

# Royalty Pharma's Response to Elan's Tysabri Valuation



31 May 2013

**Response to Elan's Valuation of 29 May 2013**

# Elan's Valuation of Tysabri is Far Too High\*

- Elan's Tysabri valuation "analysis" provides limited detail and relies only selectively on consensus numbers\*
- Elan's valuation assumptions are above full street consensus estimates *and* do not reflect a balanced risk assessment even if one believes in Tysabri (as we do)\*
- Elan asks shareholders to imagine a very hypothetical world where Elan is not laden with substantial expenses and is not funding expensive late-stage development programs (i.e. for AOP Orphan)\*
- Elan's 7.5% discount rate is low for a single product whose principal patent expires in 2020\*
- Tax rate assumption is optimistic given that \$1.5 billion<sup>1</sup> NOLs will likely be exhausted by YE'17, at which point the tax rate would increase to 12.5%<sup>2</sup>\*
- How can Elan claim the Tysabri royalty is worth \$6.1 billion<sup>3</sup> when they sold equivalent economics to Biogen for \$3.25 billion<sup>4</sup> only two months ago?\*

***Once you look through Elan's elementary valuation efforts with cherry-picked numbers...\$12.50 is a full and fair value\****

\* Denotes a Royalty Pharma opinion

<sup>1</sup> Disclosed by Elan on conference call on 6 February 2013 that company has "over \$1.5bn in available tax deductions"; this document assumes \$1.5bn of NOLs

<sup>2</sup> Tax rate assumed by Elan in 29 May 2013 slides post 2020

<sup>3</sup> Based on claim in 29 May 2013 slides that "The underlying value of Tysabri is \$11.85 per share" and assumption used in those slides of a fully diluted NOSH of 518m

<sup>4</sup> Assumes that Tysabri Transaction ascribed a valuation of \$3.25bn to Elan's retained royalty participation, and that minimal net value ascribed to Elan's assets and liabilities other than Tysabri royalty and its net cash position, as set out in Royalty Pharma's previous announcements

# Elan's Tysabri Assumptions Are More Aggressive than Consensus\*

	Elan Assumptions	Consensus Assumptions
<b>Tysabri Sales Post 2016</b>	<ul style="list-style-type: none"> <li>■ Stops using consensus sales forecasts at 2016</li> <li>■ Grow Tysabri revenues at 5% from 2016-2024</li> </ul>	<ul style="list-style-type: none"> <li>■ Full Street <b><u>Consensus forecast 2016-2024 is 1.0%</u></b><sup>1</sup></li> <li>■ Royalty Pharma's Tysabri expectation in 2020 is <b><u>consistent with consensus estimates</u></b> (at \$2.7bn)</li> </ul>
<b>WACC</b>	<ul style="list-style-type: none"> <li>■ Apply a 7.5% WACC</li> </ul>	<ul style="list-style-type: none"> <li>■ It is <b><u>difficult</u></b> for a company with all-in borrowing cost on 8-year debt of approximately 6.5%<sup>3</sup> <b><u>to get a WACC of 7.5%</u></b>, especially for a single product company*</li> </ul>
<b>Terminal Value</b>	<ul style="list-style-type: none"> <li>■ Assume a -2% to -4% TV growth rate on Tysabri royalties post 2024</li> </ul>	<ul style="list-style-type: none"> <li>■ "Elan's base case assumes Tysabri sales of &gt;\$1bn in 2067" – Deutsche Bank, 30-May-2013</li> <li>■ Royalty Pharma believes it is patently ridiculous to assume that a drug facing generic competition will generate revenue of this level in 54 years time</li> </ul>

***These discrepancies are only part of the reason why 8 out of 10<sup>2</sup> analysts have price targets for Elan below our \$12.50 offer price***

\* Denotes a Royalty Pharma opinion

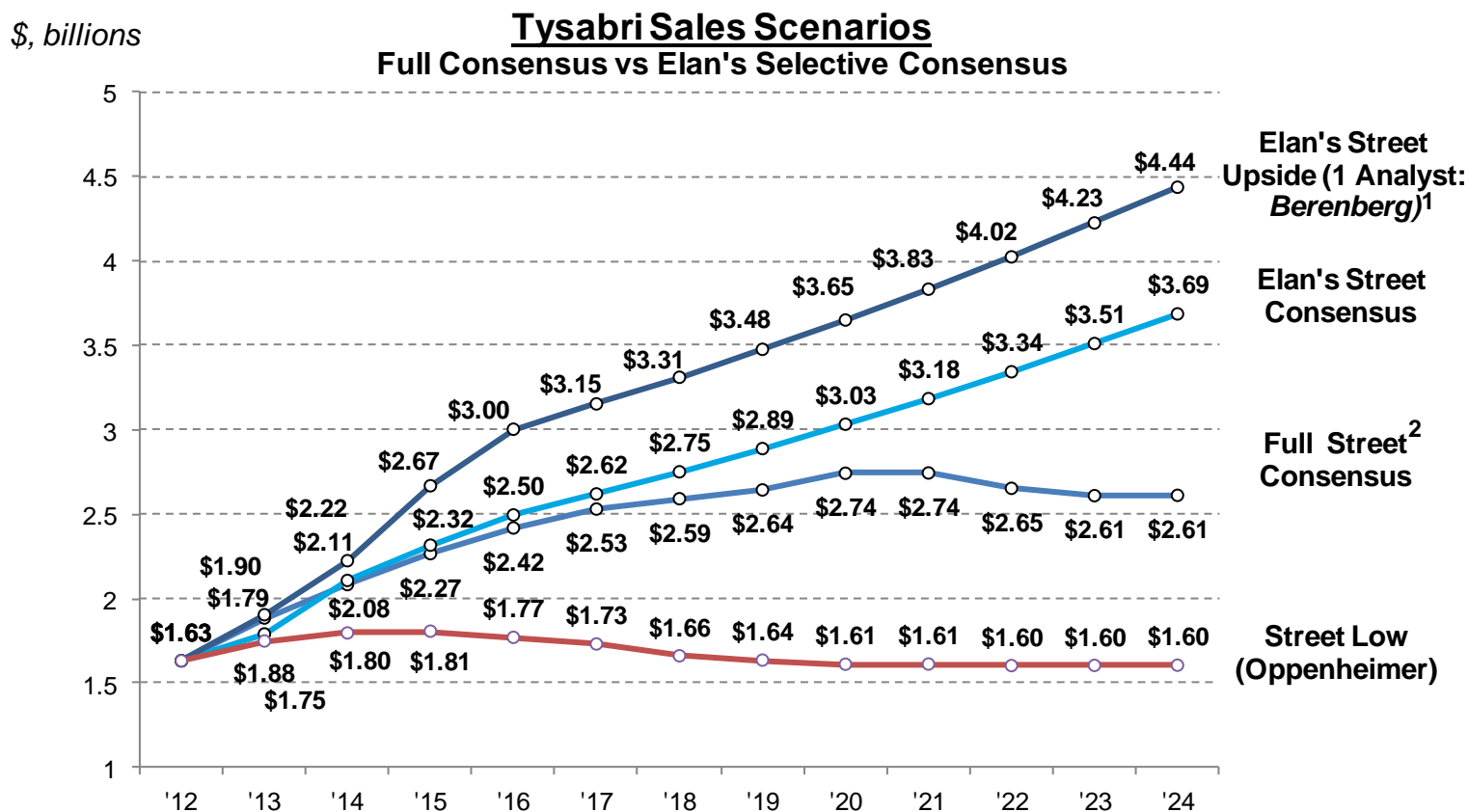
Note: See appendix for details of the Full Street Consensus

<sup>1</sup> Based on consensus forecasts included in appendix. Consensus is based on a median of all analysts publishing forecasts for each given year up to 2020. Post 2020, the consensus forecast is grown each year by the median analyst growth rate for that year (this methodology is used given that the number of contributing analysts begins to decrease materially at this point)

<sup>2</sup> Based on analysts with published price targets on 30 May 2013 (sourced from Bloomberg, Factset)

<sup>3</sup> Including impact of fees

# Full Street Consensus Shows Much Lower Sales Than Elan's Version



■ Elan's projections up to 2016 are in-line with the Full Street Consensus

■ However, Elan uses a much higher growth rate than Full Street Consensus between 2016 and 2024\*

\* Denotes a Royalty Pharma opinion

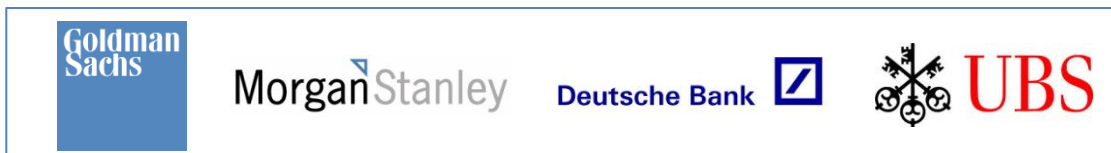
Note: See appendix for details of the Full Street Consensus

<sup>1</sup> As used in Elan's 29 May 2013 slides (with growth of 5% p.a. post 2016)

<sup>2</sup> Based on consensus forecasts included in appendix. Consensus is based on a median of all analysts publishing forecasts for each given year up to 2020. Post 2020, the consensus forecast is grown each year by the median analyst growth rate for that year (this methodology is used given that the number of contributing analysts begins to decrease materially at this point)

# Many Analysts Already Factor in SPMS in Estimates

- Elan appears to argue that Analysts do not have SPMS in their numbers<sup>1</sup>...
  - *...yet, we count 4 Analysts who do include SPMS in their numbers*



- **Royalty Pharma believes SPMS may not be as big as analysts and investors think...\***
  - ...Leerink Swann recently conducted a survey of 95 MS caregivers<sup>2</sup>

Key question	Answer	Implication*
■ What % of current Tysabri use is in SPMS?	41%	<i>There may be downside if Phase III trial is negative*</i>
■ What proportion of SPMS patients are “still relapsing”?	26% to 34%	<i>These patients are already eligible for Tysabri; unlikely to be sales upside if it works in just these patients*</i>
■ What % of total SPMS patients receive Tysabri?	14% to 18%	<i>Given this amount of use already, the upside from approval may be much smaller than people think*</i>

***High percentage of SPMS patients are already using or eligible for Tysabri, so upside from SPMS approval could be limited\****

\* Denotes a Royalty Pharma opinion

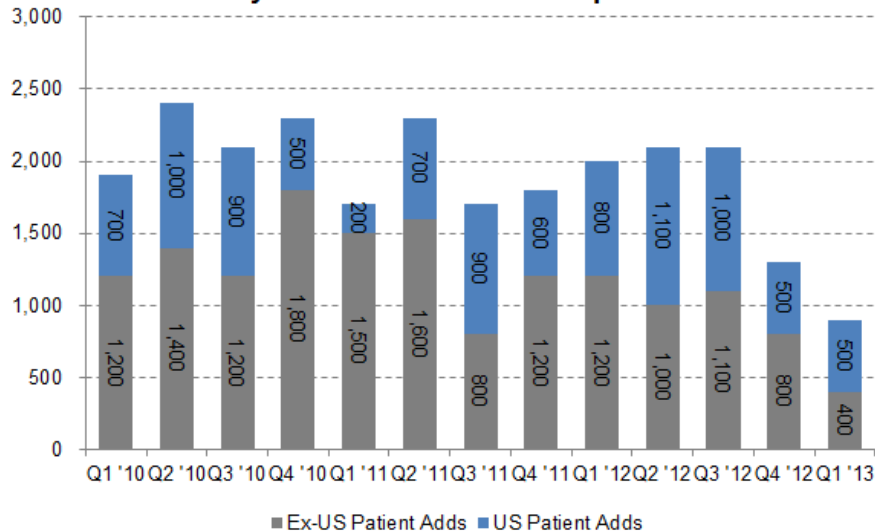
<sup>1</sup> Based on statement in 29 May 2013 press release that “Additional life cycle opportunities may provide further upside. This valuation is based on one indication (RRMS) only”

<sup>2</sup> Leerink Swann survey published 30 May 2013

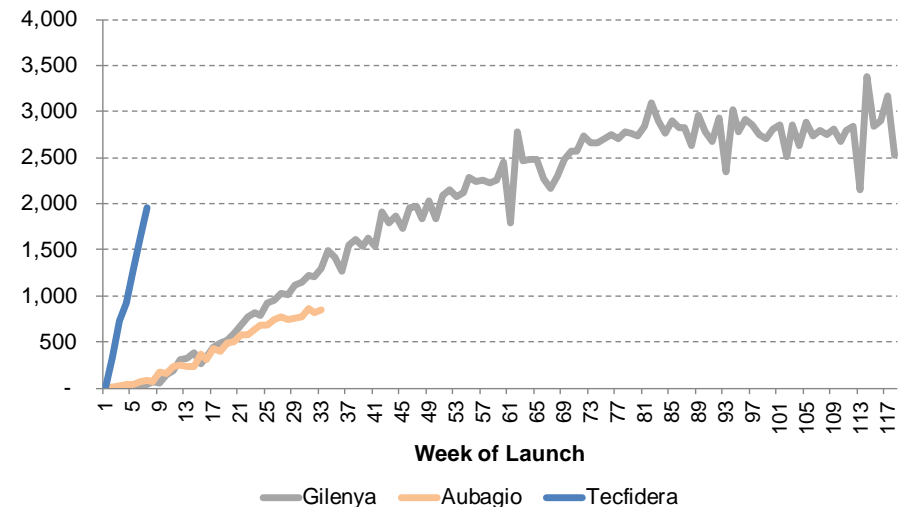
# Tysabri is a Great Drug, But New Patient Additions Had Already Slowed Even Before Tecfidera's Extraordinary Launch\*

- Tysabri net patient additions have slowed meaningfully over the past several quarters, a trend which began even prior to the Tecfidera launch
- Tecfidera launched in 2Q'13 and is having one of the best MS launches in recent history\*
- Royalty Pharma believes these market trends put pressure on the Tysabri valuation since Elan sold ~50% of its economics to Biogen for \$3.25 billion<sup>1</sup>, and therefore how can \$4.6 billion<sup>2</sup> substantially undervalue the Tysabri royalty?\*

**Tysabri - Net Patient Adds per Quarter**



**Gilenya vs Aubagio vs Tecfidera TRx @ Launch**



Source: Tysabri net patient adds from Biogen and Elan company filings; Tecfidera launch data from IMS Health

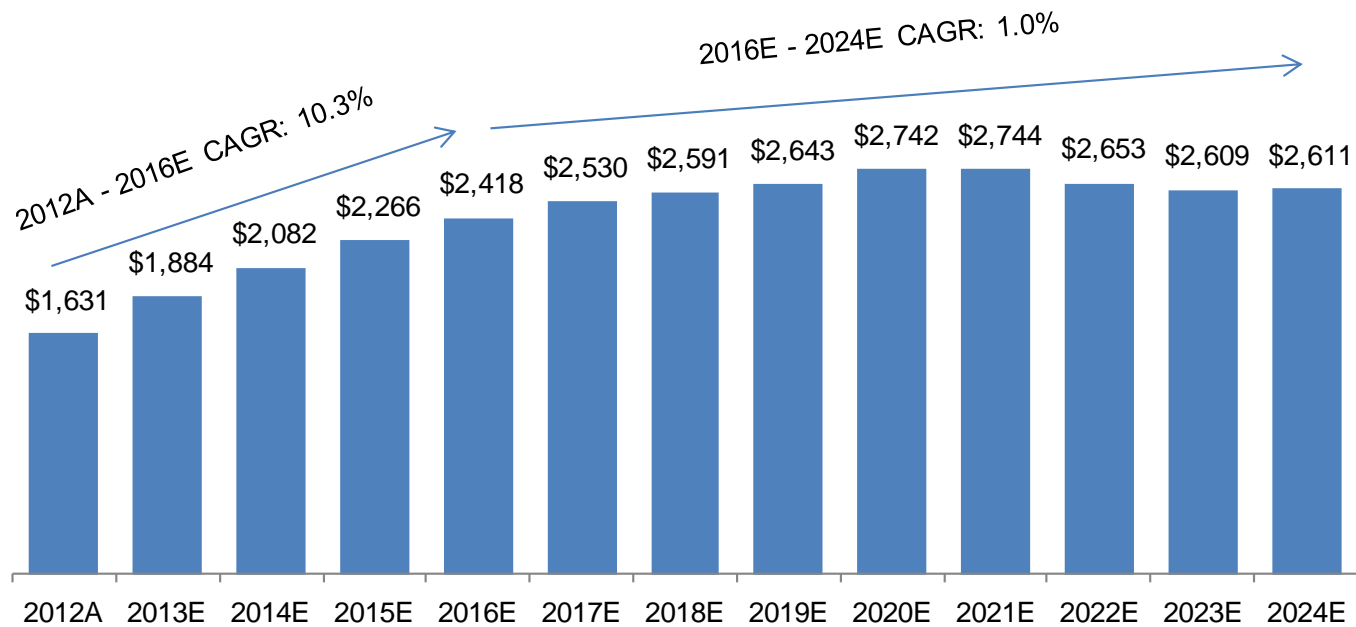
\* Denotes a Royalty Pharma opinion

<sup>1</sup> Assumes that Tysabri Transaction ascribed a valuation of \$3.25bn to Elan's retained royalty participation, and that minimal net value ascribed to Elan's assets and liabilities other than Tysabri royalty and its net cash position, as set out in Royalty Pharma's previous announcements

<sup>2</sup> Royalty Pharma Offer Enterprise Value as set out in Revised Offer Document

# Full Street Consensus Shows Tysabri Growth Slowing Dramatically After 2016

- In its valuation, Elan stopped using consensus after 2016 and applied a much higher 5% growth rate out to 2024, despite the main patent expiring in 2020 and all of the inherent risk of forecasting beyond this date\*
- Elan's 2016-2024 CAGR is ~5x the Full Street Consensus CAGR of 1.0%



***Has Elan used an arbitrarily high growth rate in order to increase its Tysabri valuation above consensus?\****

\* Denotes a Royalty Pharma opinion  
Note: See appendix for details of the Full Street Consensus; Consensus is based on a median of all analysts publishing forecasts for each given year up to 2020. Post 2020, the consensus forecast is grown each year by the median analyst growth rate for that year (this methodology is used given that the number of contributing analysts begins to decrease materially at this point); \$ figures are in millions

# Royalty Pharma Questions the Assumptions Made by Elan in its Attempt to Value the Tysabri Royalty\*

1

## Sales Growth Beyond 2016 is Too High\*

- Elan is using sales growth of 5% per annum from 2016 to 2024
- Full Street Consensus CAGR from 2016 to 2024 is 1.0%<sup>1</sup>
- Royalty Pharma's analysis uses Full Street Consensus instead of Elan's chosen higher growth rates

2

## Operating Expenses are Too Low\*

- Elan is running its valuation with no operating expenses, and instead footnotes what the impact of the operating expenses would be
- Given Elan's spending track record, we think at a minimum that operating expenses will be \$75m with 2% annual growth for inflation without the burden of its proposed transactions\*

3

## Taxes Too Low & Cash Too High\*

- If Elan were to streamline operations, the \$1.5bn NOLs<sup>2</sup> would likely be exhausted by 2017, meaning it would start paying 12.5% taxes in 2018, not 2021\*
- Royalty Pharma believes Elan's disclosed net cash of \$1.9bn to be overstated by ~\$80m<sup>3</sup> due to the breakage costs, fees, and interest payments associated with its string of hastily proposed transactions and the price paid for the NewBridge investment\*

4

## Disc. Rate Beyond 2020 Too Low\*

- Fixed discount rate of 7.5% into perpetuity does not reflect the uncertainty of post-2020 period\*
- Based on its experience, Royalty Pharma believes a 10% discount rate for the post-2020 period would be more appropriate\*

***Adjusting for the assumptions made by Elan makes clear that \$12.50 is a full and fair value***

\* Denotes a Royalty Pharma opinion

Note: See appendix for details of the Full Street Consensus; commentary on Elan valuation methodologies refers to Elan's press release and slides from 29 May 2013

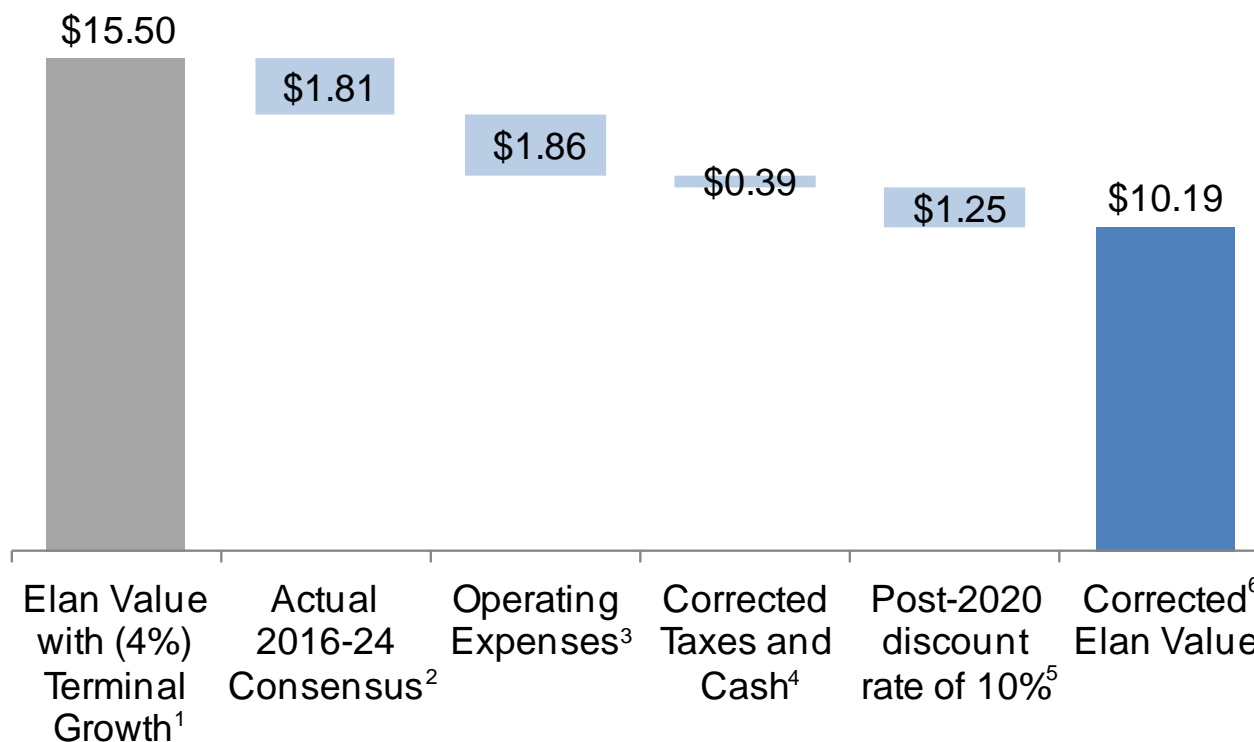
<sup>1</sup> Consensus methodology as set out on previous slide

<sup>2</sup> As described on slide 1

<sup>3</sup> Includes \$23m of fees related to recent Elan bond offering (including ~\$3m of accrued and unpaid interest to be paid to 2021 Noteholders if any of Elan's proposed transactions, other than the Share Repurchase Program, are not approved at the Elan EGM), \$10m break fee related to Theravance, €5m break fee related to AOP, and the \$40m spent on NewBridge Pharmaceuticals



# The Corrected Elan Value Is Significantly Below Elan's Inflated Value\*



\* Denotes a Royalty Pharma opinion

Note: Per share valuation shown based on the fully diluted NOSH of 518m used by Elan in 29 May 2013 slides

<sup>1</sup> As stated by Elan in 29 May 2013 slides

<sup>2</sup> Difference between calculation of Tysabri NPV based on full consensus and the value stated by Elan in 29 May 2013 slides (using the same assumptions as Elan regarding discount rate and not including operating expenses)

<sup>3</sup> Impact on Tysabri NPV of assuming \$75m of operating expenses initially, growing by 2% p.a.

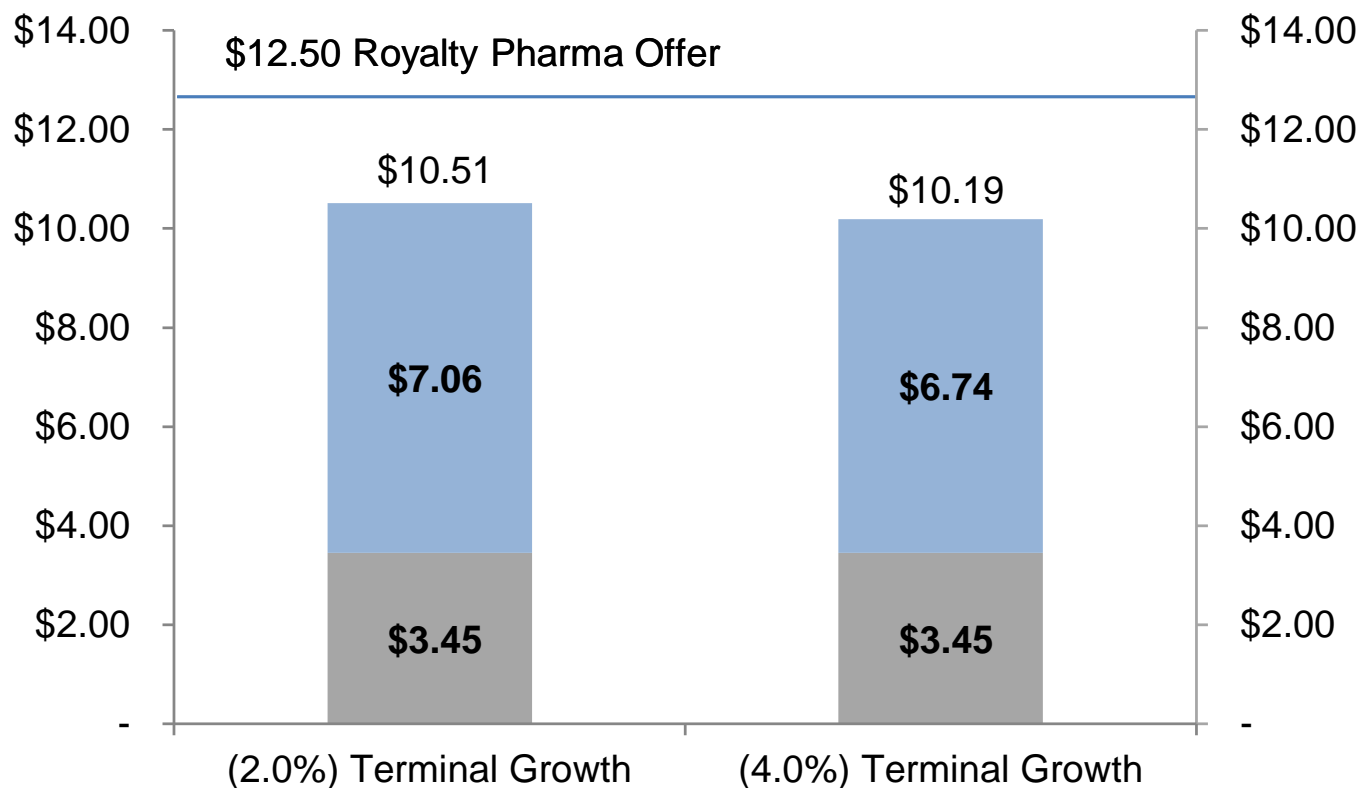
<sup>4</sup> Impact on Tysabri NPV of assuming tax rate of 12.5% once NOLs of \$1.5bn have been utilized (rather than post 2020, as assumed by Elan in 29 May 2013 slides); Based on net cash of \$1.86bn (calculated in Revised Offer Document) less adjustments referenced on previous slide (and not already incorporated therein)

<sup>5</sup> Impact on Tysabri NPV of using a post-2020 discount rate of 10% in terminal growth period rather than 7.5% as assumed by Elan in 29 May 2013 slides

<sup>6</sup> Adjusting for assumptions stated in this presentation

# Thorough Analysis Shows Value of Approximately \$10.20 to \$10.50 for Elan Today\*

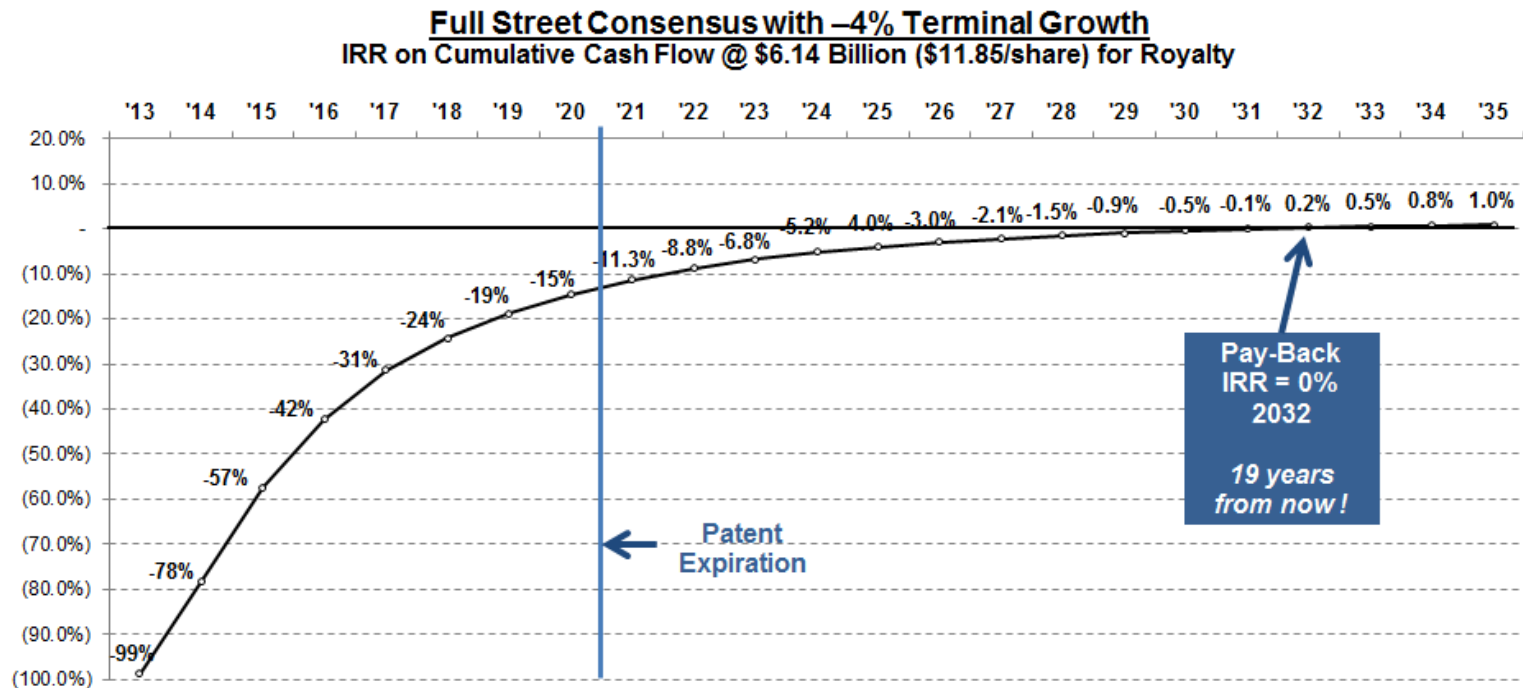
- After adjusting the assumptions made in Elan's analysis, the DCF value of Elan is significantly below Royalty Pharma's \$12.50 offer\*



\* Denotes a Royalty Pharma opinion

Note: See appendix for details of the Full Street Consensus and calculations underpinning figures; per share valuation shown based on the fully diluted NOSH of 518m used by Elan in 29 May 2013 slides

# A Buyer Who Pays Elan's Claimed Value For Tysabri Won't Break Even For 19 Years!\*



- Using the Full Street Consensus estimates with no expenses results in a 4.9% return and a \$6.1bn value (at \$11.85 per share for Tysabri), an artificially high value
- Including \$75m of annual expenses<sup>1</sup> reduces the return to 2.0% achieved in 2047
- Even with only \$25m in expenses<sup>1</sup> (which Royalty Pharma believes would be unlikely given Elan's track record), the return is 4.1% achieved in 2064

\* Denotes a Royalty Pharma opinion

Note: See appendix for details of the Full Street Consensus

<sup>1</sup> Growing at 2% p.a.

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# **APPENDIX**

# Detailed Valuation Analysis Based on Consensus Through 2024

Consensus Sales	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
WW Sales	\$1,631	\$1,884	\$2,082	\$2,266	\$2,418	\$2,530	\$2,591	\$2,643	\$2,742	\$2,744	\$2,653	\$2,609	\$2,611
WW YoY Growth (%)		15.5%	10.5%	8.8%	6.7%	4.6%	2.4%	2.0%	3.7%	0.1%	(3.3%)	(1.6%)	0.1%
<b>Royalties</b>													
Royalties on Sales \$0m - \$2,000m (18% after first 12 mos)		\$153	\$330	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360
Greater than \$2,000m (25% after first 12 mos)		-	21	66	104	133	148	161	186	186	163	152	153
WW Royalty Revenues		\$153	\$350	\$426	\$464	\$493	\$508	\$521	\$546	\$546	\$523	\$512	\$513
Expenses		(\$75)	(\$77)	(\$78)	(\$80)	(\$81)	(\$83)	(\$84)	(\$86)	(\$88)	(\$90)	(\$91)	(\$93)
Pre-Tax Income		\$78	\$274	\$348	\$385	\$411	\$425	\$436	\$459	\$458	\$434	\$421	\$420
Total Taxes		(\$1)	(\$3)	(\$3)	(\$4)	(\$4)	(\$53)	(\$55)	(\$57)	(\$57)	(\$54)	(\$53)	(\$52)
Effective Tax Rate		1.0%	1.0%	1.0%	1.0%	1.0%	12.4%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
<b>Net Income</b>		<b>\$77</b>	<b>\$271</b>	<b>\$345</b>	<b>\$381</b>	<b>\$407</b>	<b>\$372</b>	<b>\$382</b>	<b>\$402</b>	<b>\$401</b>	<b>\$379</b>	<b>\$368</b>	<b>\$367</b>
NOL BOP		(\$1,500)	(\$1,422)	(\$1,148)	(\$800)	(\$415)	(\$4)	-	-	-	-	-	-
Losses in the Period		-	-	-	-	-	-	-	-	-	-	-	-
NOLs Used in the Period		\$78	\$274	\$348	\$385	\$411	\$4	-	-	-	-	-	-
NOLs (EOP)		(\$1,422)	(\$1,148)	(\$800)	(\$415)	(\$4)	-	-	-	-	-	-	-
IRR on Cumulative Cash Flow (@ \$6,140m or \$11.85/ share)		(99%)	(78%)	(57%)	(42%)	(31%)	(24%)	(19%)	(15%)	(11%)	(9%)	(7%)	(5%)

## WACC 2013-2020

7.5%

## WACC 2020 and Beyond

10.0%

## (2.0%) Perpetuity Growth Rate

	Total	Per Share	% of Total
Discounted Value 2013-2020	\$1,989	\$3.84	54.4%
Discounted Value 2021-2024	\$619	\$1.19	16.9%
Perpetuity Value Beyond 2024	\$1,051	\$2.03	28.7%
Total Tysabri Value	\$3,658	\$7.06	100.0%
Cash	\$1,787	\$3.45	
<b>Total Elan Value</b>	<b>\$5,444</b>	<b>\$10.51</b>	

## (4.0%) Perpetuity Growth Rate

	Total	Per Share	% of Total
Discounted Value 2013-2020	\$1,989	\$3.84	57.0%
Discounted Value 2021-2024	\$619	\$1.19	17.7%
Perpetuity Value Beyond 2024	\$882	\$1.70	25.3%
Total Tysabri Value	\$3,489	\$6.74	100.0%
Cash	\$1,787	\$3.45	
<b>Total Elan Value</b>	<b>\$5,276</b>	<b>\$10.19</b>	

Note: See next slide for details of the Full Street Consensus; \$ figures in millions (other than per share numbers)

Assumptions: expenses of \$75m in 2013E, growing by 2% p.a.; Tax rate of 1.0% until \$1.5bn NOL fully utilized and 12.5% thereafter (in-line with the assumptions made by Elan in the 29 May 2013 slides); IRR on cumulative cash flow based on Elan's claim in 29 May 2013 slides that "The underlying value of Tysabri is \$11.85 per share"; based on the fully diluted NOSH of 518m used by Elan in 29 May 2013 slides

# Full Street Analyst Consensus

Analyst Consensus of WW Tysabri Sales (\$US MM)			2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Bank	Company	Date										
BAML	Biogen	9-May-13	\$1,511	\$1,631	\$1,866	\$2,085	\$2,331	\$2,556	\$2,756	\$2,948		
Barclays	Biogen	9-May-13	1,511	1,631	1,861	2,071	2,275	2,463	2,636	2,767	2,866	2,957
Citi	Biogen	9-May-13	1,511	1,631	1,842	1,991	2,049	2,160	2,281	2,410	2,549	2,686
Cowen & Company	Biogen	9-May-13	1,511	1,631	1,891	1,936	1,955	1,980	2,016	2,048	2,069	2,089
Credit Suisse	Biogen	9-May-13	1,511	1,631	N/A	1,889	1,965	2,016	2,042	2,051	2,050	2,050
Deutsche Bank	Biogen	9-May-13	1,511	1,631	1,937	2,171	2,408	2,546	2,688	2,755	2,826	2,888
Goldman	Biogen	8-May-13	1,511	1,631	1,951	2,168	2,410	2,800	3,115	3,401	3,709	4,043
Guggenheim	Biogen	25-Apr-13	1,511	1,631	1,854	2,002	2,135	2,265	2,392	2,512	2,632	2,745
ISI	Biogen	9-May-13	1,511	1,631	1,806	1,992	2,166	2,325	2,459	2,547	2,570	2,519
Jefferies	Biogen	26-Apr-13	1,511	1,631	1,843	2,290	2,606	2,766	2,895			
JPM	Biogen	7-May-13	1,511	1,631	1,896	2,125	2,256	2,417	2,494	2,617	2,755	2,826
Lazard	Biogen	9-May-13	1,511	1,631	1,889	2,204	2,511	2,773	2,819	3,002	3,198	
Leerink Swann	Biogen	9-May-13	1,511	1,631	1,859	1,993	2,127	2,248	2,355	2,452	2,532	2,599
Morgan Stanley	Biogen	8-May-13	1,511	1,631	1,918	2,135	2,280	2,418	2,492	2,566	2,654	2,739
OPP	Biogen	9-May-13	1,511	1,631	1,748	1,796	1,806	1,770	1,731	1,661	1,635	1,611
Piper Jaffray	Biogen	26-Apr-13	1,511	1,631	1,904	2,183	2,423	2,651				
RBC	Biogen	9-May-13	1,511	1,631	1,837	2,050	2,230	2,400	2,530			
RW Baird	Biogen	9-May-13	1,511	1,631	1,909	2,083	2,295	2,498				
S. Bernstein	Biogen	26-Apr-13	1,511	1,631	1,886	2,163	2,485	2,816	3,144			
Stifel Nicolaus	Biogen	9-May-13	1,511	1,631	1,790	1,916	2,216	2,316	2,392	2,520	2,628	
UBS	Biogen	9-May-13	1,511	1,631	1,884	2,139	2,382	2,552	2,718			
Wells Fargo	Biogen	9-May-13	1,511	1,631	1,895	2,081	2,208	2,371	2,506			
William Blair	Biogen	9-May-13	1,511	1,631	1,811	1,827	2,035					
Canaccord Genuity	Biogen / Elan	26-Apr-13	1,511	1,631	1,989	2,243	2,616	2,942	3,289	3,639	3,940	4,218
Berenberg	Elan	19-Apr-13	1,511	1,631	1,905	2,224	2,668	3,003	3,246			
BMO	Biogen	25-Apr-13	1,511	1,631	N/A	1,909	2,093	2,230				
Credit Suisse	Elan	23-May-13	1,511	1,631	1,815	1,975	2,050	2,190	2,365			
Deutsche Bank	Elan	24-Apr-13	1,511	1,631	1,934	2,205	2,441	2,594	2,665	2,728		
Jefferies	Elan	21-May-13	1,511	1,631	1,818	2,065	2,372	2,690				
UBS	Elan	27-Feb-13	1,511	1,631	1,884	2,091	2,246	2,405	2,576	2,707	2,836	2,963
Median (Full Street Consensus)			\$1,511	\$1,631	\$1,884	\$2,082	\$2,266	\$2,418	\$2,530	\$2,591	\$2,643	\$2,742
Growth Rate				8%	16%	11%	9%	7%	5%	2%	2%	4%

Source: Equity research

# Illustrative Calculation of Economic Equivalent for Tysabri Royalty Implied by Biogen Transaction

## I. Old Agreement: 50/50 Profits Interest

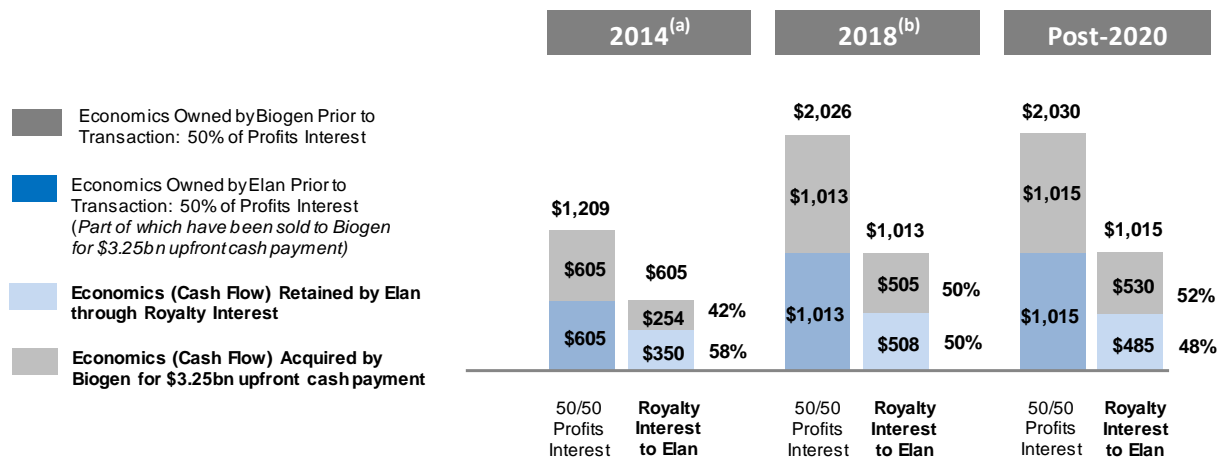
### Summary Tysabri Income Statement (\$, mill)

	2014 <sup>(a)</sup>	2018 <sup>(b)</sup>	Post-2020
<b>Tysabri WW Sales</b> (Median Analyst Consensus)	<b>\$2,082</b>	<b>\$2,591</b>	<b>\$2,500<sup>5</sup></b>
Manufacturing Cost of Sales <sup>1</sup>	125 6%	155 6%	150 6%
Third-Party Royalties <sup>2</sup>	208 10%	-- 0%	-- 0%
Gross Profit	1,749 84%	2,436 94%	2,350 94%
Selling, General and Administrative Expenses <sup>3</sup>	440 21%	390 15%	300 12%
Research and Development Expenses <sup>4</sup>	100 5%	20 1%	20 1%
Total Operating Expenses	540 26%	410 16%	320 13%
<b>Tysabri WW Operating Profit</b>	<b>\$1,209</b> 58%	<b>\$2,026</b> 78%	<b>\$2,030</b> 81%

<b>Elan Share of 50/50 Profits Interest (A)</b>	<b>\$605</b>	<b>50%</b>	<b>\$1,013</b>	<b>50%</b>	<b>\$1,015</b>	<b>50%</b>
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## II. New Agreement: Royalty Interest

<b>Tysabri Royalty Paid to Elan (B)</b>	<b>\$350</b>	<b>58%</b>	<b>\$508</b>	<b>50%</b>	<b>\$485</b>	<b>48%</b>
Economics Sold to Biogen (C = A- B)	\$254	42%	\$505	50%	\$530	52%



\* Denotes a Royalty Pharma opinion

Source: Royalty Pharma illustrative analysis, with assumptions guided by slides released by Biogen on 6 February 2013

<sup>1</sup> Assumes manufacturing cost of sales is 6% of sales in each year

<sup>2</sup> Assumes third-party royalties are 10% of sales in 2014 and zero thereafter

<sup>3</sup> Assumes SG&A reduces from 21% of sales in 2014 to 15% of sales in 2018 and 12% of sales post 2020

<sup>4</sup> Assumes R&D expenses of 5% of sales in 2014 and 1% of sales thereafter

<sup>5</sup> Illustrative post-2020 assumption

## Assumptions & Insights from Biogen 6 Feb Slides

Page 22; stable manufacturing COGS  
Page 8 & 22; expiration of patents - Queen (2014), Cabilly (2018)

Page 8; SG&A should decline as Tysabri will be well known  
Page 29; SPMS Phase III complete by 2015

- Tysabri royalty retained by Elan is economically equivalent to ~ **half** of the profits interest held by Elan before the Tysabri Transaction\*
- Biogen paid \$3.25bn for ~ **half** of Elan's Tysabri economics, the Tysabri Royalty captures the other half and can be attributed the same \$3.25bn value
- The Biogen Transaction set a powerful and highly relevant benchmark of \$3.25bn as a fair price for the Tysabri Royalty
  - Both Elan and Biogen were fully informed and willing buyer and seller
- Based on Biogen slides & comments, table shows an illustrative calculation of annual cash flow from 50/50 profit interest pre the Tysabri Transaction versus the current royalty Elan will receive post the Tysabri Transaction
  - As shown, the percentage of Elan's Tysabri cash flows sold to Biogen is likely to be less than 50% before 2018, should approximate 50% by 2018, and could be more than 50% post 2018

#### Additional Information

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These materials are not a substitute for the Revised Offer Document and the Revised Acceptance Documents that Royalty Pharma filed with the Securities and Exchange Commission ("SEC") on Amendment No. 2 to Schedule TO on May 23, 2013, or any other document that Royalty Pharma has filed and may file with the SEC in connection with the Offer. ELAN STOCKHOLDERS ARE URGED TO READ ANY SUCH DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE OFFER. Any such documents will be available free of charge through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov) or by directing a request to any of the persons listed above.

The Offer is and will be made in the United States pursuant to the US Exchange Act, subject to certain exemptive relief which has been granted in respect of the Offer by the SEC and otherwise in accordance with the requirements of the Irish Takeover Rules. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those typically applicable under US domestic tender offer procedures and law. In addition, the Revised Offer Document and any other documents relating to the Offer have been or will be prepared in accordance with the Irish Takeover Rules and Irish disclosure requirements, format and style, all of which may differ from those in the United States.

Elan is incorporated under the laws of Ireland. Some of the directors of Elan are resident in countries other than the United States. As a result, it may not be possible for United States holders of Elan Stock to effect service of process within the United States upon Elan or such directors of Elan or to enforce against any of them judgements of the United States predicated upon the civil liability provisions of the federal securities laws of the United States. It may not be possible to sue Elan or its officers or directors in a non-US court for violations of US securities laws. In addition, US holders of Elan Stock should be aware that, if Royalty Pharma elects to proceed pursuant to a scheme of arrangement (as described in the Revised Offer Document), the federal securities laws of the United States may not be applicable.

#### Responsibility Statements

The directors of Royalty Pharma accept responsibility for the information contained in this announcement, save that the only responsibility accepted by the directors of Royalty Pharma in respect of the information in this announcement relating to Elan, the Elan Group, the Board of Elan and the persons connected with them, which has been compiled from published sources, has been to ensure that such information has been correctly and fairly reproduced or presented (and no steps have been taken by the directors of Royalty Pharma to verify this information). To the best of the knowledge and belief of the directors of Royalty Pharma (having taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The managing member of RP Management accepts responsibility for the information contained in this announcement, save that the only responsibility accepted by the managing member of RP Management in respect of the information in this announcement relating to Elan, the Elan Group, the Board of Elan and the persons connected with them, which has been compiled from published sources, has been to ensure that such information has been correctly and fairly reproduced or presented (and no steps have been taken by the managing member of RP Management to verify this information). To the best of the knowledge and belief of the managing member of RP Management (having taken all reasonable care to ensure that such is the case), the information contained in this announcement for which he accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### Rule 8 - Dealing Disclosure Requirements

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No statement in this announcement constitutes a profit forecast for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Royalty Pharma, RP Management, Elan or any other entity as appropriate. No statement in this announcement constitutes an asset valuation.

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These materials may include certain "forward looking statements" with respect to the business, strategy and plans of Royalty Pharma and its expectations relating to the Offer and Elan's future financial condition and performance. Statements that are not historical facts, including statements about Elan or Royalty Pharma or Royalty Pharma's belief and expectation, are forward looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "aims", "potential", "will", "would", "could", "considered", "likely", and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur.

Examples of such forward looking statements include (but are not limited to) statements about expected benefits and risks associated with the Offer; projections or expectations of profit attributable to shareholders; anticipated provisions or write-downs, economic profit, dividends, capital structure or any other financial items or ratios; statements of plans, objectives or goals of Elan, the Elan Group, RP Management or Royalty Pharma following the Offer; statements about the future trends in interest rates, liquidity, foreign exchange rates, stock market levels and demographic trends and any impact that those matters may have on Elan, the Elan Group, RP Management or Royalty Pharma following the Offer; statements concerning any future Irish, U.S. or other economic environment or performance; statements about strategic goals, competition, regulation, regulatory approvals, dispositions and consolidation or technological or regulatory developments; and statements of assumptions underlying such statements.

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#### Capitalized Terms

All capitalized terms in these materials shall have the same meaning as set forth in the Revised Offer Document that Royalty Pharma filed with the Securities and Exchange Commission ("SEC") on Amendment No. 2 to Schedule TO on May 23, 2013, unless the context otherwise requires or unless otherwise specified.