

DRI Healthcare Trust

First Quarter 2023 Earnings Call

Event Date/Time: May 12, 2023 — 8:00 a.m. E.T.

Length: 37 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Behzad Khosrowshahi

DRI Healthcare Trust — Chief Executive Officer

Chris Anastasopoulos

DRI Healthcare Trust — Chief Financial Officer

Emmanuel Coeytaux

DRI Healthcare Trust — Executive Vice President, Strategy

CONFERENCE CALL PARTICIPANTS

Ashwani Verma

UBS — Analyst

Andre Bodo

National Bank Financial — Analyst

Rahul Sarugaser

Raymond James — Analyst

Greg Fraser

Truist Securities — Analyst

George Farmer

Scotiabank — Analyst

PRESENTATION

Operator

Good morning, everyone. Welcome to DRI Healthcare Trust's 2023 First Quarter 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 Harbor 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 understand 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, Friday, May 12, 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, everyone. Thank you for taking the time to join us today. With me today are Chris Anastasopoulos, our Chief Financial Officer, and Emmanuel Coeytaux, our Head of Strategy. We are excited to share our first quarter results with you.

In the first quarter, we continued to execute on our strategy and we achieved a number of important milestones. In February, we issued \$95 million of preferred securities in a private placement to three blue-chip investors. At the time of issuance, these funds were earmarked for the execution of a component of our pipeline of high quality transactions.

In part with these funds, in March we purchased royalties on the sales of Sanofi's TZIELD, a groundbreaking therapy approved for the treatment of pre-symptomatic Type 1 diabetes patients, for \$100 million upfront and up to \$100 million in clinical and performance-based milestones. Subsequent to the end of the quarter, in April 2023 we sold our royalty interest to Sanofi, the marketer of the drug, for \$210 million upfront plus the assumption of all of our milestone obligations. We continued to develop our impressive pipeline of opportunities and currently have over \$2 billion in transactions in various stages of our late stage pipeline.

Throughout the quarter, we used multiple levers to return capital to our unit holders. Last night, we declared a \$0.075 per unit distribution for this quarter. Earlier on April 27, we also announced a midyear special distribution of \$20 million connected to the TZIELD sale, or approximately \$0.53 per unit, and during the quarter we purchased 319,000 units of our own stock for a total purchase price of \$1.7 million by way of our NCIB. We continue to believe that our units offer a very compelling opportunity.

We posted strong results for our first quarter of 2023. The Trust portfolio generated \$25 million in total cash receipts and \$28.2 million in total income. The Trust earned \$21.4 million in Adjusted EBITDA, reflecting an Adjusted EBITDA margin of 86 percent. We delivered \$0.49 in adjusted cash earnings per unit and declared aggregate cash distributions of \$0.075 per unit.

In addition, the quarter highlighted our consistent performance against the objectives that we had set out at the time that we did our IPO. At that time, we stated that our target was to deploy between \$650 million and \$750 million over the first five years as a public company. Since then, we have

deployed \$485 million in royalty transactions with a further \$76 million to be deployed to fund milestones and options. Because of our strong pace of deployment, we have revised our deployment target upwards to \$850 million to \$900 million by the end of 2025. Right now, we expect flat to slightly growing cash flows through to the end of 2025, assuming we make no further investments. With new acquisitions, we aim to drive our cash receipts towards the 7 percent to 9 percent long term growth rate that we stipulated at the time of the IPO.

With our acquisitions since the IPO, we have extended the duration of the portfolio to over nine years, driving towards our target of over 10 years, and we are poised to deploy significant capital in the near term with access to cash and debt resources well in excess of \$250 million.

With that, I will now turn it over to Emmanuel.

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

Thank you. As Behzad just pointed, we are currently exceeding our target deployment pace. As of the end of first quarter of 2023, our portfolio consisted of 23 royalty streams on 20 products. Since going public, we have completed eight acquisitions. We are slightly over halfway to the high end of our deployment target with \$485 million deployed, with a potential for those transactions to be as large as \$561 million with the achievement of certain milestones. This pace, which is significantly ahead of our initial target, combined with the new opportunities we are seeing led us to increase our deployment target from \$650 million to \$750 million to \$850 million to \$900 million.

As Behzad mentioned, in March we acquired a single-digit royalty on the worldwide sales of TZIELD for \$100 million. The agreement also provided for two milestone payments, one for \$50 million tied to the approval of TZIELD to treat newly diagnosed or recent onset Type 1 diabetes, and a further \$50 million milestone payment if sales were to exceed certain thresholds. We are excited about the potential of this breakthrough drug, which is life-changing for Type 1 diabetes patients.

Although we generally hold a royalty for the entire life of the asset, we had the opportunity to create significant value for our unit holders by selling the royalty with a 2.1x multiple on invested capital in less than two months. This was only the second time in 21 years in the history of DRI that we sold a royalty to a third party. More specifically, on March 8 we had announced the purchase of TZIELD royalty from MacroGenics, the former developer of TZIELD. Only five days later on March 13, Sanofi announced their agreement to acquire Provention Bio, the marketer of TZIELD. Sanofi then approached us about buying the royalty on TZIELD, and we agreed to do so for \$210 million. In addition, Sanofi is now obligated for making all milestone payments if they are achieved.

This transaction creates immediate unit holder value and allows us to compound the value by allocating capital to transactions in our robust pipeline of attractive royalty opportunities. With the proceeds, we will make a special cash distribution of \$20 million to unit holders of record on June 30, 2023 that will be payable on July 20, 2023. This translates to approximately \$0.53 per unit and will be finalized based on the number of units outstanding as of June 30, 2023. This will be in addition to our normal quarterly distribution.

We have also paid down \$146.3 million owing on our revolving credit facility, thereby decreasing interest expense and opening up cash capacity to apply to future acquisitions. The remainder will add to our cash reserves and amplify our efforts to act on opportunities in our pipeline.

The reason these sales generate so much value other than the pure financial implications is our ability to now reinvest those proceeds. This will allow us to realize the compounding effect of cash flows leading to further value creation. Reinvesting into the portfolio and creating a permanent capital vehicle was one of the main drivers of going public and is at the core of our business model. The cash generated by the assets currently in the portfolio over time allows us to redeploy and fund future acquisitions, growing the portfolio organically and ultimately announcing long term returns for our unit holders.

Our pipeline is very robust, more substantial than DRI has seen in decades with an estimated \$2 billion in near term opportunities. The deal we are looking at are all high quality and meet or exceed our investment criteria, both financial and qualitatively. Our focus will remain on acquiring royalties on medically necessary products that have the potential to change and improve health and quality of life for patients. We will also require for these therapies to be marketed by industry-leading life science companies that can successfully launch and grow the treatments in their target markets. We intend to acquire those therapies that benefit from solid and long-lasting intellectual property protection. This aligns with our target of a weighted average portfolio duration of over 10 years.

Even with such a robust pipeline, the competitive dynamics have stayed consistent. The royalty market is relatively opaque and hard to access. Complicated ground-up due diligence is needed to

understand each asset and successfully execute on a deal. We have not seen any new firms try to enter the market over the recent months.

I will now ask Chris to discuss our portfolio performance in the first quarter.

Chris Anastasopoulos — Chief Financial Officer, DRI Healthcare Trust

Thank you, Emmanuel. Looking at the overall portfolio, we can see the breakdown of cash royalty receipts by assets for the first quarter of 2023 compared to the first and fourth quarters of 2022. Total cash receipts increased by 19 percent compared to a year ago. This is primarily due to the additions of royalty receipts from Empaveli/Syfovre, Omidria and Zejula, which were added after March 31, 2022. We also benefited from strong sales of Vonjo compared to the fourth quarter of 2022 and when compared to the first quarter of 2022, where we only earned one month of royalties due to the acquisition in February of 2022. Finally, Oracea performed well this quarter and we continue to monitor its performance in light of Galderma's recent changes to its marketing approach.

This was offset by the contractual step-down in royalty rates for both Eylea I and Eylea II, which were reached in the first quarter of 2022 and the first quarter of 2023 respectively. We also saw the decline in sales of FluMist due to decreased vaccination programs in the U.S. and EU, and the continued expirations of royalty entitlements in certain geographies for Stelara, Simponi, and Ilaris.

We continue to review the Trust's options related to Natpara given Takeda's announcement last fall, and we will provide updates accordingly. In the first quarter, Natpara continued to perform in line with past performance and we expect this to continue. As our new assets ramp up, we expect them to

contribute increasingly to the overall cash royalty receipts of our portfolio, mitigating any reductions due to our expiring assets.

Two days ago on May 10, 2023, Sobi announced that it has entered into an agreement to acquire CTI Biopharma. The acquisition is still subject to the commencement and successful completion of a tender offer, and if it goes through, it is expected to close in the third quarter of 2023. Upon closing, CTI and Sobi have agreed that the secured loan we made to CTI will be repaid in full subject to the terms of our credit agreement with CTI. We are monitoring this development for any additional impacts to the Trust.

We continue to generate strong cash flows from our assets. For the 12-month period ended March 31, 2023, our total cash receipts were \$103 million, including total cash royalty receipts of \$94.5 million and interest receipts of \$5.8 million on the loan to CTI.

Our operating expenses and management fees for the 12 months ended March 31 totaled \$14.2 million, resulting in an Adjusted EBITDA of \$86.1 million and an Adjusted EBITDA margin of 86 percent. For the 12 months ended March 31, 2023, we have generated \$1.88 in adjusted cash earnings per unit.

As at March 31, 2023, we had cash and cash equivalents of \$10.5 million and \$30.8 million of royalties receivable. As Emmanuel mentioned, subsequent to the quarter end, we used \$146.3 million from the sale of TZIELD royalties to pay down our credit facility, providing us with \$250 million of available credit to fund future acquisitions.

I will now turn the call back over to Behzad.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you very much, Chris.

In the first quarter of 2023, we continued our track record of solid performance which we expect to continue through the rest of the year. In 2023, we will remain focused on three key priorities. First, we will invest in our people and continue to help them 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 skills at identifying and closing accretive transactions is vital to that success and will ensure that this continues.

Next, we will continue to execute against our robust pipeline, the largest we've seen in the Company's history. With the current market constraints on biotech financing and the high demand for new and innovative treatments, combined with our skills in sourcing and closing transactions, we continue to operate at peak performance in all aspects of our business and see multiple opportunities to deploy our capital.

Finally, this (inaudible) lets 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 sciences sector by providing funding to parties across the pharmaceutical value chain.

With that, we will now take your questions.

Q & A

Operator

Thank you. (Operator instructions)

Your first question comes from Ash Verma of UBS. Please go ahead.

Ashwani Verma – Analyst, UBS

Hi, good morning. Congrats on the progress. Really exciting to see all the developments here.

I had two questions. One, the first one, as much as it is exciting to see you flip the royalty so quickly, I'm curious how often do you get involved on new assets where the parties are considering that they want to buy a royalty from you. I know within your portfolio, there is (inaudible) atrophy, right, where we've seen acquisition of a competing (inaudible) platform, basically. Are you getting any inbounds on your royalty for Empaveli?

Then second, just how do you prioritize dividends and special cash distributions versus capital deployment on the deals? Thanks.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Ash, thanks very much for the questions, I appreciate it, and thanks for your time this morning. As Emmanuel said, this is really the second time that we've ever sold a royalty to a third party, and I think I can count the number of times that people have made serious overtures to us over the past 22

years on one hand; it's not something that has happened very often at all. We haven't received any particular inbounds on any of our assets, including the Empaveli royalty stream that we own.

In terms of how we sort of calibrate dividends versus retaining cash for growth, I think at a minimum, our target is to distribute between 30 percent and 35 percent of our free cash flows to our shareholders, and we stick by that minimum and we've done that consistently since we've gone public. Right now, because of the environment that we're in, we would like to reserve as much of our cash as possible to make acquisitions, because we just think that there is—that it's a fairly unprecedented environment in terms of returns and other financial characteristics associated with these deals, and we want to deploy our capital towards that as much as possible.

Ashwani Verma – Analyst, UBS

Great, thank you.

Operator

Thank you. The next question comes from Endri Leno of National Bank. Please go ahead.

Andre Bodo – Analyst, National Bank Financial

Hi, good morning. It's Andre Bodo sitting in for Endri.

In the PR, there is some language regarding the other impacts from the Sobi-CTI transaction. Are you referring to potentially the sale of the royalty, and have those parties expressed any interest in doing so?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

No, we're not specifically referring to the sale of the royalty, Andre, and thank you very much for stepping in and asking the question. We know that that royalty stream, or that investment in CTI is packaged as two sets of cash flows: one is a loan and the second is a royalty entitlement. The loan, we believe will be repaid at the time of closing of their transaction, of Sobi and CTI's transaction. We can't really speculate on anything else.

Andre Bodo – Analyst, National Bank Financial

In terms of that loan, I just wanted to confirm that when it's closed, the only fee is the exit fee there that was mentioned.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

There's a small make-whole and then there's an exit fee.

Andre Bodo – Analyst, National Bank Financial

Okay. In terms of your pipeline, any details on anything with exclusivity coming up?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I appreciate the question. I'll take a little bit of a winding road to answer your question, because I know that this pipeline question is going to come up in multiple different ways, I'll try to pre-empt things as much as possible.

As Emmanuel said, there's \$2 billion in deals, or more than \$2 billion in transactions in our pipeline. It's comprised of around 15 different transactions. I would say as a general matter, these are deals that are down the middle of the fairway in terms of the investment criteria that we have, so royalties on drugs that treat very serious conditions, that are marketed by strong companies and that benefit from good intellectual property protection.

Importantly, none of the deals that we're looking at are on pre-approval assets or anything like that. That's sort of related to the environment that we're in because of the sort of cash crunch, call it, in the biotech sector. We're getting pretty attractive deals which have a general risk profile that is better or more in our favour than we would normally see.

The deals in our pipeline cover a wide range of therapeutic areas, everything from oncology to pain management and anything in between. Size of the deals are sort of between \$20 million on the small end, about \$200 million on the high end, and all of the deals, as Emmanuel said, have financial characteristics that we find attractive—returns at or around or greater than 14 percent, multiples that are commensurate with that, and importantly attractive structures that give us exposure to the upside performance or the potential upside associated with these deals.

Andre, specifically to your question, we have three deals that are in late stage diligence, meaning that they're either under exclusivity or will soon be under exclusivity. We have seven deals that are in the middle of our process, and then five deals that are earlier stage.

Andre Bodo – Analyst, National Bank Financial

Okay great, thank you. In terms of the marketing strategy changes, is this reflected in the Q1 royalty or will there be more to come on that?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I think there's probably more to come on that. I think at the beginning of Q1, Galderma switched its branded generic marketing provider or marketing services provider from a firm called Prasco to another firm called Mayne Pharma. Mayne is a much more capable firm in this kinds of things and I think we are seeing the early results of that, and I think that it's going to continue for a while.

Andre Bodo – Analyst, National Bank Financial

Great, and lastly, are there any changes to the competitive landscape that you can talk to? Eylea has had some competitive pressures recently. Are there any concerns there?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

We love Eylea as a drug, and I think that we're not too concerned about the competition in part because we're hitting the structural caps on that royalty entitlement. The cash flows from Eylea going forward are not going to be a material component of our cash flows; we're not worried about competition in that field impacting our cash flows.

Andre Bodo – Analyst, National Bank Financial

Okay, great. Thank you so much.

Operator

Thank you. The next question comes from Rahul Sarugaser of Raymond James. Please go ahead.

Rahul Sarugaser – Analyst, Raymond James

Good morning Behzad, Emmanuel and (inaudible). Thanks so much for taking our questions.

You already answered the pipeline question; I won't (inaudible) further on that one. Talking about some of the assets that are looking to contribute the most are Empaveli and Omidria, and we talked a little bit about Empaveli; but specifically, when it comes to Omidria, how should we be thinking about competitive landscape, potential pressures around their risk-adjusting that, because that of course is a key lever to the future estimates.

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

I think with Omidria, we're proceeding through the increase of our cap and this has been—we're just following the forecast that we were anticipating. One key event that happened recently was the passage of the omnibus bill that confirmed that there will be coverage for Omidria until, I want to say 2028?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Twenty-seven or '28.

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

Yes, '27, '28, which is—we are pretty confident with Omidria already because we have these caps and there is really room for growth, and we feel pretty confident hitting these caps, but this recent event has just given more confidence even into the long term potential of the drug.

As you were saying, it's our largest assets in net book value, it's going to grow and take its rightful place in our portfolio, very happy with this asset.

Rahul Sarugaser – Analyst, Raymond James

Terrific, that's really helpful, Emmanuel. Thank you very much.

Then just a quick question on the CTI acquisition. Can we expect any further upside beyond the payback of the loan?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Sorry, there was a blip in the middle of what you were asking, Rahul. Did you ask if there is any further upside beyond the repayment of the loan?

Rahul Sarugaser – Analyst, Raymond James

Correct, on the CTI acquisition.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

I mean, I think there's some small fees associated with the repayment of the loan, but certainly nothing that's going to add up to a material windfall in any way, there's that.

I think we have a ton of respect for Sobi as an organization, as a marketing firm. We think that they've done a great job with some of the products that they have in their portfolio, including Empaveli outside the United States. We think that just by virtue of the fact that it's a larger organization with more resources, with a portfolio in hematology, we think that that could be beneficial for the sales of Vonjo. But those are really the upsides that we see at the moment.

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

Maybe just a small complement to what Behzad was saying, I think everybody has seen, but CTI was able to drive the sales pretty well so far, to the point where we've hit the first sales milestone threshold, and we paid that out in January, which means also Sobi is taking over an asset that is in good shape to continue growing. We think this is just going to catalyze it further in the hands of Sobi.

Rahul Sarugaser – Analyst, Raymond James

Great, that's some helpful colour, and if you'd indulge us with one last quick question, with the TZIELD sale, does that push the management performance fee to kick in, or are you getting close? When should we be expecting that?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

We're going to measure that at the end of the second quarter. There's some specific measurement dates where we sort of calculate whether the threshold associated with performance fees has been met or not. I think it's hard to say right now whether that's going to be hit at the end of the

second quarter; it's possible, but I can't be definitive about it, in part because it depends on forecasts and analyst forecasts, and how those kinds of things shake out during the course of this quarter.

Rahul Sarugaser – Analyst, Raymond James

Got it. Thanks so much for taking our questions.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you.

Operator

Thank you. Once again ladies and gentlemen, if you do have a question, please press star, one at this time.

The next question comes from Greg Fraser of Truist Securities. Please go ahead.

Greg Fraser – Analyst, Truist Securities

Thank you and good morning. I'm sorry if I missed this, but on Empaveli, what was the tweak to the royalty rate, and was the decision to increase the rate driven by (inaudible) and your view on the sales potential, and how are you thinking about the option to raise the sales cap?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Greg, thanks for your calls—for your questions. I appreciate it.

As you know, we buy royalties from multiple counterparties, sometimes there's a number of inventors or sometimes there is a number of biotechs and so on, and we go to them and we purchase royalties that each of those kinds of individuals or organizations might own. In this case, we just bought a second royalty from a different counterparty than our initial transaction. It wasn't so much of a tweak to the royalty rate as it was just we purchased an initial entitlement that gives us an additional royalty stream. Obviously a very small transaction, about \$3.5 million; that was the nature of that transaction.

In terms of the option to acquire more Empaveli royalties by virtue of our original deal, we're still evaluating that and we have until June 1, which I know is coming up pretty quickly, to execute on the transaction. But the team is still evaluating if that's something that we want to do or not, particularly in the context of all the different opportunities that we have right now.

Greg Fraser – Analyst, Truist Securities

Got it, that's helpful.

My second question is on the pipeline. You noted that the pipeline is the largest that it's been in the Company's history, and you said that the quality is also the highest that it's been. You mentioned that you're not looking at pre-approval assets, but what about drugs that are very early in launch, like TZIELD, that would be small contributors initially but much larger over time? Just trying to get a sense of whether the deals where you're in the later stages of diligence could be immediate material royalty contributors. Thank you.

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

Thanks for the question. We have a good mix of products. Typically, we like to have a mix of yields that can be either immediate contributors and accretive in terms of EBITDA, and the benefit here is that these deals in essence self-fund because they unlock some debt capacity for ourselves. We have good mix of products also that have more of a long term and strong growth potential, more like TZIELD. As you know, when we had TZIELD, we had extended the portfolio duration to about 10 years. Of course, with the sale, which we think was the right decision to do, that brought us back to where we were before, to flat cash flows through 2025. We are looking to replace the back end of the portfolio with some of the assets we have. We have a good mix to bring long term and short term with the dry powder we have now.

Greg Fraser – Analyst, Truist Securities

Thank you.

Operator

Thank you. The next question comes from George Farmer of Scotiabank. Please go ahead.

George Farmer – Analyst, Scotiabank

Hi, good morning. Thanks for taking my question. Behzad, you talked a lot about being opportunistic given the financing environment for small cap biotech and the like. Does that imply that you're willing to take more clinical and regulatory risk, perhaps when thinking about investing on approved products, and what's your appetite for such?

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

George, thanks very much for the question. I appreciate it.

I think in the current environment, there's certainly a ton of opportunities to take clinical and regulatory risks, but we don't feel like we need to take that kind of risk in order to deploy the capital that we're hoping to deploy. Our focus is to acquire royalties on approved and commercialized pharmaceutical products, and some of them, as Emmanuel noted, will be early in their commercial life and some of them will be later in their commercial life, but to build a portfolio with a mix of those kinds of assets. We just have a ton of opportunities that fit that criteria. At this point in time, we don't see ourselves taking pre-approval or regulatory risks or anything like that.

George Farmer — Analyst, Scotiabank

Okay, great. Thanks very much.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you George.

Operator

Thank you. There are no further questions at this time. I will turn the call back to Behzad for closing remarks.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you, Operator, and thank you everybody for joining the call. We very much appreciate it and look forward to connecting with you in the near term. Have a great day.

Operator

Ladies and gentlemen, this does conclude the conference call for today. We thank you for participation and ask that you please disconnect your lines.