

BIOPHARMA

— CREDIT PLC —

Debt Capital for the Life Sciences Industry



COMPANY PRESENTATION – February 2018

For additional information please email: ir@bpccruk.com
or visit BioPharma Credit's website at www.bpccruk.com

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BioPharma Credit Team



Pedro Gonzalez de Cosio
Co-Founder & Principal, Pharmakon (2009 to Present)

Prior Experience

- ▶ 17 years in Structured Finance with leading global banks
 - Deutsche Bank, JP Morgan, Nomura Securities, Société Générale
- ▶ 2 years coordinating the issuance of external debt for the Mexican Ministry of Finance (Mexico)



Martin Friedman
Principal, Pharmakon (2011 to Present)

Prior Experience

- ▶ 16 years in Health Care Finance with leading global banks
 - Bank of America / Merrill Lynch, Credit Suisse, JP Morgan
- ▶ 2 years as Head of M&A and Collaborations at Novartis AG based in Switzerland



Pablo Legorreta
Co-Founder and Principal, Pharmakon (2009 to Present)
Founder & CEO, Royalty Pharma (1996 to Present)

Prior Experience

- ▶ 10 years in Investment Banking with Lazard Freres

Member Board of Governors of the New York Academy of Sciences, Boards of Trustees of the Hospital for Special Surgery, the Pasteur Foundation, The Open Medical Institute. Chairman of Alianza Médica para la Salud (AMSA)

BioPharma Credit – Overview

Mission Statement

- ▶ **To become the premier dedicated provider of debt capital to the global life sciences industry**

Investment Objective and Strategy

- ▶ To generate long-term shareholder returns, predominantly in the form of sustainable income distributions from exposure to the life sciences industry
- ▶ The Company primarily invests in corporate and royalty debt secured by cash flows derived from sales of approved life sciences products
- ▶ Pharmakon Advisors, the Investment Manager, seeks to build a diversified portfolio with downside protection, high visibility and stability of cash flows
- ▶ Once substantially invested, BioPharma Credit will target an initial dividend yield of 7% and net total return on NAV of 8% to 9% per annum in the medium term

BioPharma Credit PLC

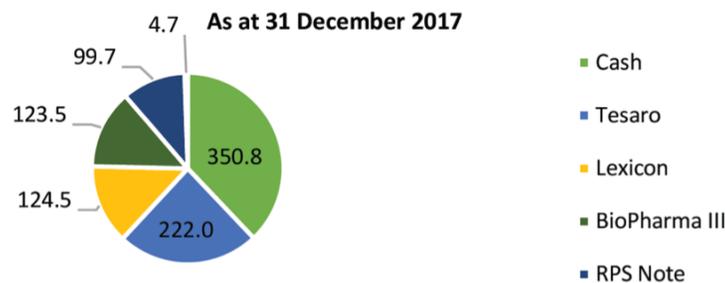
- ▶ Listed on the Specialist Funds Segment of the LSE on 27-Mar-2017 with the ticker: BPCR.L, raising initial gross proceeds of \$762m including \$339m seed portfolio with a gross return of approximately 12%¹
- ▶ Since the IPO the Company has made five investments and deployed \$513.7m through February 15, 2018 plus up to approximately \$334m² in the future subject to certain conditions. The Company has sold one investment for \$19.7m
- ▶ On 14 December 2017, the Company announced the successful placement of 152,375,471 ordinary shares at an issue price of \$1.0114, raising \$154m of gross proceeds.

¹ This is a target only and not a profit forecast. It is based on estimates of Pharmakon and is subject to change depending on the material risks and market changes. There can be no assurance that this targets will be met.

² Assumes \$150m investment in the Bristol Myers Squibb royalty (mid-point of the expected range).

BioPharma Credit – Update as at 31 December 2017

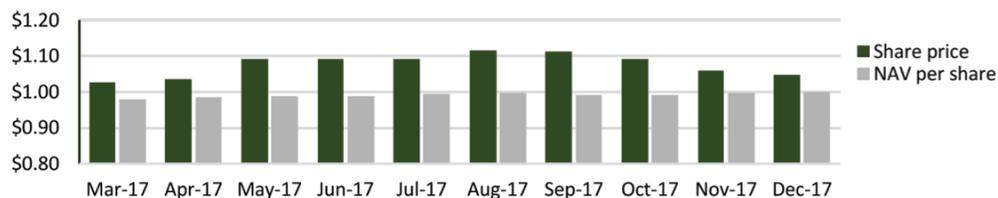
Ordinary shares		Assets	
Share price	\$1.05	Market capitalisation	\$957.2m
NAV per share	100.08 cents	Net assets	\$915.0m
Premium to NAV	4.62%	Fees	
Shares in issue	914.3m	Management fee	1% of NAV per annum
		Performance fee	10%¹



PERFORMANCE

Cumulative Performance

	1 month	2 months	3 months	Since launch
Share price	(1.04%)	(4.12%)	(5.93%)	4.70%
NAV per share ²	0.41%	0.85%	1.10%	2.12%



- The performance fee is calculated as 10% of outperformance above 0% return, subject to a 6% preferred return hurdle with 50% catch up.
- As set out in the Prospectus, the Initial Expenses to be borne by the Company were capped at 2% of the Gross Issue Proceeds. The cumulative NAV performance since launch reflects the Company's performance against the expected opening NAV per share of 98 cents on the date of IPO.

BioPharma Credit – Investment Manager Update

- ▶ Following IPO, the Company has announced three investments:
 - ▶ **Tesaro (21-Nov-17):** \$500m loan (BPCR up to \$370m)
 - ▶ **Lexicon (04-Dec-17):** \$200m loan (BPCR up to \$166m)
 - ▶ **Novocure (07-Feb-18):** \$150m loan
 - ▶ **Bristol Myers Squibb (08-Dec-17):** BPCR funding an estimated \$140-160m during 2018 through 2020 to acquire a 50% interest in a stream of payments from Bristol Myers Squibb linked to tiered worldwide sales of Onglyza and Farxiga, diabetes agents marketed by AstraZeneca, and related products. This transaction is expected to generate attractive risk-adjusted returns in the high single digits per annum
- ▶ In addition, the Company purchased 2.5% senior unsecured convertible notes issued by Depomed Inc., with a face value of US\$23.5 million, at an average price of 72.9 cents for a total consideration of US\$17.2 million. The Company sold the entire position at an average price of 83.4 cents and received proceeds of US\$19.7million including accrued interest, generating a net gain of US\$2.5 million and an IRR of 154%
- ▶ The Company has an attractive pipeline of potential future investments and is currently evaluating a number of opportunities for further deployment of capital
- ▶ Interim dividends declared and / or paid in line with target set out at IPO

\$500m senior secured loan to Tesaro

Tesaro Corporate Overview

- ▶ **Description:** Tesaro is an oncology-focused biopharmaceutical company focused on in-licensing and developing oncology-related product candidates, including rolapitant, niraparib, and product candidates under their immuno-oncology platform
- ▶ **Market Cap:** \$3.3bn as of 02/15/18
- ▶ **Most recent product sales (Q3):** Zejula: \$39.4m ; Varubi: \$2.4m

	US approval	EU approval
Zejula	March 2017	November 2017
Varubi Oral	September 2015	April 2017
Varubi IV	October 2017	

Key terms of Loan

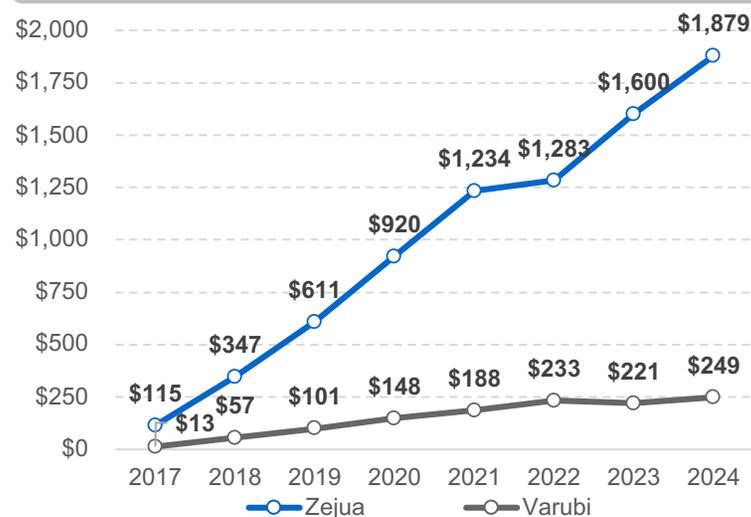
- ▶ **Size of facility:** \$500m to be funded in two tranches
 - ▶ Tranche A: \$300m
 - ▶ Tranche B: \$200m (prior to 12/20/18)
- ▶ **Funding fee:** 2% of Tranche A + 2% of Tranche B (draw)
- ▶ **Interest rate:**
 - ▶ Tranche A: L+8.0% (subject to a floor and cap)
 - ▶ Tranche B: L+7.5% (subject to a floor and cap)
- ▶ **Amortization:** 2-year interest only then 3% quarterly
- ▶ **Duration:** 7 years
- ▶ **Make-whole:** 2 year
- ▶ **Prepayment:** 3% before 2nd anniversary, 2% before 3rd anniversary, and 1% before 4th anniversary of Tranche A

Source: Pharmakon Advisors, Tesaro public disclosures, Bloomberg

Description of key products

- ▶ **Zejula (niraparib)** – is a once-daily orally active poly (ADP-ribose) polymerase, or PARP, inhibitor available for the maintenance of women with recurrent ovarian, fallopian tube, or primary peritoneal cancer who are in response to platinum-based chemotherapy
- ▶ **Varubi (rolapitant)** – is a selective and competitive antagonist of substance P/NK-1 receptors, which play an important role in combination with other antiemetic agent for nausea and vomiting associated with initial and repeat courses of emetogenic cancer chemotherapy

Bloomberg consensus estimates



\$200m senior secured loan to Lexicon

Lexicon Corporate Overview

- ▶ **Description:** Lexicon is a biopharmaceutical company focused on developing drugs for cancer, diabetes, and pain including Xermelo for the treatment of Carcinoid Syndrome diarrhea and sotagliflozin for Type 1 and Type 2 diabetes
- ▶ **Market Cap:** \$840m as of 02/15/18
- ▶ **Most recent product sales:**
 - ▶ **Xermelo (3Q):** \$5.8m (\$10.4m YTD)
 - ▶ US approval February 2017 & EU approval September 2017
- ▶ **License agreement:**
 - ▶ \$300m upfront from Sanofi for worldwide rights to Sotagliflozin and up to \$430m for development and regulatory milestones and up to \$990m for sales milestones
 - ▶ Sanofi expected to file for US registration Q1 2018

Key terms of Loan

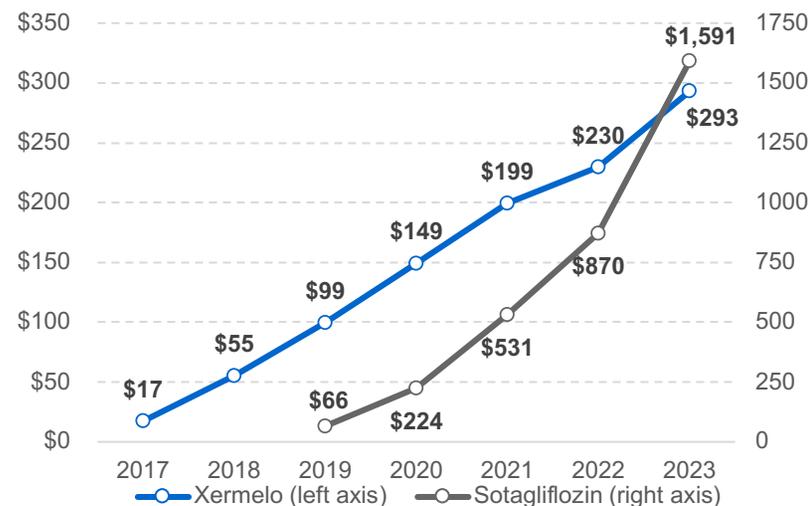
- ▶ **Size of facility:** \$200m to be funded in two tranches
 - ▶ Tranche A: \$150m
 - ▶ Tranche B: \$50m (3/20/19 subject to previous quarter sales being greater than \$25m)
- ▶ **Funding Fee:** Not disclosed
- ▶ **Interest rate:** 9.0%
- ▶ **Amortization:** Principal amount 5 years post funding date
- ▶ **Duration:** 5 years
- ▶ **Prepayment:** 2% prior to 4th anniversary of Tranche A closing date and 1% after the fourth anniversary of the Tranche A closing date but prior to the 5th anniversary
- ▶ **Make-whole:** 3 years

Source: Pharmakon Advisors, Lexicon public disclosures, Sanofi public disclosures, Bloomberg

Description of key products

- ▶ **Xermelo (telotristat ethyl)** - an oral treatment that works with somatostatin analog (SSA) therapy to reduce the overproduction of serotonin hormone to control Carcinoid Syndrome diarrhea. SSA injections are used to slow the release of serotonin in the body (outside the tumor) while Xermelo functions inside the neuroendocrine tumor to reduce the overproduction of serotonin. Lexicon granted Ipsen commercial rights to telotristat ethyl outside the US & Japan
- ▶ **Sotagliflozin (LX4211)** – an orally-delivered phase 3 compound for Type 1 and Type 2 diabetes that inhibits both sodium-glucose cotransporter type 2, or SGLT2, a transporter responsible for glucose reabsorption performed by the kidney and sodium-glucose cotransporter type 1, or SGLT1, a transporter responsible for glucose and galactose absorption in the gastrointestinal tract

Bloomberg consensus estimates



\$150m senior secured loan to Novocure

Novocure Corporate Overview

- ▶ **Description:** Novocure is a commercial stage oncology company developing a profoundly different cancer treatment utilizing a proprietary therapy called TTFIELDS
- ▶ **Market Cap:** \$1.9bn as of 02/15/18
- ▶ **Approvals:** FDA approval in December 2011 for use as a monotherapy treatment for adult patients with GBM following confirmed recurrence after chemotherapy. In October 2015, received FDA approval for the treatment of adult patients with newly diagnosed GBM in combination with temozolomide
 - ▶ Also approved in Germany, Switzerland, Japan and others.
- ▶ **Most recent product sales:**
 - ▶ On 9 January 2018, Novocure reported unaudited revenues of US\$53.7 million for the fourth quarter of 2017 and US\$177 million for the full year ended 31 December 2017.

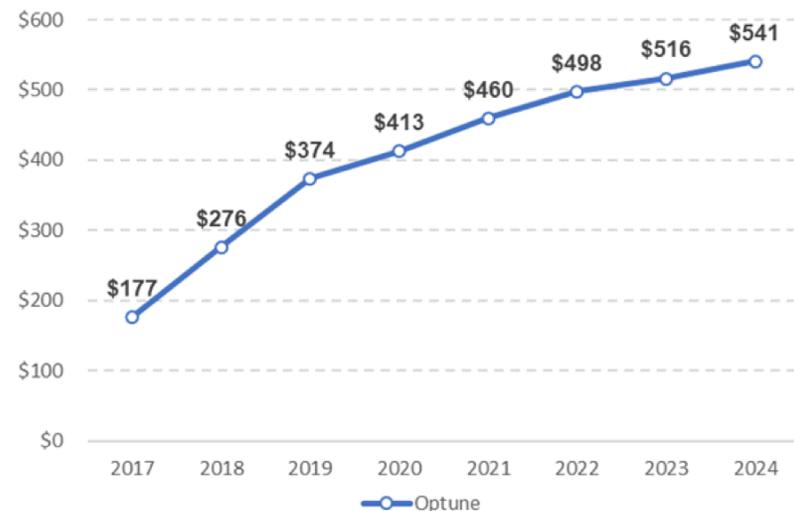
Key terms of Loan

- ▶ **Size of facility:** \$150m to be funded in one tranche
 - ▶ Note: \$100m was used to repay loan held by BioPharma-III resulting in a \$46m distribution to BioPharma Credit
- ▶ **Funding Fee:** None
- ▶ **Interest rate:** 9.0%
- ▶ **Amortization:** Principal amount 5 years post funding date
- ▶ **Duration:** 5 years
- ▶ **Prepayment:** 2% prior to third anniversary and 1% prior to the fourth anniversary
- ▶ **Make-whole:** 2 years

Description of key products

- ▶ **Optune System** - a cancer treatment centered on a proprietary therapy called TTFIELDS, which involves the use of electric fields tuned to specific frequencies to disrupt solid tumor cancer cell division. Optune is currently approved for the treatment of adults with Glioblastoma ("GBM").
- ▶ **Pipeline** – Novocure invests meaningfully in R&D and has late stage trials (Phase III pilot studies) underway for TTFIELDS in brain metastases, non-small cell lung cancer and pancreatic cancer.

Bloomberg consensus estimates



Source: Pharmakon Advisors, Novocure public disclosures, Bloomberg

Target Investments

BioPharma Credit will mainly invest in debt secured by rights to approved life sciences products or royalties from sales of approved life sciences products

Debt

- ▶ Investments seek predictable cash flows with downside protection

Secured

- ▶ Product rights or royalties will serve as collateral for the debt

Product Rights

- ▶ Intellectual property, regulatory rights, etc. that give a life sciences company exclusivity on products and methods of treating certain diseases

Royalties

- ▶ Right to receive a pre-determined percentage of product sales derived from a license to product rights

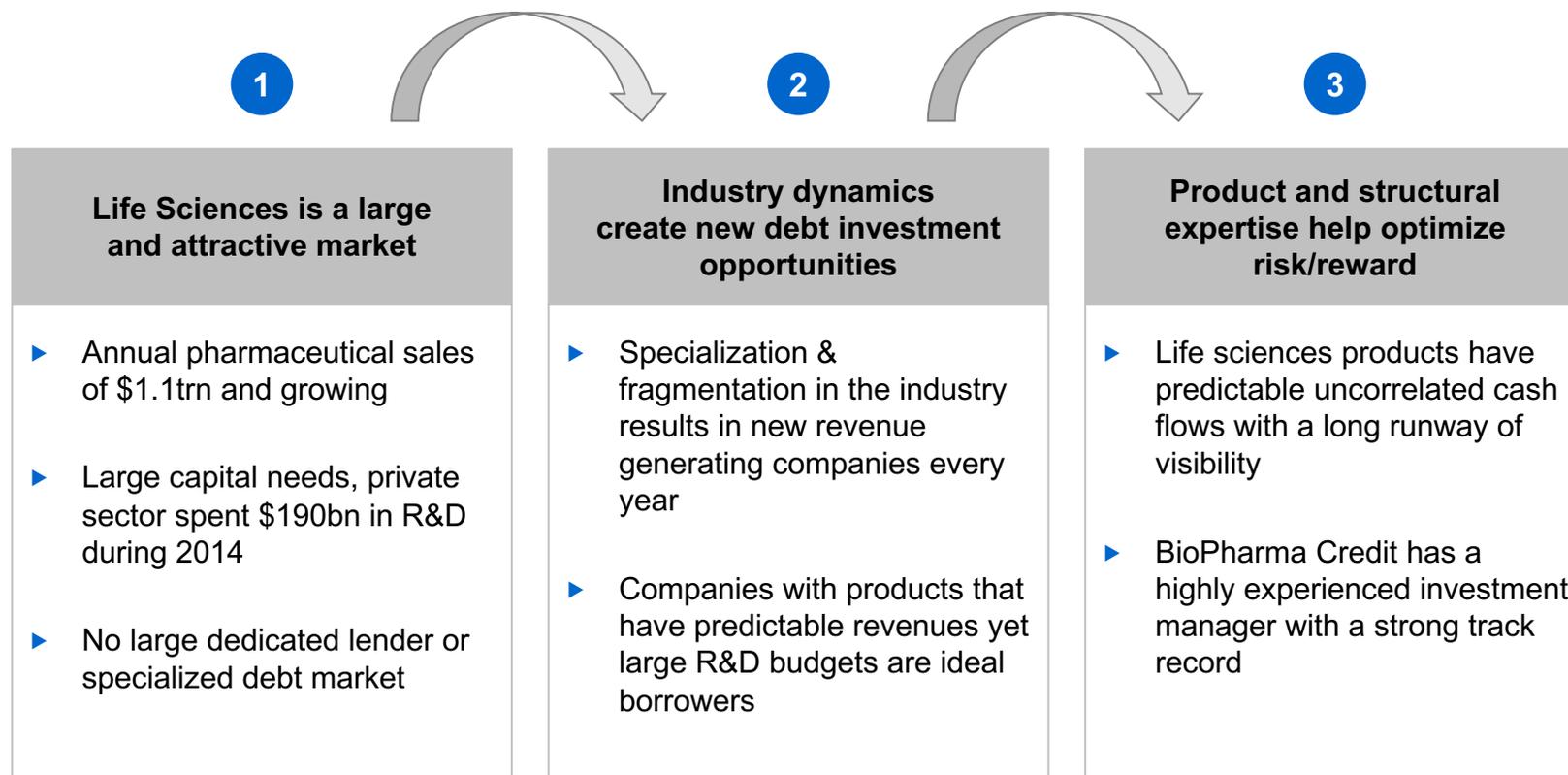
Approved

- ▶ Diminished clinical trial risk or regulatory risk

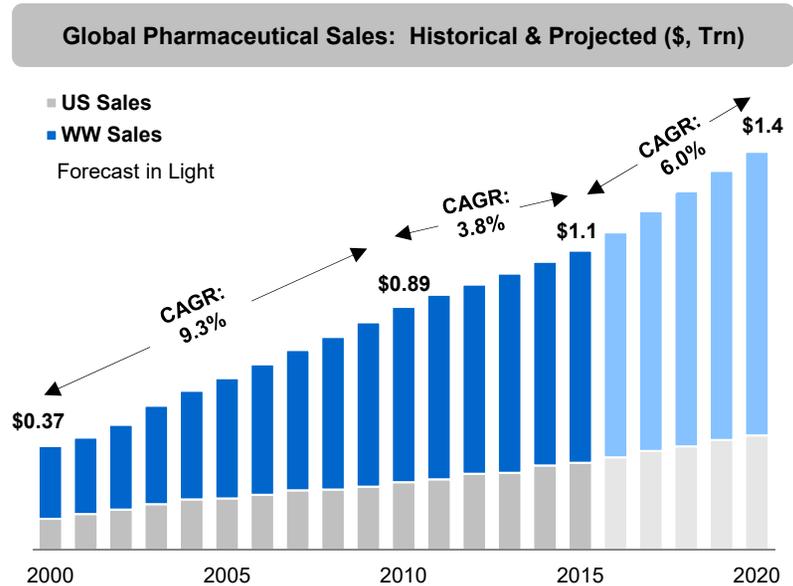
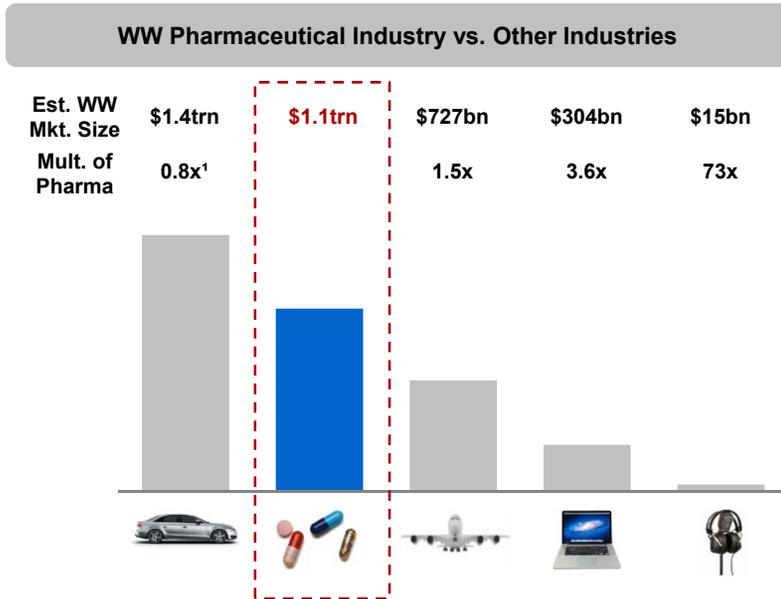
Life Sciences

- ▶ Products may include pharmaceuticals, bio-pharmaceuticals, medical devices, and clinical diagnostics

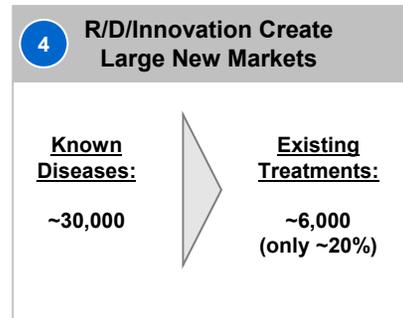
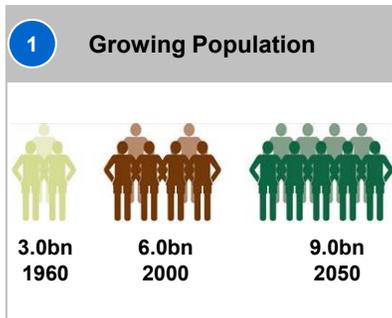
Providing Debt Capital for the Life Sciences Industry is a Unique Investment Opportunity



1 Life Sciences is a Large, Vital Industry with Strong, Consistent Growth



Strong Expected Growth Over Foreseeable Future Fueled by 4 Strong Growth Drivers



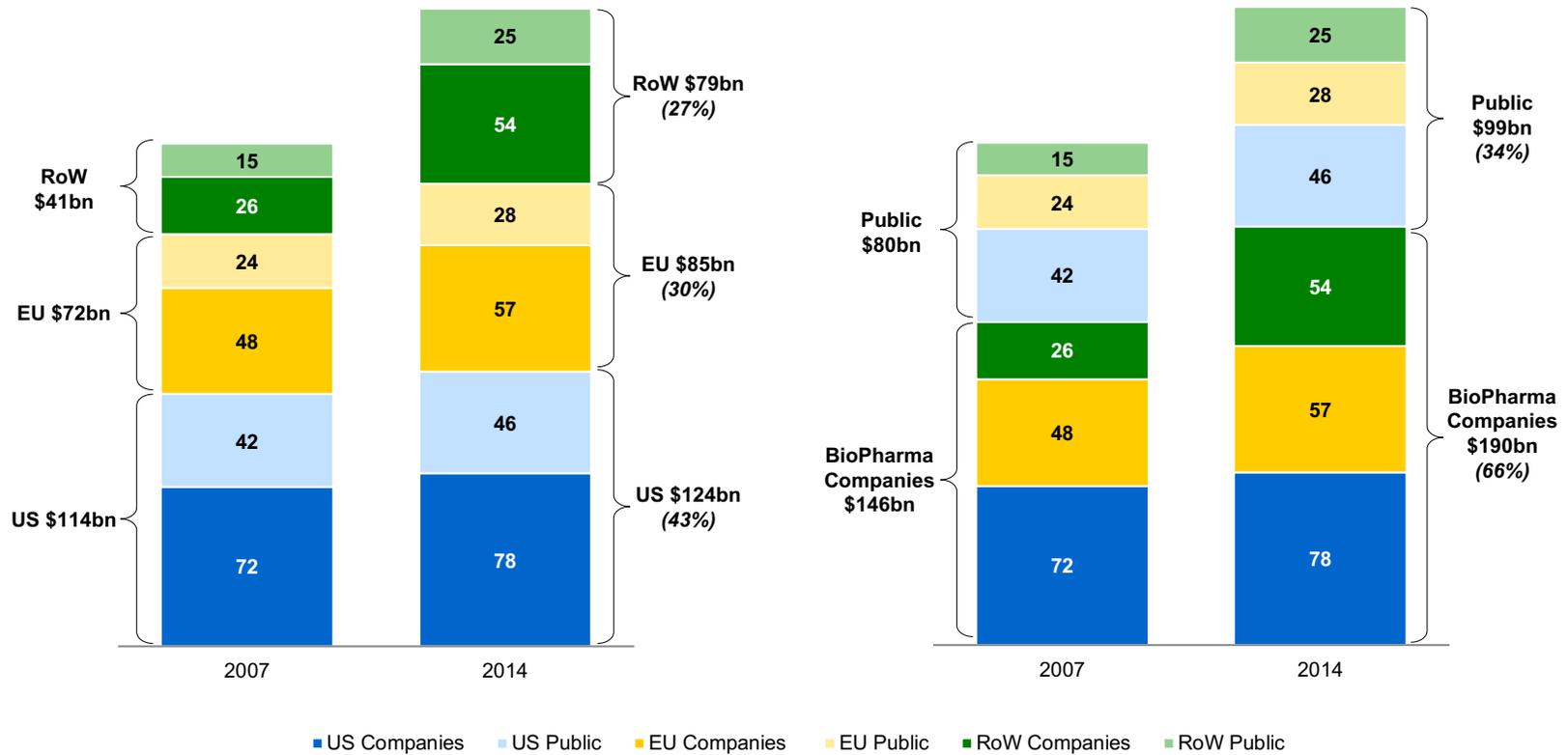
Source: World Health Organization, Evaluate Pharma, IFPI, Statista, Ibis World, Rare Disease Foundation, Energy and Commerce Committee, IMS, CIA World Factbook

¹ Includes top 16 auto manufacturers worldwide.

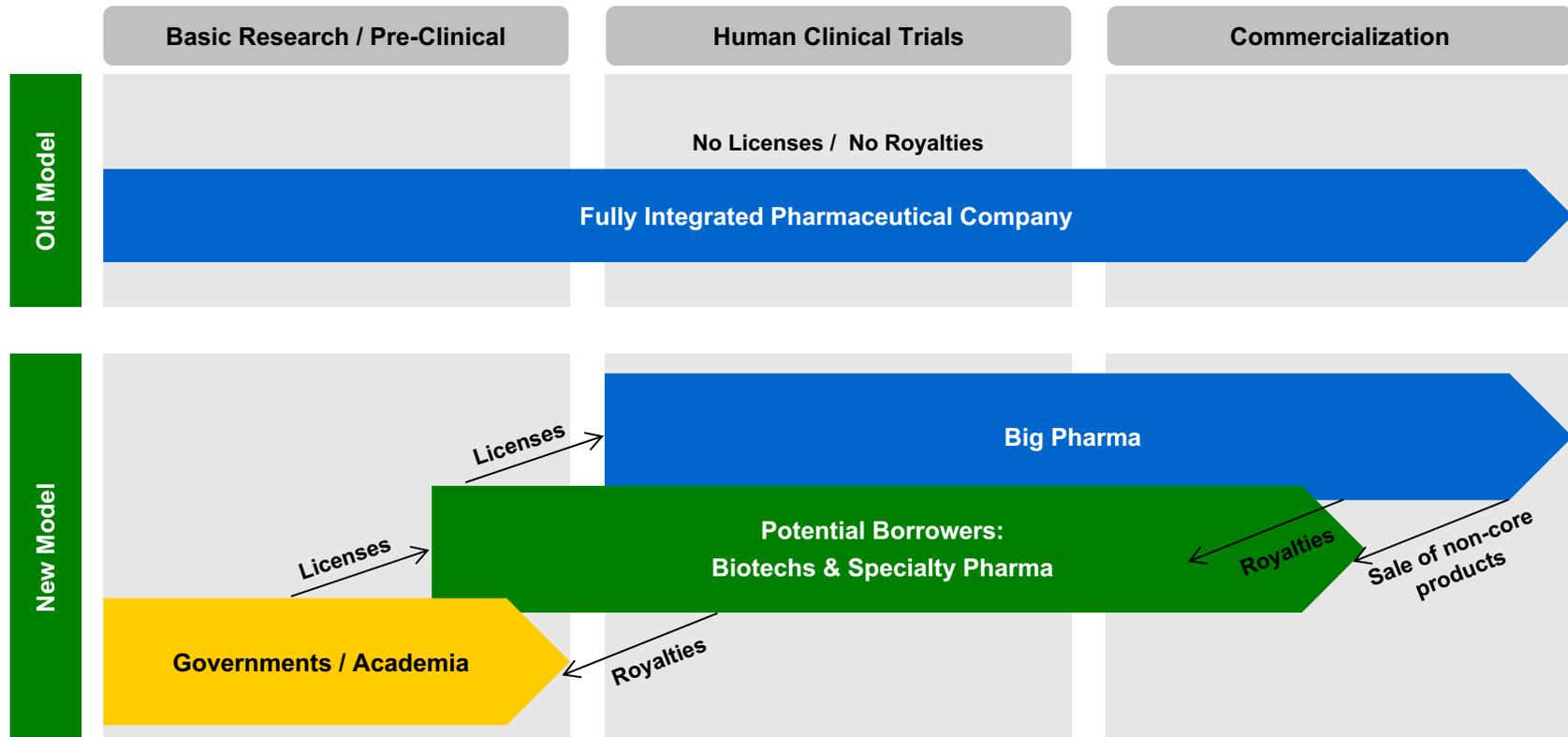
1 An Industry with a Constant Need for Capital

Global R/D Investment in Life Sciences (\$, bn)

By Region **By Source**

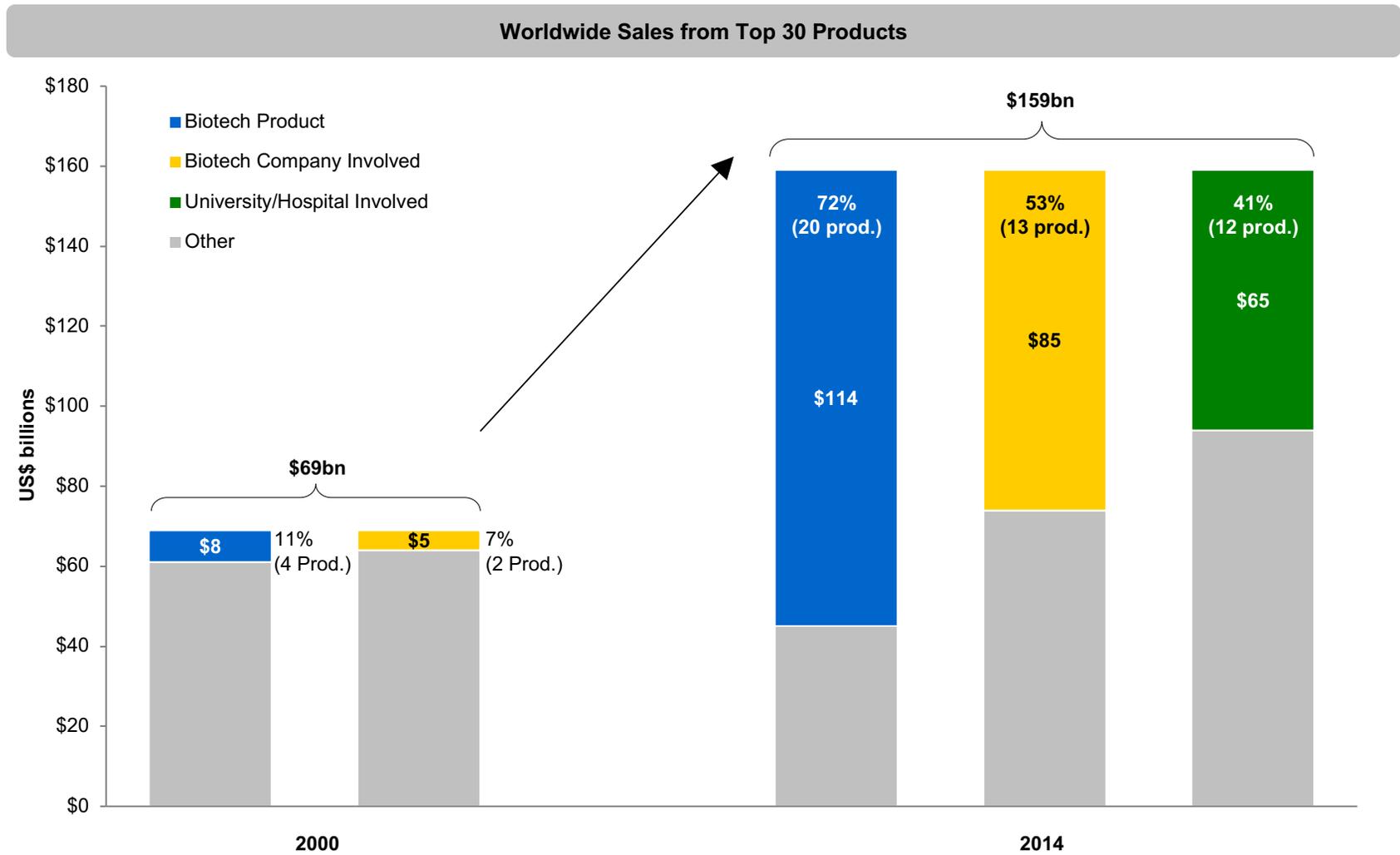


2 Specialization & Fragmentation of Drug Discovery is Leading to More Lending Opportunities

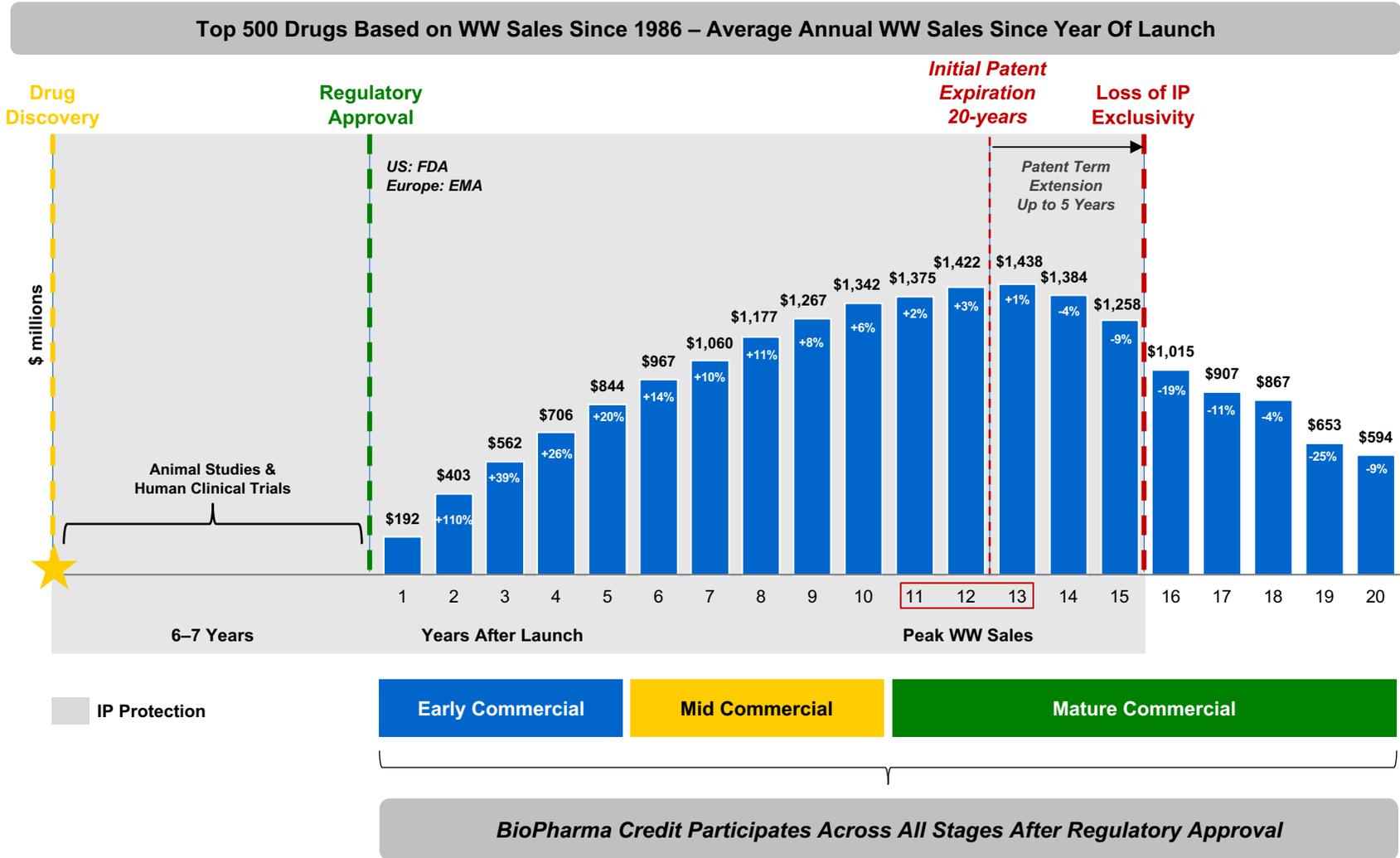


As new products are approved, more companies are generating rights and royalties from life sciences products, the ideal collateral for BioPharma Credit. Recent trend of Big Pharma selling non-core products to smaller companies also creates new lending opportunities

2 Biotech Companies and Academic Institutions are Driving Industry Innovation and Growth



3 Life Sciences Products Have Stable Cash Flows and Long Runway of Visibility



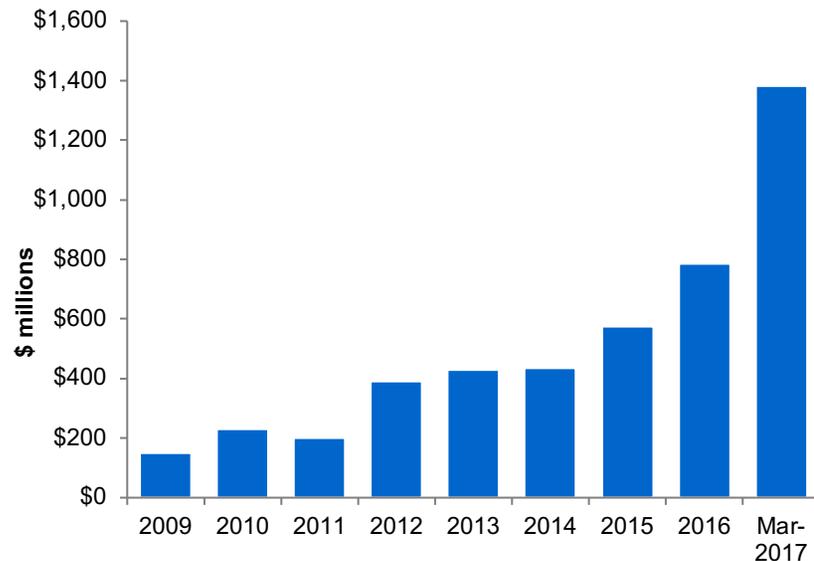
Source: Evaluate Pharma

3 The Investment Manager

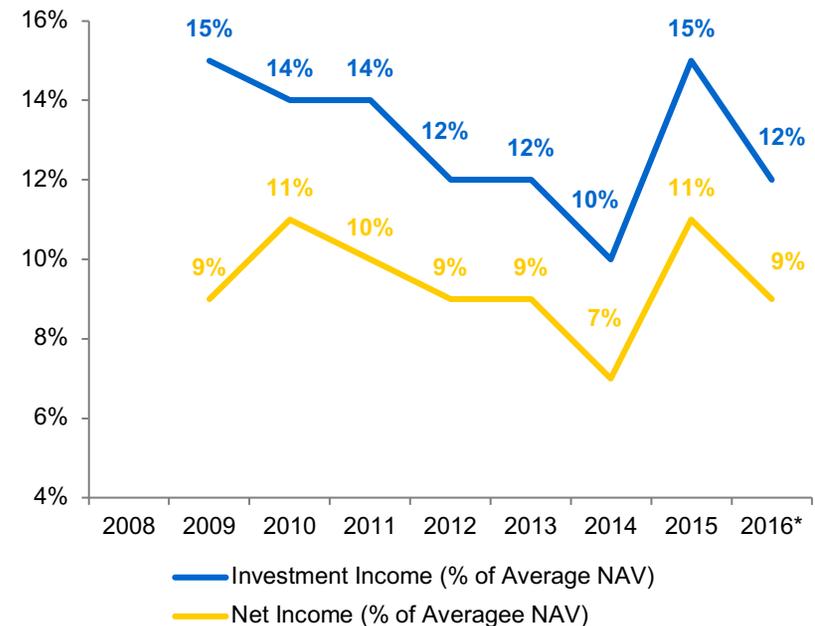
Pharmakon Advisors, LP

- ▶ Founded in 2009; manager of the BioPharma funds
- ▶ \$1.3bn committed over 7 years in 21 transactions & 4 funds
- ▶ 13% unlevered weighted average projected gross returns from first three funds¹
- ▶ 10% unlevered net returns after all fees and expenses¹
- ▶ No defaults

Pharmakon Advisors Assets Under Management



BioPharma Funds (Consolidated)



Source: Pharmakon estimates

¹ This is a target only and not a profit forecast. It is based on estimates of Pharmakon and is subject to change depending on the material risks and market changes. There can be no assurance that this target will be met.

* 2016 returns are as of September 2016

3 BioPharma Credit's Experienced Senior Management Team

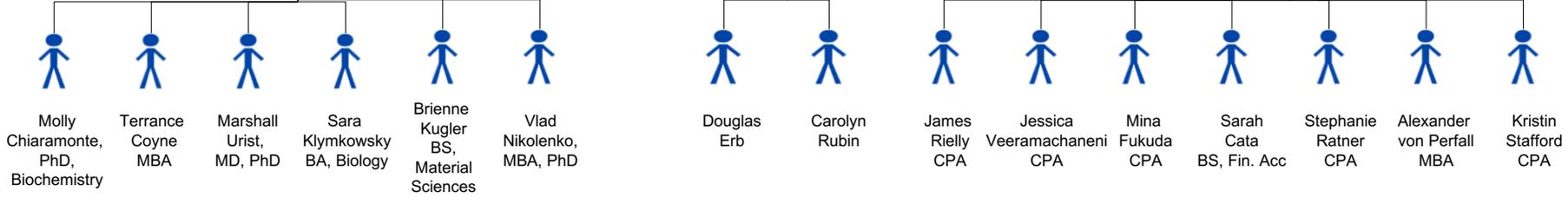
Pharmakon Advisors

<p>Pedro Gonzalez de Cosio <i>Co-Founder and Principal</i></p> <ul style="list-style-type: none"> ▶ Co-founded Pharmakon in 2009 after 17 years in structured finance investment banking 	<p>Martin Friedman <i>Principal</i></p> <ul style="list-style-type: none"> ▶ Joined Pharmakon in 2011 after 18 years in healthcare finance 	<p>Pablo Legorreta <i>Co-Founder and Principal</i></p> <ul style="list-style-type: none"> ▶ Co-Founded Pharmakon in 2009 ▶ Founded Royalty Pharma in 1996 	<p>Jeffrey Caprio, CPA <i>Controller</i></p> <ul style="list-style-type: none"> ▶ Joined Pharmakon in 2010 after 3 years at Deloitte
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RP Management (Under Shared Services Agreement)

Research Team	Legal and Compliance Team	Finance Team
<p>Jim Reddoch, PhD <i>EVP and Head of Research</i></p> <ul style="list-style-type: none"> ▶ Joined in 2008 after 12 years in biotech equity research on Wall Street 	<p>George Lloyd <i>EVP and General Counsel</i></p> <ul style="list-style-type: none"> ▶ Joined in 2011 after 25 years in corporate law 	<p>Susannah Gray <i>EVP and Chief Financial Officer</i></p> <ul style="list-style-type: none"> ▶ Joined in Jan-2005 after 14 years in fixed income investment banking



Management team with extensive healthcare / finance experience and over 20 years of royalty investment experience

Case Study: \$575m Senior Secured Loan for Depomed

Background

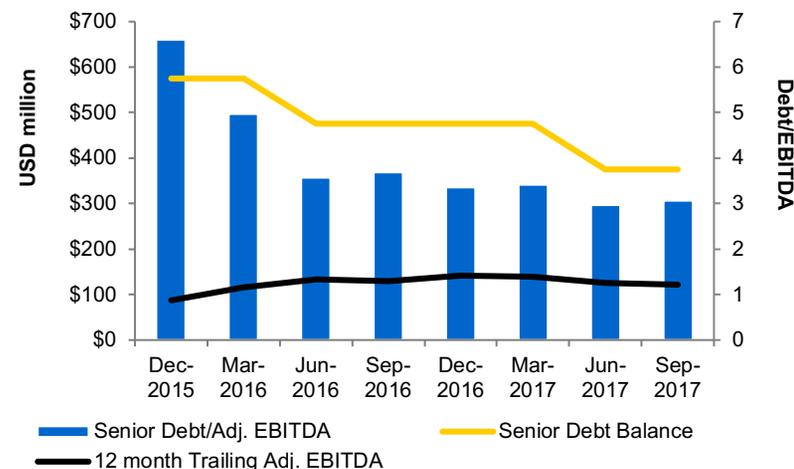


- ▶ In 2015, Depomed required financing to purchase Nucynta, a pain product, from JNJ for \$1.05bn
- ▶ Depomed needed to raise \$575m but traditional banks were only willing to lend ~\$300m

Pharmakon Solution

- ▶ Pharmakon identified substantially greater collateral value that justified a larger, \$575m financing
- ▶ Pharmakon’s expertise and thorough diligence showed that Depomed’s changes to JNJ’s marketing of Nucynta would result in much greater sales and EBITDA
- ▶ Because of the larger size, Pharmakon was able to negotiate attractive economic terms: 10.75% coupon + 2.25% up-front

DEPOMED Senior Secured Loan



Update

- ▶ Senior Debt / Adj. EBITDA has decreased from ~7 times in Dec-2015 to ~3 times in Sept-2017
- ▶ Through November 2017, \$210m of generated cash has been used to pay down the loan by 37% to a current \$365m

Source: Pharmakon Advisors; Depomed public disclosures

Case Study: \$150m loan to Halozyme Secured by Roche/Genentech & Baxalta Royalties

Background

- ▶ Halozyme developed ENHANZE™ technology that allows for intra-venous (IV) infused drugs to be reformulated and delivered via more convenient Sub-Q injection
- ▶ Licensed the technology to Roche and Baxalta in exchange for royalties
- ▶ By the end of 2015, the royalties had a 12 month run rate of \$38m, Halozyme needed to raise \$150m but did not want to raise equity or sell the royalties

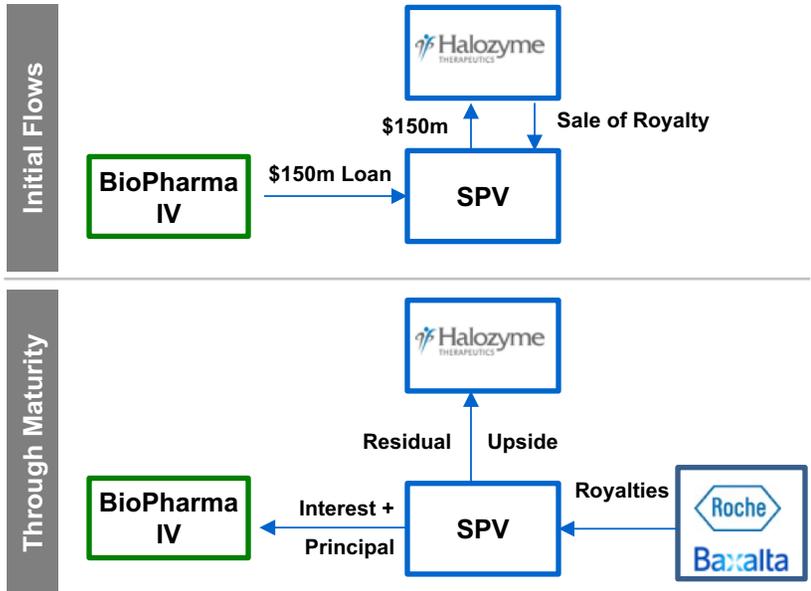
	<i>Transformed treatment of lymphoma - 2015 sales: \$7bn</i>  → ENHANZE™ → 
	<i>Transformed breast cancer treatment - 2015 sales: \$6.5bn</i>  → ENHANZE™ → 
	<i>Primary Immunodeficiency in adults</i>  → ENHANZE™ → 

Pharmakon Solution

- ▶ In Jan'2016 BioPharma IV led a \$150m loan secured with the Roche and Baxalta royalties
- ▶ The loan was structured so that credit exposure was limited to the royalties paid by the large pharmaceutical companies, bypassing smaller Halozyme
- ▶ Halozyme was allowed to retain 100% of the royalties in 2016 and 50% during 2017
- ▶ Loan expires in 2020 and is expected to generate a 10.3% rate of return

Source: Pharmakon Advisors; Halozyme public disclosures

Transaction Structure



Update

- ▶ Loan balance increased to \$165m by the end of 2016 and is expected to go back to \$150m by the end of 2017
- ▶ Royalty run rate has increased from \$38m in late 2015 to \$59m currently

BioPharma Credit Assets at IPO (30-Mar-2017)

- ▶ Unique portfolio of seed assets representing a cross section of all existing assets, generating a gross return of approximately 12%¹
- ▶ Target returns of 8-9% net total return on NAV per annum over the medium term¹
- ▶ 7% target dividend yield on issue price once substantially invested, ideally within 12 months from the date of the IPO¹

Investment	Value (\$M) ¹	Description	Expected Maturity	Projected Gross Returns ¹	
				Cash on Cash	IRR
RPS Note	\$185.1	Note secured by royalties on 21 bio-pharmaceutical products	2020	1.1	12%
BioPharma III	\$153.5	Interest in limited partnership that owns 5 loans secured by life sciences products	2021	1.2	12%
Total Seed Assets	\$338.6				
Cash	\$408.0				
Total Assets	\$746.6				

¹ Values as of 30-Mar-2017. Any estimates, valuations and projections provided are based on the internal records or data of Pharmakon and its principals and no independent third party has reviewed the reasonableness of or verified any such statements or assumptions. The projections are not profit forecasts and subject to change depending on material risks and market changes. There can be no assurance that these projections will be met.

Investment Opportunity – Summary



The Life Sciences Debt Market is an Underserved, Large and Growing Opportunity

- ▶ Worldwide \$1.1tn industry growing at 6% per annum
- ▶ Large capital needs, private companies spent \$190bn in R&D during 2014
- ▶ Industry dynamics create new debt investment opportunities
- ▶ No large dedicated lender or specialized debt market

Pharmakon Advisors, LP

BioPharma Credit has an Experienced Investment Manager with a Strong Track Record

- ▶ \$1.3bn invested in 21 transactions backed by cash flows from life sciences products
- ▶ Weighted average annualized gross returns 13%¹ (10%¹ net) achieved without leverage
- ▶ Zero defaults
- ▶ Core team has over twenty years' experience investing in life sciences debt and royalties

BIOPHARMA CREDIT PLC

BioPharma Credit Targets Strong Risk-Adjusted Returns

- ▶ Target returns of 8-9% net total return on NAV per annum over the medium term¹
- ▶ 7% target dividend yield on issue price once substantially invested¹
- ▶ Unique portfolio of seed assets representing a cross section of all existing assets, generating a gross return of approximately 12%¹

¹ These are targets and not profit forecasts. They are based on estimates of Pharmakon and are subject to change depending on the material risks and market changes. There can be no assurance that these targets will be met.