equity and debt. They're turning to royalty funding in part to meet rising capital needs.

Royalties have emerged as a compelling choice. They are non-dilutive, free of covenants or debt-like repayment schedules and ideal for funding individual products or programs. Synthetic royalties, in particular, are gaining traction as a tailored solution that delivers capital at scale while preserving operational control.

Success stories across the sector highlight the advantages of royalty funding, driving growing confidence among executives and boards. Royalty funding is no longer niche – it's becoming a vital piece of biopharma financing.

Still, there's no one-size-fits-all solution. Companies must weigh their unique needs and remain open to all viable funding options. But as more leaders embrace royalties, their appeal and potential to reshape biopharma financing have never been clearer.

About the report

Research methodology

Between November 2024 and January 2025, Deloitte conducted a market study on royalty funding, engaging with more than 110 industry leaders. As part of our research methodology, we conducted a digital survey and one-on-one interviews to gather executives' perspectives on royalty funding adoption, its benefits, and key considerations relative to other funding options.

More than 90 biopharma executives participated in the digital survey, including 42 CFOs, 19 CEOs, and 30 other key decision-makers (e.g., board members, business development executives). Notably, over 80% of respondents were from companies with a market capitalization between $0.5-$10 billion, and over 90% were from pre-revenue companies or those with less than $1 billion in revenue.

To complement the survey with qualitative insights and anecdotes, Deloitte conducted more than 20 one-on-one executive interviews – 18 biopharma executives (including seven CFOs and six CEOs), and three investment bankers.

This approach ensured a better understanding of the royalty funding landscape, drawing on both quantitative data and qualitative insights from industry executives.

We would like to thank all industry executives who participated in this market study. This report would not be possible without their contributions.

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Appendix

Royalty Funding Market Size ($B) (2020-24)[1]

Royalty Funding	2020	2021	2022	2023	2024	Total
Existing Royalties	3.7	3.3	4.0	5.3	2.9	**19.2**
Synthetic Royalties	1.3	1.4	2.3	2.1	3.1	**10.2**
Transaction Value ($B)	**5.0**	**4.7**	**6.3**	**7.4**	**6.0**	**29.4**

Royalty Funding Market Share by Transaction Value (2020-24)[1]

Royalty Funding Partner	<= $250M	$250-500M	>= $500M	Total
Royalty Pharma	27%	43%	73%	49%
Blackstone Life Sciences	3%	15%	19%	12%
HealthCare Royalty	13%	15%	–	8%
Others	57%	27%	8%	31%
Transaction Value ($B)	**10.8**	**6.8**	**11.8**	**29.4**

Endnotes

1. Deloitte Analysis – Based on data from BioMedTracker, Press Releases and Royalty Pharma Internal Sources; Includes announced value of royalty transactions (including associated equity investments)
2. Unleash AI's Potential: Measuring the Return from Pharmaceutical Innovation – 14th Edition, Deloitte – April 2024. See also: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/life-sciences-health-care/us-rd-roi-14th-edition.pdf (Page 2)
3. Based on data from Bloomberg, Visible Alpha, CapIQ, Research America and Internal Sources. See also: https://www.royaltypharma.com/wp-content/uploads/2025/08/RPRX-Corporate-Presentation-August-2025vFinal.pdf (Page 20)
4. Based on data from Dealogic, BioMedTracker, Evaluate and Royalty Pharma Internal Sources; Includes capital raised through IPOs, follow-on offerings, equity-linked issuances, upfronts from licensing deals, private debt (e.g., term loan, revolving credit) and announced value of royalty transactions (including associated equity investments)
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12. Acquisition of Acceleron Pharma, Merck Press Release, September 30, 2021. See also: https://s21.q4cdn.com/488056881/files/doc_presentations/2021/Acceleron-Investor-Event-Slides-FINAL.pdf (Page 21)
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14. Royalty Pharma Announces Acquisition of Royalty Rights on Global Sales of Sacituzumab Govitecan (IMMU-132) for $175 Million, Royalty Pharma Press Release, January 8, 2018. See also: https://www.royaltypharma.com/news/royalty-pharma-announces-acquisition-royalty-rights-global-0/
15. Estimated based on publicly available information as of the date of announced transaction; % of capital raised via royalty funding (through Royalty Pharma partnerships) assumes fully drawn facilities and maximum transaction value. Indicates capital raised since Biohaven's IPO in May 2017. See also: https://www.royaltypharma.com/wp-content/uploads/2025/08/RPRX-Corporate-Presentation-August-2025vFinal.pdf (Page 33)
16. Royalty Pharma Corporate Presentation, February 2025. See also: https://www.royaltypharma.com/wp-content/uploads/2025/03/RPRX-Corporate-Presentation-February-2025vFinal-1.pdf (Page 65)

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