FINAL TRANSCRIPT

DRI Healthcare Trust

2022 Fourth Quarter and Full Year Earnings Call

Event Date/Time: March 2, 2023 — 8:00 a.m. E.T.

Length: 43 minutes

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PRESENTATION

Operator

Good morning, everyone. Welcome to DRI Healthcare Trust's 2022 Fourth Quarter and Full Year Earnings Call.

Listeners are reminded that certain statements made in this earnings call presentation, including responses to questions, may contain forward-looking statements within the meaning of the Safe Harbour provisions of Canadian provincial securities laws. Forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

For additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements, please consult the MD&A for this quarter, the Risk Factors section of the Annual Information Form, and DRI Healthcare Trust's other filings with Canadian Securities Regulators.

DRI Healthcare Trust does not undertake to update any forward-looking statements. Such statements speak only as of the date made.

Today's presentation also references non-GAAP measures, including total cash receipts, total cash royalty receipts, Adjusted EBITDA, and certain non-GAAP ratios, including Adjusted EBITDA margin and adjusted cash earnings per unit. These measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures disclosed by other issuers. Rather, these measures and ratios are provided as additional information to complement those IFRS measures by providing a further understanding of DRI Healthcare Trust's financial performance from Management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS.

Please note that all dollar amounts discussed today are in U.S. currency unless otherwise specified.

I'd like to remind everyone that this conference call is being recorded today, Wednesday, March 2, 2023.

I would now like to introduce Mr. Behzad Khosrowshahi, Chief Executive Officer of DRI Healthcare Trust.

Please go ahead, sir.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you, Operator, and good morning, everybody. Thank you for taking the time to join us today.

With me today are Chris Anastasopoulos, our Chief Financial Officer, Stewart Busbridge, our Chief Operating Officer, and Emmanuel Coeytaux, our Head of Strategy. We're excited to share our fourth quarter and full year results and update you on our key priorities for 2023.

Successful execution of our strategy is built on four major pillars.

First and most important is our people. Our highly-skilled teams of professionals bring together a specialized and uncommon mix of financial, scientific, and transactional expertise that allows us to excel in our industry. Our people are integral to our continued success.

Second is an approach to investing that has been honed and curated over the years. With nearly 70 royalty investments made over that time, we have identified the criteria that makes for a high-quality and long-term growth asset that adds accretive value to our portfolio.

Third is our proactive sourcing capability. Having a deep understanding of the royalty ecosystem through our proprietary database allows us to form relationships with key royalty holders and build trust over a long period of time.

These three taken together leads to our fourth pillar, which is our exceptional execution. Our unparalleled diligence efforts result in the ability to execute and a track record of delivering strong value and returns to our unit holders.

These pillars are what I would call DRI's flywheel, and they are the characteristics that have led and will continue to lead to sustained, long-term success.

In 2022, we made significant process in enhancing the Trust's royalty portfolio by completing five transactions for $281 million. Since going public just over two years ago, we have invested $381.5 million in our portfolio that now comprises 22 royalty streams on 19 high-quality drugs. Importantly, our transactions successfully replaced the anticipated cash flow declines associated with the expiring assets over the next few years, creating the foundation for sustainable cash flow growth.

We are in a very strong position to continue to build on this recent success with a robust pipeline of opportunities, combined with access to capital, including through the recent issuance of preferred securities. In 2022, we are pleased to return capital to our unit holders, with $18.8 million returned to our unit holders in cash, distributions, and unit buybacks.

In 2022, the Trust portfolio generated $96.2 million in total cash receipts and $93 million in total income. The Trust earned $82.4 million in Adjusted EBITDA, reflecting an Adjusted EBITDA margin of 86 percent.

For the year, we delivered $1.87 in adjusted cash earnings per unit and declared aggregate cash distributions of $0.30 per unit. Based on the outlook of our new and potential royalty transactions, we look forward to continuing to deliver strong unit holder returns in 2023 and beyond.

Now, let's look at our long-term strategy and how it has been advanced since the time of our IPO just over two years ago.

At that time, we stated that our target was to deploy between $650 million and $750 million over our first five years as a public company. Based on our strong pace of deployment to date and the opportunities we are seeing in our pipeline, we have revised this target to deploy $850 million to $900 million over the same five years. The seed assets that were acquired at the time of the IPO tended to be maturing, and accordingly, there was an expectation of declining cash flow in the absence of new deployment. Given our success in adding assets that combine immediate accretion with long-term growth, we believe that we have flattened that trend, with a slight growth expected between 2022 and 2025 in the absence of no further transactions.

Looking forward, we expect to achieve 7 percent to 9 percent annual royalty receipt growth by 2025 by continuing to acquire assets much like we have in the past. We have put ourselves in a strong position to close deals through developing access to capital through a number of channels. We have flexible credit facilities, capital in from the preferred security offering, and the benefits of compounding the cash flows from our royalties.

With the addition of these new products, our portfolio now consists of 22 royalty streams on 19 drugs. As I mentioned earlier, at the time of the IPO, we stated a five-year deployment target of $650 million to $750 million. In about two years, we have completed six transactions. We are almost halfway to the high end of this target with $381 million deployed, with the potential for these transactions to be as large as $458 million with the achievement of certain performance-based milestones. This pace, significantly ahead of our initial target, combined with the opportunities that we are seeing today, led us to increase our deployment target to $850 million to $900 million, as we announced several weeks ago.

I will now turn it over to Emmanuel to discuss some of the industry trends as—we are seeing that will positively impact our business.

Emmanuel Coeytaux — Executive Vice President, Strategy, DRI Healthcare Trust

Thank you, Behzad.

The biopharmaceutical sector is experiencing a wave of innovation driven by exciting discovery developments and commercialization of life-changing drugs. At the same time, an aging and longer living population, combined with increased biopharmaceutical penetration in emerging markets, is leading to growing demand for medicines that effectively treat and address unmet medical needs. This boom in scientific advancement has created an insatiable demand for capital, and consequently, a tremendous opportunity for value creation. It is estimated that nearly $2 trillion will be spent on R&D projects from 2022 through 2028.

Global spending on medicines continues to grow rapidly, with nearly $2 trillion of projected spend on medicines in 2027 alone. Our strategy is to be a partner at the forefront of that innovation. This investment in R&D has led to an acceleration in the number of new drugs approved by the FDA and other global regulators. These new products that have unique benefits to a variety of patient populations give rise to new royalty opportunities on growing assets. While we have seen a slight drop in FDA approvals (inaudible) as a result of the COVID backlog, this number is expected to be back to pre-COVID levels this year.

Pharmaceutical royalty financing has shown significant growth. Biotech and pharmaceutical companies are voracious consumers of capital, and royalty financing provides a non-dilutive and often cheaper form of financing compared to equity or debt. We have seen both the number of royalty deals and the value of those transactions more than double over the last five years. Royalty financing is now mainstream and considered a normal course option as part of the competitive capital strategy, and DRI Healthcare, the pioneer of the space, is known as one of the most reputable partners in the business.

With the biotech equity markets in their current state, companies are struggling to raise the huge sums of capital they need to fund their clinical and commercial development agendas. Over the last year, we have seen more opportunities than ever in the Company's history, both inbound and internally-generated. Through our proprietary database that we have built over the last 20 years, we have unique insights into royalties that exist on products we are interested in years before they become commercialized. We also identify who owns those royalties and develop relationships with them, giving us a competitive advantage on acquiring these royalties as soon as the drugs are approved.

In 2022, we saw an unprecedented level of initial (inaudible) opportunities. We narrowed this to 75 (inaudible) on which we spent significant time, 21 offers that were made and eight assets where we undertook detailed due diligence. Ultimately, we closed on four deals, or about 2 percent of the total number of deal opportunities we screened initially. This excludes our Vonjo royalty, which was part of a 2021 transaction.

I will now ask Stewart to discuss our 2022 transactions.

Stewart Busbridge — Executive Vice President and Chief Operating Officer, DRI Healthcare Trust

Thank you, Emmanuel.

In 2022, we completed five transactions. Each was unique in terms of the deal structure, counterparty, and therapeutic area addressed.

Our Vonjo royalty was acquired in February 2022 following the FDA approval of Vonjo, and this was part of the August 2021 deal with CTI BioPharma. The initial transaction size was $60 million, with an additional $6.5 million milestone payment made in January of this year upon Vonjo sales hitting the agreed threshold.

In July, we acquired royalty on worldwide net sales of Empaveli for $24.5 million. At the time of the transaction, Empaveli was approved for PNH, a chronic, rare genetic disorder. One of the reasons we were excited about Empaveli is that it was also in development for a number of (inaudible) indications. Two weeks ago, Empaveli was approved for geographic atrophy, an ophthalmological condition, becoming the first product approved for this indication. This injectable version of the drug is branded as SYFOVRE. Empaveli is also in development for cold agglutinin disease, an autoimmune disease, and C3 Glomerulopathy, a renal disease. Our current royalty entitlement is on all global sales of all formulations of Empaveli, including SYFOVRE, up to an annual sales cap of $500 million.

In September, we acquired a royalty interest in Zejula for $35 million. Zejula is an oncology drug approved by both the FDA and the EMEA for treating ovarian cancer with multiple oncology pipeline indications in development. The transaction entitles us to a 0.5 percent royalty on GSK’s net worldwide sales of Zejula. In the event that the FDA approves Zeluja for endometrial cancer by the end of 2025, we will make a $10 million milestone payment to the counterparty from whom we acquired the royalty.

In October, we acquired a royalty interest in Omidria for $125 million. Omidria is an ophthalmological product for intracameral use during cataract surgery for intraocular lens—cell lens replacement and was approved by the FDA and EMEA in 2014 and 2015, respectively. We are entitled to royalties on Omidria subject to annual caps through 2030. The recent passing of the U.S. Ominous Budget Bill guaranteed payer coverage of Omidria through the end of 2027, increasing our confidence in receiving the maximum amount each year.

Our last deal of the year was the product of an approximately 1 percent royalty on the net worldwide sales of Xenpozyme. This is the only product developed and approved for treating non-central nervous system manifestations of ASMD, also known as Niemann-Pick disease, in pediatric and adult patients. We acquired this royalty for $30 million. There is an additional performance-based milestone of up to $26.5 million that may be paid should our cumulative royalties received achieve certain significant thresholds.

In February, we completed a $95 million private placement of preferred securities to further strengthen our capital base. The private placement was for gross proceeds of $95 million through the sale of an aggregate $114.76 million principal amount of preferred securities. These securities will initially pay cash interest at a rate of 7.04 percent per annum on the aggregate principal amount. Nineteen-point-seven-six million dollars of the preferred securities will mature on December 27, 2027, with the remaining $95 million not maturing until February 8, 2073. However, the Trust can redeem those securities at par at any time after December 2027.

In connection with the private placement, we also issued 6.4 million warrants with a five-year term. These warrants have an exercise price of $11.62, a 106 percent premium over the volume weighted average price of the Trust units, for the 20 trading days ending February 7, the day before we completed the private placement.

Here, we show the breakdown of cash royalty receipts by asset for the fourth quarter and full year of 2022 compared to the same periods in 2021.

First of all, we started to see the impact of the new additions to our portfolio; Vonjo, Oracea, and the first contributions from Empaveli, Zejula, and Omidria. We expect to receive our first royalties on Xenpozyme in Q2 of this year. We also saw continued strength in Xolair and Zytiga.

The year-over-year quarterly change in our Eylea royalty was impacted by receiving our Q3 2021 royalty in Q4 2021, resulting in a double receipt last year, as well as the step down in our entitlement in Q1 of 2022 in the first of our two Eylea royalties.

We also saw the continued impact on Spinraza of the evolving market conditions and increased competition in the treatment of spinal muscular atrophy.

Rydapt also declined from 2021 levels that included positive prior adjustments to the royalties received.

Overall cash receipts were also impacted by the continued contractual expirations of royalty entitlements in certain geographies, as expected, for Stelara, Simponi, and Ilaris, and the expiry of the Rilpivirine portfolio in 2021.

As our new royalties continue to grow, we expect them to contribute increasingly to the overall portfolio, mitigating the reductions to our older assets.

I will now turn the call over to Chris to discuss our financial status.

Chris Anastasopoulos — Executive Vice President and Chief Financial Officer, DRI Healthcare Trust

Thank you, Stewart.

We continue to generate strong cash flow from our assets. In 2022, our total cash receipts were $96.2 million, including total cash royalty receipts of $90.8 million and interest receipts of $5.4 million on the CTI loan.

Our operating expenses and management fees for the year totaled $13.8 million, resulting in an Adjusted EBITDA of $82.4 million and an Adjusted EBITDA margin of 86 percent.

For the year ended December 31, 2022, we have generated $1.87 in adjusted cash earnings per unit.

As at December 31, we had cash and cash equivalents of $36.7 million, along with $27.7 million of royalties receivable and $103 million of available capacity on our credit facilities.

The addition of the proceeds of the private placement, along with the cash that we generate each quarter and the funds available from our credit facility, positions us with significant dry powder to continue executing on our growth strategy.

I will now turn the call back over to Behzad.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thanks very much, Chris.

Twenty-twenty-two was a very successful year for DRI Healthcare Trust. We exceeded our goals for the year, and look for continued success in 2023, with a higher, but very achievable target.

In 2023, we will remain focused on our three key priorities.

First, we will invest in our people and will continue to help them develop to build their skills and competencies. DRI Healthcare has been a pioneer and leader in royalty financing for over 30 years, and our team's skill at identifying and closing accretive transactions is vital to that success and we'll ensure that this continues.

Next, we will continue to execute against our robust pipeline. We have completed six transactions to date, and, based on that success, have increased our deployment target by approximately 25 percent.

With the current market constraints on biotech financing and the high demand for new and innovative treatments, combined with our skills of sourcing and closing transactions, we continue to be—continue operating at peak performance in all aspects of our business and see multiple opportunities to deploy that capital.

Finally, this volume will also let us pick the best transactions to deliver long-term, accretive value for our unit holders. We will be a critical partner in advancing innovation in the life science sector by providing funding to parties across the pharmaceutical value chain.

With that, we will now take your questions. Thank you very much.

Q & A

Operator

Thank you, sir.

Your first question will come from Scott Fletcher at CIBC. Please go ahead.

Scott Fletcher – Analyst, CIBC Capital Markets

Good morning.

I wanted to ask a question about new opportunities in the pipeline. I'm just wondering about what the primary criteria is on the new deals. Is it purely about maximizing the potential IRR, or is the timing and certainty of cash flows also important, as was sort of the case for Omidria?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Scott, thank you very much for the question and for taking the time. I appreciate it.

Without trying to evade your question, I think that our priority is on both. I mean, I think we look for acquiring royalties on approved and commercialized pharmaceutical products that are in the sort of growing portion of their life, and so they're generating material cash flows today and are expected to generate material cash flows in the future. Simultaneously, we look to do deals that have attractive IRRs and have attractive structural components to them, and so when we're evaluating transactions, we're looking—at a minimum, we're looking at all three of those kinds of criterias.

Scott Fletcher – Analyst, CIBC Capital Markets

Okay, fair enough, and then, on the IRR, I guess, opportunities, obviously, the cost of the financing was a little steeper than maybe we've seen in the past. Does that mean that the hurdle rate on the deals in the near term is increased just in order to offset that increased cost of financing?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Yes, so let me make some general comments on the pipeline, and then I'll directly answer your question just to provide some context for your—for you and for everybody else on the call.

As was mentioned on the call and on our prepared remarks, this is possibly the busiest time, at least in the 21 years that I've been doing this. The only analog that I have, which is somewhat of a weak analog, is sort of the period from 2010 to 2013 after the financial crisis. At that time, we had significant deal flow, slightly less than what we have today. All those deals had attractive returns associated with them, attractive structures, and during that period, we sort of deployed about $800 million in about three years.

Today, our pipeline is probably more full than it was at that time, and certainly, is more attractive across a variety of metrics, but the deals that we're looking at are all high-quality, so these are deals that all meet our investment criteria or exceed them, both on a financial sense and a qualitative sense. I think throughout the course of 2022, we were looking at deals that were in the 10 percent to 12 percent IRR range. Today, we're looking at deals in excess of 14 percent on our base case forecasts, and in 2020, I mentioned a few times that we operated in a private market that tends to lag sort of public markets by a few months, and that lag sort of has erased and is now sort of—we're seeing a step up in returns as a result of that.

The other factor that we look at is structural components to deals, so things like caps and other sort of factors that reduce the optionality of high returns on transactions, and we're seeing now that deals have fewer of those kinds of structures. We also look at, obviously, the size of our pipeline and we measure this in two buckets; sort of longer-term deal flow, deal flow that we may execute 9 to 12 months from now, as well as near-term deal flows, so deals that we may execute within the next 9 months. Last year, it hovered around $1 billion for the second half of the year. Today, it's sort of sitting at around $2.5 billion across a variety of therapeutic areas, but all of them very serious conditions, and no sort of concentration either in individual deals or individual therapeutic areas.

Scott, I don't know if I covered your question, but let me know if I didn't.

Scott Fletcher – Analyst, CIBC Capital Markets

No, that's great colour, and I'll pass the line there.

Operator

Your next question will come from Ash Verma at UBS. Please go ahead.

Ashwani Verma – Analyst, UBS Securities

Hey. Good morning. Thank you for taking our questions, so I had two.

One is just for pegcetacoplan, I wanted to understand, so you have the option to top up to $1.1 billion cap if you spend another $21 million, and from my understanding, (inaudible) a pretty broad label with (inaudible), so what are the pros and cons of topping up on this deal from your point of view?

That's the first one, and the second, so was the revised capital deployment goal of this $850 million to $900 million, was that established with certain near-term opportunities in your mind?

Thank you.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Ash, thank you very much for the questions. I appreciate it.

I think on pegcetacoplan or Empaveli—I still haven't perfected the pronunciation for the GA indication—we're looking at whether or not to execute on the option that we have. We have until June—beginning of June to make that decision. I think a couple of factors will go into our thinking.

First of all, how the launch goes and what that looks like, and what the ramp looks like there will be interesting to see.

The other factor, frankly, is going to be related to the opportunities that we have in front of us. I mean, our job is to deploy capital in the smartest possible way into deals that generate maximum returns for our unit holders, and so we're going to deploy capital where we think we have the best chance of doing that, so we're going to evaluate that as time goes on.

In isolation, we certainly like the label for—or the new label for the geographic atrophy indication, and certainly, we think it's got a lot of promise and is meaningful for patients, so our expectation is that it's going to do well and the ramp will be reasonably strong, but we have a—we have the opportunity to see that in action, and we'll wait and see before executing on the option.

Can you repeat the second part of your question for me?

Ashwani Verma – Analyst, UBS Securities

Yes, so what I was trying to get at is like—just like the revised capital deployment goal that you outlined, the $850 million to $900 million, do you have any certain near-term opportunities in your mind when you set that up, or was that kind of broadly set in terms of just aggressive deployment capital over a longer period of time?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

When we set the original capital deployment target at the time of the IPO where we said we're going to deploy about $150 million per year, we looked back over the prior 10 years, we looked at our deployment in good years and bad years, and we sort of averaged it out and weighted it and came to a conclusion that $140 million a year is a reasonable number at that time. We ran through a similar kind of exercise, looking back sort of at what we've done over the past 24 months or so, in addition to looking forward and seeing what the market looks like and estimating what kind of share we should be able to reasonably take in that market, and so we developed our new capital deployment target on that basis in a fairly sort of thoughtful kind of way, so to speak.

We didn't deploy it with any specific deal in mind in the sense that we didn't say, look, hey, we've got a $200 million deal we're going to do in April, and so that's going to make a difference, but we did deploy it the context of—we did change it in the context of our total deal flow right now.

Ashwani Verma – Analyst, UBS Securities

All right, great. Thank you for that.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

No problem. Thank you.

Operator

Your next question will come from Tania Armstrong-Whitworth at Canaccord Genuity. Please go ahead.

Tania Armstrong-Whitworth – Analyst, Canaccord Genuity

Good morning.

To start, just going back on the first line of questioning, I think you mentioned a pipeline sizing of about $2.5 billion. Just to clarify, is that the near-term opportunities that you're talking about, that nine months out?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Yes, it is, Tania.

Tania Armstrong-Whitworth – Analyst, Canaccord Genuity

Okay, perfect, and then just looking at the cadence of your—the number of deals you've closed over the last few months, based on the size of your team and the infrastructure you have, is there kind of an upper threshold of how many deals or how much in deal value you can actually be evaluating and closing at any given point in time?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I mean, there is certainly an upper threshold at some point. We try to size our team on the basis that we want to have a team at all times where we can be in full diligence and five deals at once. That's how we've sized our team over the past 18 years or so, and I would tell you that in that time, we've never been in full diligence on five deals at once, and so we size our team with a reasonable amount of extra capacity to it. I think our restriction on—our team will not be a restriction on our ability to execute on transactions.

Tania Armstrong-Whitworth – Analyst, Canaccord Genuity

Okay, perfect, and then on the preferred securities offering, could you give us a sense of what the net proceeds were after costs and everything? Just trying to get a sense of where your cash balance sits today.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Net proceeds were roughly $92.5 million, $93 million.

Tania Armstrong-Whitworth – Analyst, Canaccord Genuity

Perfect. Thanks so much. That's all for me.

Operator

Your next question comes from Endri Leno at National Bank. Please go ahead.

Endri Leno – Analyst, National Bank of Canada

Yes, good morning. Thanks for taking my questions. Just a couple for me.

I was wondering, Behzad, you mentioned that the pipeline is valued at around $2.5 billion. Is there any way you can kind of give us a breakdown, if it's possible, in terms of whether there are any deals in the near-term pipeline or anything in due diligence or exclusivity at this point?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I knew that question was coming at some point, Endri.

I think, as you know, we divide our near-term pipeline into three subcategories; deals that we have under exclusivity, deals that we have in advanced diligence, and deals that we have in sort of more preliminary diligence. I think we have—not I think—I know that we have two transactions that are under exclusivity that we hope to be able to close in the next sort of 60 days or so, obviously subject to our diligence supporting our investment thesis, and then we have probably three or four transactions that are in very advanced stages of diligence, meaning that we're negotiating LOIs or about to issue LOIs on them, and that could come to fruition within the next 90 to 180 days, let's say, and then the balance of our deal flow pipeline is about—is sort in the early to middle stages of the work that we're doing.

In terms of number of deals in our near-term pipeline, we have 18 transactions that we're looking at right now, so just the number of transactions is much higher than previously.

Endri Leno – Analyst, National Bank of Canada

No, that's great. Thanks for the colour, and as a follow-up on that, I mean, given all the deals that you have right now, is it purely a function of where the equity markets are or financing options for these companies, or is there any kind of changes to the competitive landscape that you can talk to us on?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I think a lot of it is a function of where capital markets are, where macro factors like interest rates are, and so on. I mean, as you know, we do deals with individual inventors, with academic institutions, as well as with companies, and so companies obviously feel the cost of capital markets much more directly than an academic institution or an inventor would, and we're getting a lot of deal flow from corporate entities because of the state of markets for biotechs and midcap pharmas, and so on, but in addition to that, we are getting considerable deal flow from academic institutions, as well as individual inventors who are not as directly impacted, and I think the rationale there is that the—what Emmanuel described earlier, which was just the sort of need for capital to develop different products and to advance research and so on, so there's multiple drivers to the size of the pipeline right now.

Endri Leno – Analyst, National Bank of Canada

Okay, great. Thank you. Thanks for the colour, and one more for me and I'll jump on the queue. I just wanted to ask a little bit about Natpara, and you put in, though, that you're evaluating and things might look differently next year. Is there any reason why you might not necessarily pull the trigger on that now? I mean, is there an action plan that you could perhaps monetize whatever's left on that royalty, or would you expect sort of a big rush of orders before manufacturing is interrupted, or any kind of colour you can give there? Appreciate it.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I can't put a tonne of colour on it just for various confidentiality reasons, but what I can tell you is that we're working on a variety of different avenues to recover our royalties or to maximize the royalty on that drug, and we hope to reach a resolution on that that's positive for us and positive for unit holders within the next little while, and so we're sort of chasing multiple avenues to get there. We should be able to give an update at the next quarter results or shortly after that.

Endri Leno – Analyst, National Bank of Canada

Okay, that would be great. All right. Thank you. That's it for me. Thanks.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you.

Operator

Your next question will come from Greg Fraser at Truist Securities. Please go ahead.

Gregory Fraser – Analyst, Truist Securities

Good morning, folks. Thanks for taking the questions.

On your expectation for slight growth in cash receipts through 2025 with the current portfolio, can you speak to the trajectory year-to-year and whether there could be any down years based on royalty expirees or rate step-downs?

Thank you.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I think we've done a good job in sort of adding cash flows to the pipeline, so in the absence of doing any new deals, our expectation is that cash receipts would be roughly flat year-on-year going forward through the end of 2025. Obviously, we're in the business of doing deals, and all the pipeline stuff I talked about hopefully will translate into transactions, so that'll change as we make new acquisitions, but in the absence of deals, I expect that it'll be roughly flat year-on-year going forward.

Gregory Fraser – Analyst, Truist Securities

Thank you.

Operator

Your next question will come from Sahil Dhingra at RBC. Please go ahead.

Sahil Dhingra – Analyst, RBC Capital Markets

Hi. Good morning. This is Sahil Dhingra for Doug Miehm. Thank you so much for taking the questions. I think most of our questions have been answered, but just one on the deal pipeline, are there any pre-approval products as well like we had for Vonjo, or are all the products marketed in the near-term pipeline?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I think in our near-term pipeline, Sahil, and thank you very much for the question, the deals that we're looking at are all approved and marketed drugs.

Sahil Dhingra – Analyst, RBC Capital Markets

Okay, thanks. That is helpful, and then my second question is, on Vonjo, I realize you paid $6.5 million. Is there any future milestone payments that you're expecting right now based on the cadence, the way the product has been performing?

Stewart Busbridge — Executive Vice President and Chief Operating Officer, DRI Healthcare Trust

It's Stewart here. There's another $18.5 million potential milestone. We don't currently anticipate paying that. That’s based on a sales threshold through Q3 of this year, but it's set at a level that we don't currently anticipate, but obviously, we'll update as that—as we (audio interference).

Sahil Dhingra – Analyst, RBC Capital Markets

Okay. Thank you. That's all from my end.

Operator

Your next question comes from Rahul Sarugaser at Raymond James. Please go ahead.

Rahul Sarugaser – Analyst, Raymond James

Good morning, Behzad and team. Thanks so much for taking our questions.

The very first question was—it’s coming back to the geographic atrophy asset from (inaudible). You (inaudible) some of that earlier where you talked about expecting a solid ramp. Do you have—is there an option to further increase the cap post-June?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Rahul, thank you very much for the question. There is no option after June. Our option (audio interference) on June 1.

Rahul Sarugaser – Analyst, Raymond James

Okay, that’s nice and simple. Then just my second quick question is you talked about your pipeline being relatively robust, and as we sort of scale that relative to—or benchmark that relative to your goal of capital deployment, could you give us a sense for the distribution of size of those deals, sort of maybe using maybe $100 million as the threshold, like how many above $100 million, or what proportion are above $100 million and what proportion are below?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I think what I can tell you is that we have a good mix of deals in the pipeline. As you know, our focus is to do deals that are in the $25 million to $200 million range, and all of the deals that we're looking at fall fairly squarely within that range. In terms of an average ticket, should we do all of those deals, I expect that that would be somewhere in the $75 million to $100 million range, which is sort of pretty consistent with our history, but it's a fairly broad mix and it's a sort of well scattered mix.

Rahul Sarugaser – Analyst, Raymond James

Okay, great. That's the clarity we're looking for. Thanks very much. I'll get back in the queue.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you very much, Rahul.

Operator

At this time, there are no further questions, so I will hand the call back Mr. Khosrowshahi for any closing remarks

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you very much, Operator, and thank you very much, everybody, for joining the call. We appreciate it and look forward to speaking to you soon.

Operator

Ladies and gentlemen, this does conclude your conference call for this morning. We'd like to thank you all for participating and ask you to please disconnect your lines.