

# **DRIHEALTHCARE**

## **ADVANCING SCIENCE**

in the Fast-Growing Pharmaceutical and Biotechnology Sector

December 2023

# Disclaimer

This presentation has been prepared by DRI Healthcare Trust (the “Trust”). The Trust is an unincorporated open-ended fund trust governed by the laws of the Province of Ontario, Canada and is externally managed by DRI Capital Inc. (“DRI Capital” or the “Manager” and together with the Trust, “DRI Healthcare”). The Trust completed an initial public offering (the “IPO”) on February 11, 2021 in which it acquired an initial portfolio of royalty assets from DRI Capital. The predecessor of the Manager was founded in 1989. Any references to employees or historical figures prior to the IPO refer to those of the Manager.

Certain statements made in this 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.

Statements regarding the Trust's 2025 outlook are based on its most up-to-date view of its prospects as of the date of this presentation. This long-term outlook includes potential royalty transactions currently in the Trust's pipeline and future royalty transactions that it may bring into its pipeline in accordance with its strict investment criteria. This long-term outlook assumes no material adverse events following the date of this presentation. The compounding of cash flow chart is for illustrative purposes only. You should not place undue reliance upon such information. There are certain risks and factors that may cause actual results to differ from those depicted herein.

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, 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.

This presentation also makes reference to certain non-GAAP financial measures including Total Cash Receipts, Normalized Total Cash Receipts, Total Cash Royalty Receipts and Adjusted EBITDA, and certain non-GAAP ratios including Adjusted EBITDA Margin and Adjusted Cash Earnings per Unit. These measures and ratios are not standardized measures under IFRS and are therefore unlikely to be comparable to similar financial measures disclosed by other issuers. Rather, these measures and ratios are provided as additional information to complement those IFRS measures by providing 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. See “Financial Review: Non-GAAP Financial Measures” in our Management's Discussion and Analysis (“MD&A”), which includes a reconciliation of IFRS to non-GAAP measures. The MD&A is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)

All dollar figures in this presentation are stated in US dollars.

# Low risk exposure to rapid biopharma growth

**34-year<sup>1</sup>**

History

**\$2.5B+**

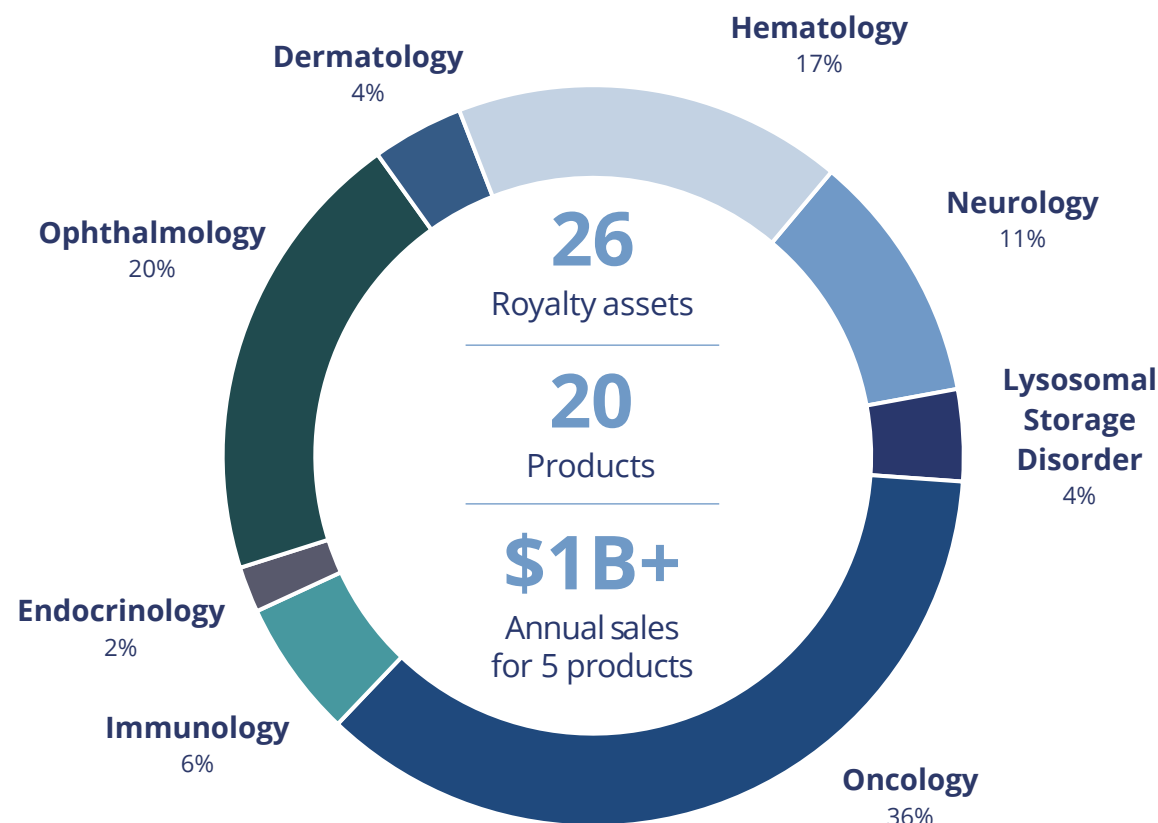
Capital deployed

**74**

Royalty acquisitions

**7,500+**

Royalty opportunities in  
proprietary database



For the last twelve months ended September 30, 2023

**\$113M**

Total Income

**\$94M**

Adjusted EBITDA<sup>2</sup>

**86%**

Adjusted EBITDA Margin<sup>2</sup>

**\$766M<sup>3</sup>**

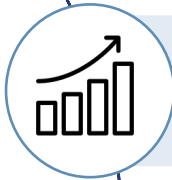
Capital deployed  
since IPO

Diverse portfolio with large pharmaceutical company characteristics

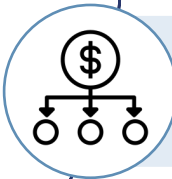
# Investment Highlights



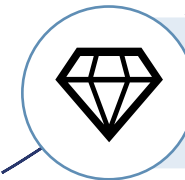
**The longest standing and a global leader** in buying healthcare royalties



Well positioned to capitalize on **generational industry growth** delivering attractive **uncorrelated cash flows**



**Diversified portfolio** of products by therapeutic area and marketer



**High yield and high margin value opportunity** that is priced attractively relative to peers

# Our competitive advantages

## 1 Seasoned team

of specialized investment professionals with life science backgrounds and advanced business and scientific degrees

## 2 Disciplined capital allocation

based on robust investment criteria that has resulted in 22% net IRRs over three funds since 2006

## 3 Proactive sourcing





proprietary database tracking royalties on more than 2,500 drugs worldwide combined with deep industry relationships developed over our 30-year history

## 4 Strong execution

fundamental ground-up diligence on opportunities to execute high-quality transactions

1. IRR figure is net of fees and is based on results of funds managed by DRI Healthcare Trust's manager

# Track record of delivering growth and value

Drug Royalty I 2006 – 2008 <sup>1</sup>	Drug Royalty II 2009 – 2013 <sup>1</sup>	Drug Royalty III 2013 – 2018 <sup>1</sup>	DHT 2021 - present
<b>19</b> New Royalties valued at <b>\$645M</b>	<b>27</b> New Royalties valued at <b>\$730M<sup>2</sup></b>	<b>15</b> New Royalties valued at <b>\$586M</b>	<b>13</b> New Royalties & <b>1</b> Loan valued at up to <b>\$817M<sup>3</sup></b>
IRR <sup>4</sup> <b>19%</b>	IRR <sup>4</sup> <b>18%</b>	IRR <sup>4</sup> <b>20%</b>	IRR <sup>4</sup> <b>Targeting Similar Performance</b>
			

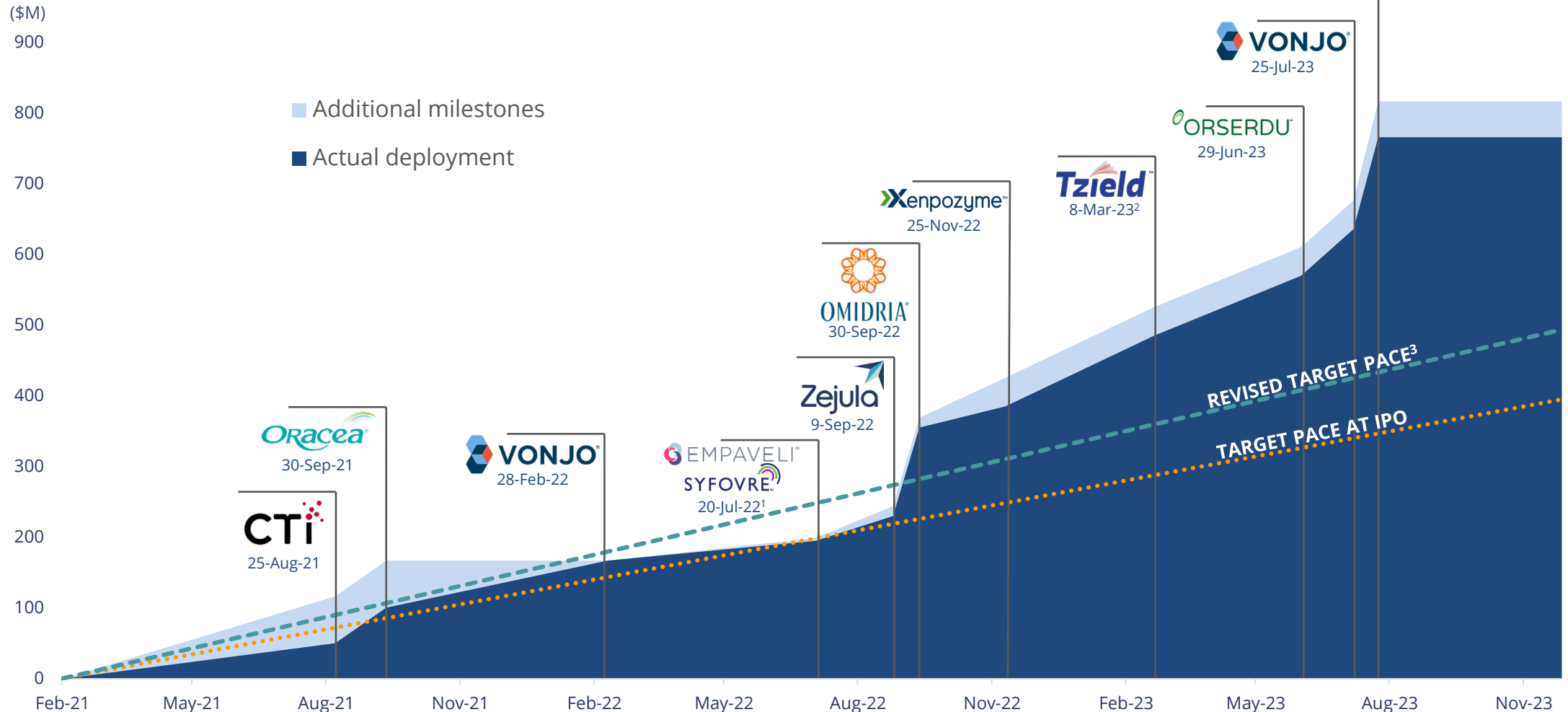
Consistent track record of efficient capital deployment at high returns

# Delivering on our long-term objectives

	Guidance at IPO (Feb 2021)	Guidance Today
Capital deployment target	Initial target of \$650 – 750 million over 5 years	Raised deployment target to \$850 – 900 million over 5 years
Sustainable cash generation	Declining cash curve due to expected asset expiries	Mid-teens total income CAGR through 2025 and low single digit total income CAGR through 2030 <i>(excluding any new transactions)</i>
Portfolio duration	8 years	>10 years
Capital resources	IPO proceeds and debt capacity	Equity offering proceeds and attractive credit facilities with compounding effect of cash flows

Focus on building long-term and sustainable strategic growth

# Current deployment exceeds targets



Deployment pace and need for capital by counterparties → 5 year deployment target increased to \$850 – 900 million<sup>3</sup>



# Robust pipeline

\$3.0 billion in near-term opportunities

Address important  
unmet needs with life-  
changing therapies for  
patients

Marketed by leading  
biotech or biopharma  
companies

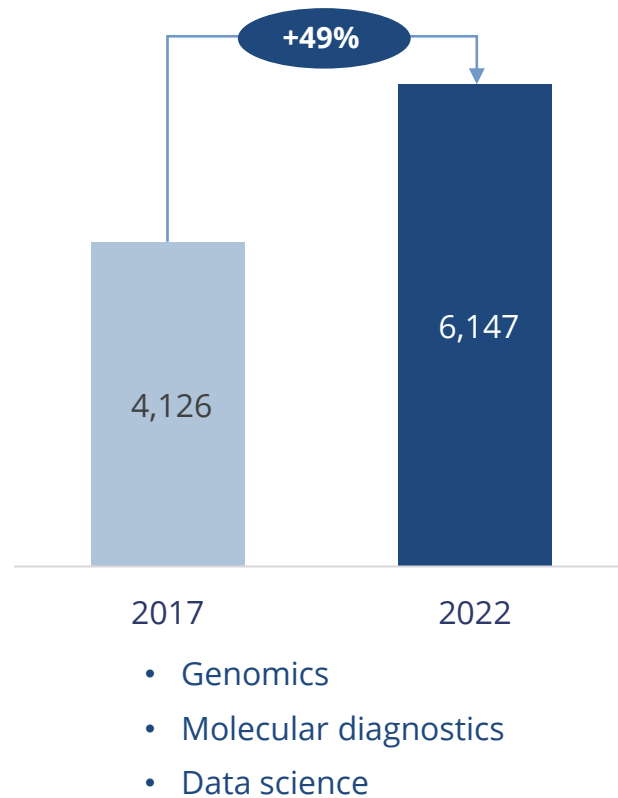
Provides strong  
intellectual property  
and regulatory  
protection

Further portfolio diversification and extension with attractive returns

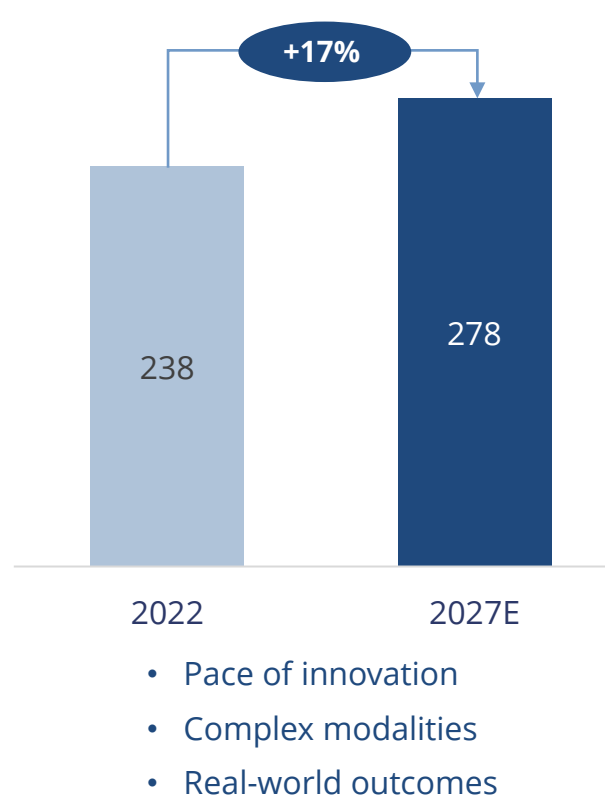
All deals in the pipeline meet or exceed strict investment criteria

# Long-term drivers support royalty financing growth

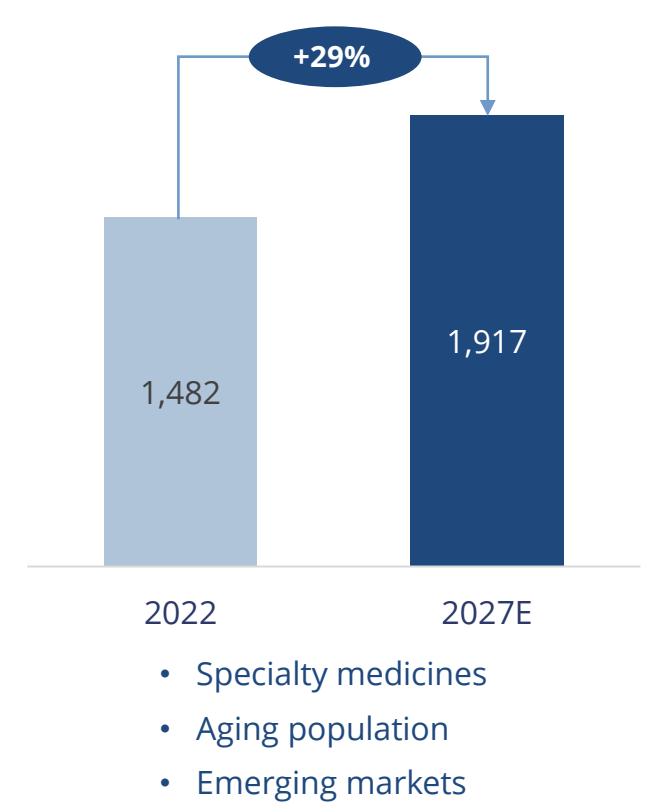
## Growth of Biopharma clinical pipeline<sup>1</sup>



## Projected Growth of Worldwide Biopharma R&D Spend (\$B)<sup>2</sup>



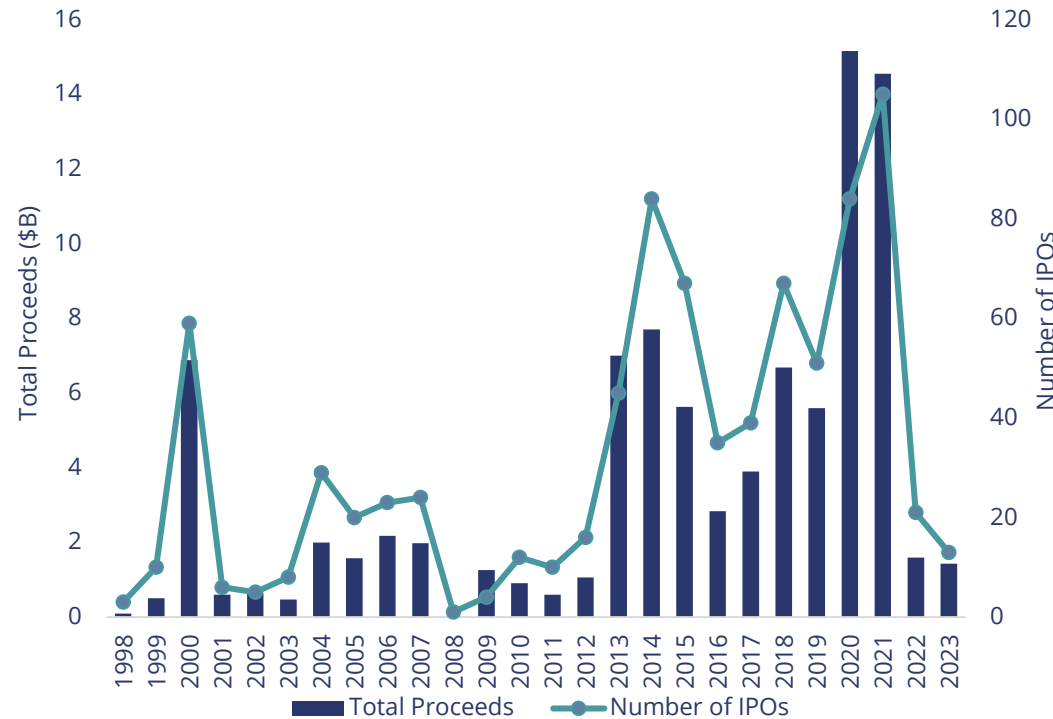
## Projected Growth of Worldwide Medicine Spending (\$B)<sup>3</sup>



Growing capital needs to develop novel drugs bolsters our pipeline

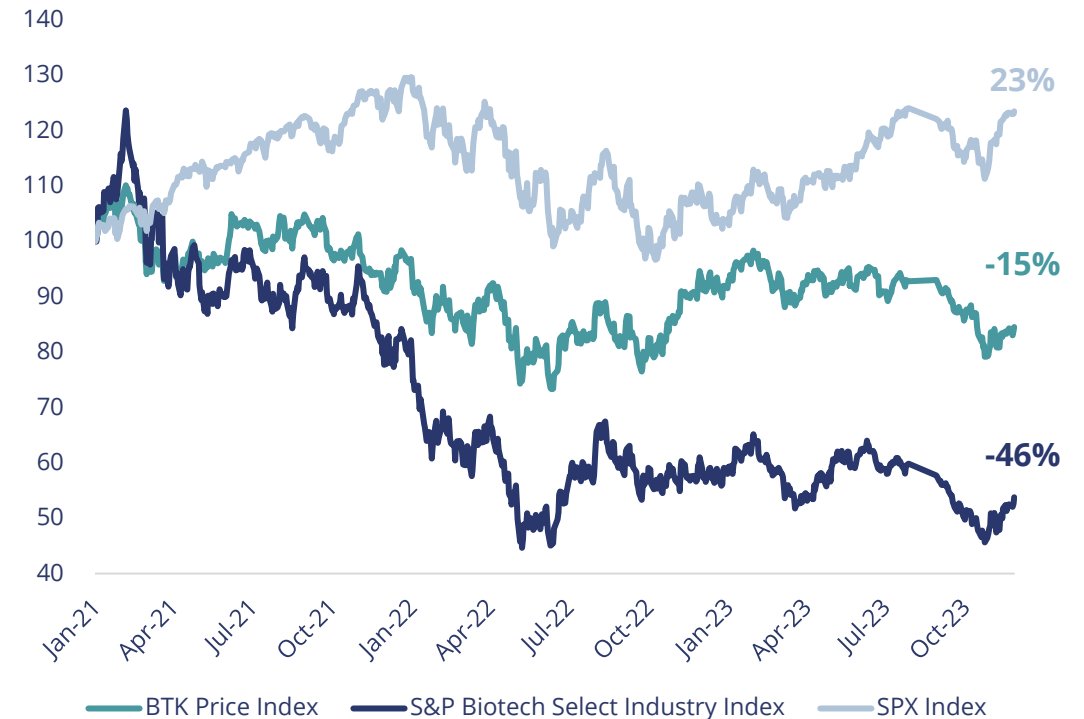
# State of the biotech market

## Biotech IPOs<sup>1</sup>



**Rapid expansion of biotech market with  
>500 IPOs in last 10 years**

## Biotech Equities Performance<sup>2</sup>



**Struggling equity capital markets for biotechs**

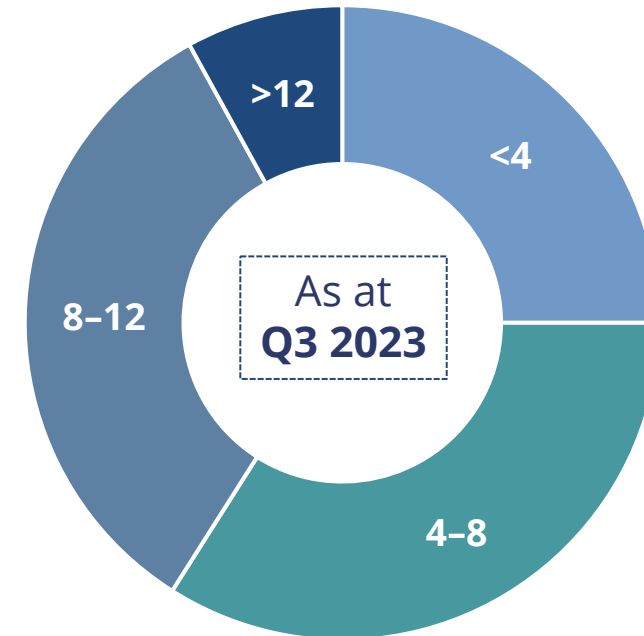
Creates an environment where a large amount of capital is required, making DRI's royalty financing very attractive

# US SMID Biotechs' limited cash reserves

Net Loss vs. Capital Raised (\$B)



Cash Runway for Unprofitable Biotechs (quarters)



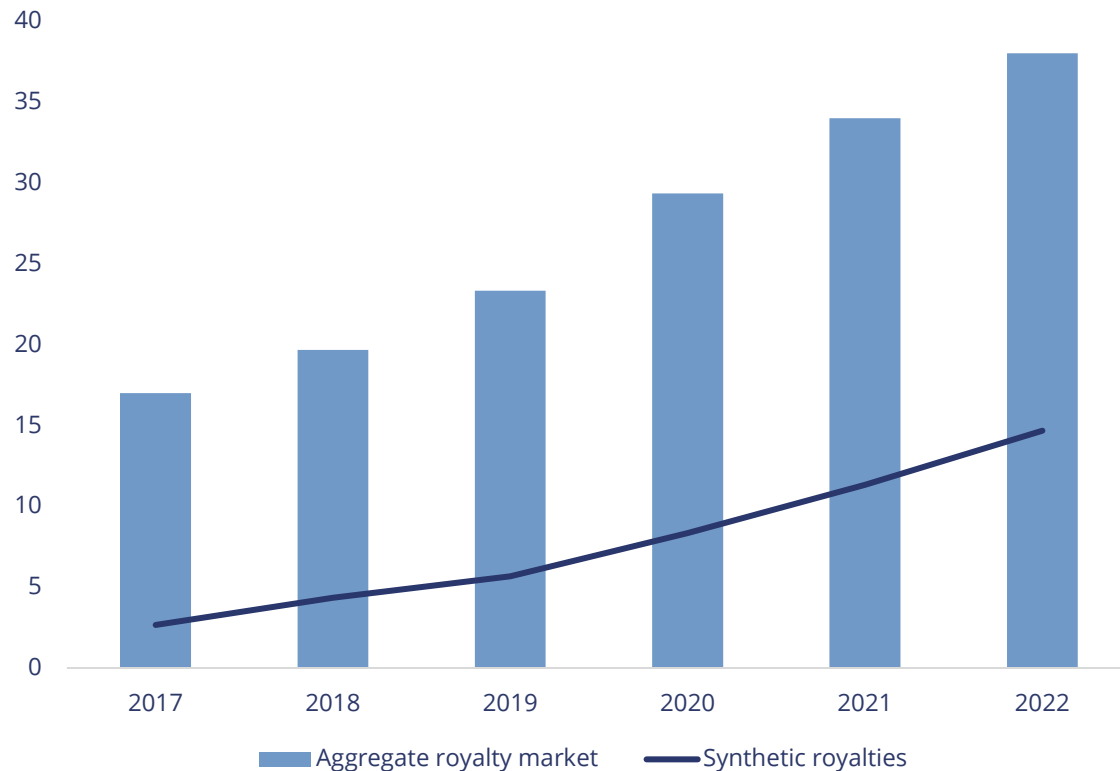
- 25% have cash runway under 4 quarters
- 67% have cash runway between 4-12 quarters
- Only 1% have cash runway over 16 quarters

Tightening cash reserves highlight need to seek royalty-based financing

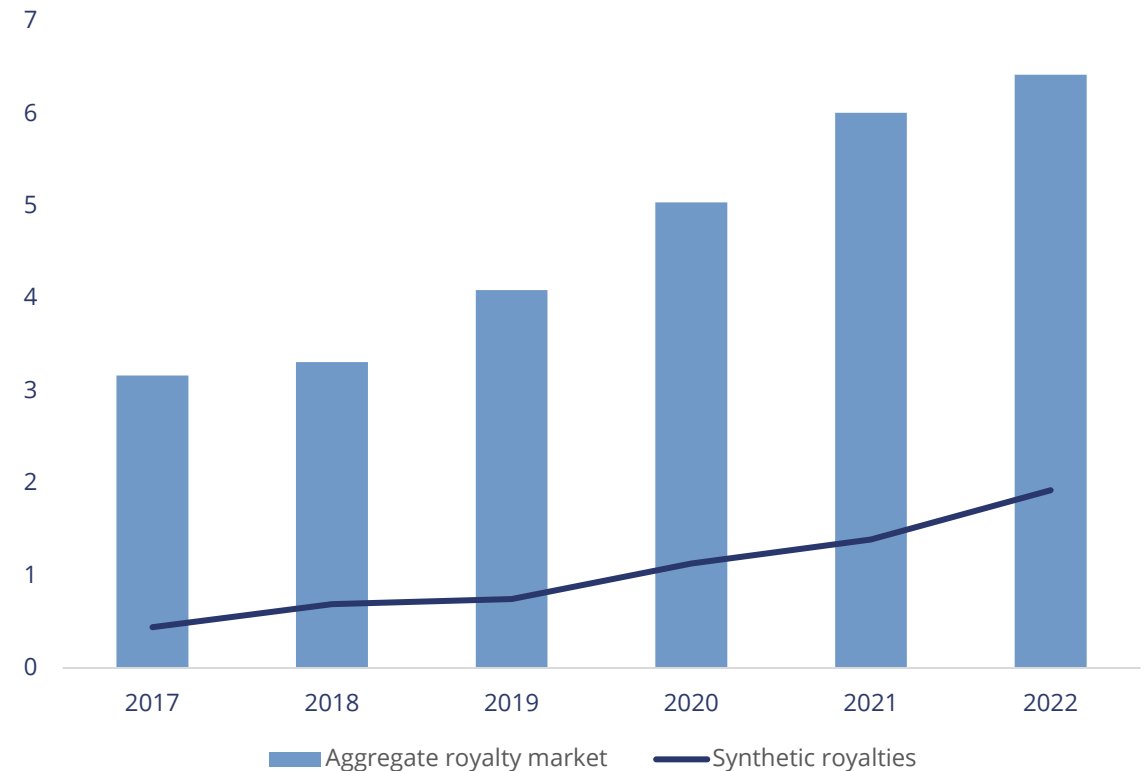
Source: Mizuho Securities, Q323 Analysis of Cash Runway and Differential, November 30, 2023

# Royalty transaction activity is expanding with strong industry tailwinds

Trailing three-year average number of transactions<sup>1</sup>



Trailing three-year average value of transactions (\$B)<sup>1</sup>











Royalty financing's unique appeal has propelled it to mainstream adoption

# Creating win-win deals for multiple counterparties



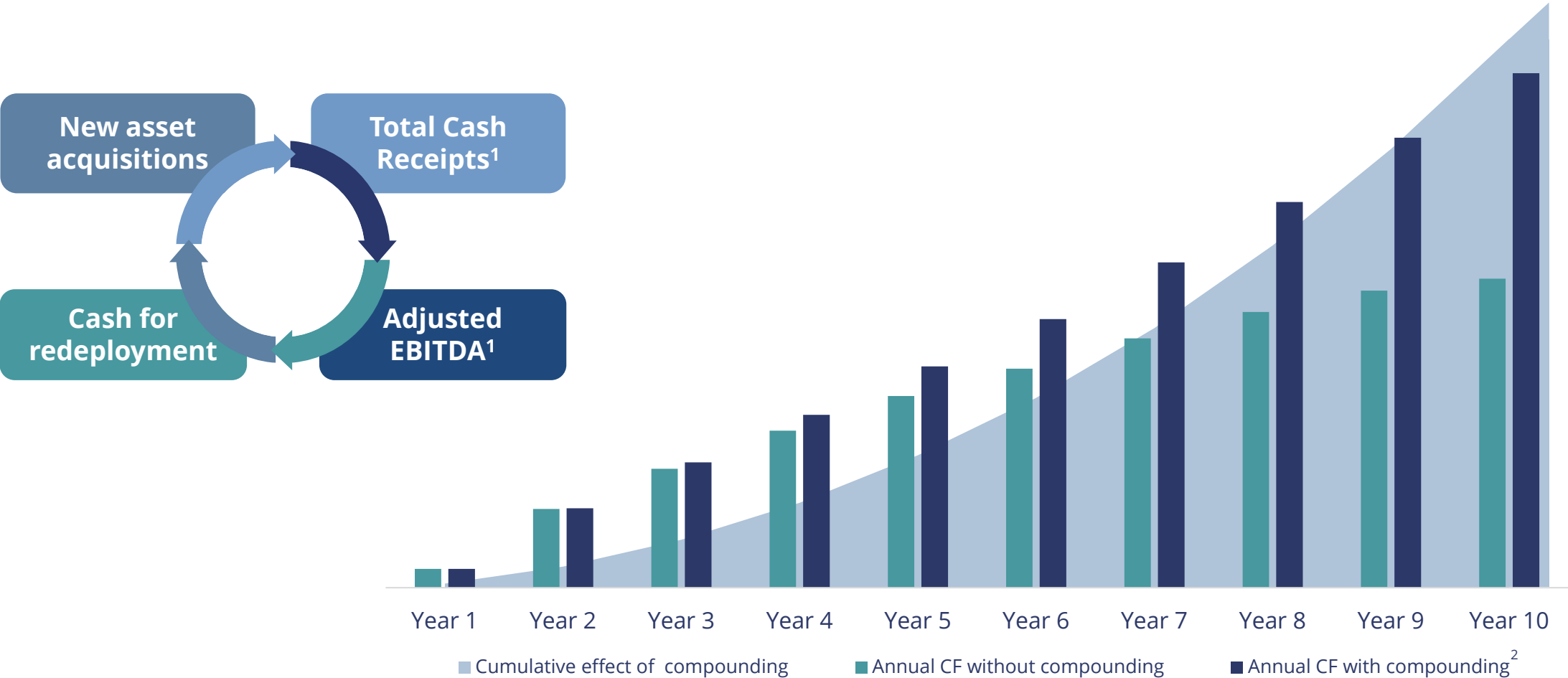
A proven and repeatable asset identification, selection and execution process

# Proven track record of closing accretive transactions

Investment Thesis		Transaction Size	
	Newly approved and first in class oncology product with uncapped growth potential	\$85 million	Up to \$140 million <sup>1</sup>
	High-quality oncology product with strong growth potential	Up to \$135 million <sup>2</sup>	\$66 million <sup>3</sup>
	Newly approved Diabetes product with long-term cash flows and growth potential	Acquisition: \$100.0 million Sale: \$210.0 million	
	Only approved product for ASMD with strong IP and long duration	\$30.0 million + up to \$26.5 million in potential milestones	
	Structured transaction on established product providing cash accretion	\$125 million	
	High-quality oncology product with multiple pipeline indications	\$35.0 million + \$10.0 million potential milestone	
	Hematology and ophthalmology product with long-term horizon and attractive growth prospects	\$28.2 million <sup>4</sup> + \$4.0 million potential milestone	
	Dermatology product with existing commercial track record	\$50.5 million	

Completed eleven acquisitions since IPO totaling up to \$817 million, with \$766 million deployed to date

# Positive effect of compounding of cash flows



## Virtuous cycle of growing returns and reinvestment

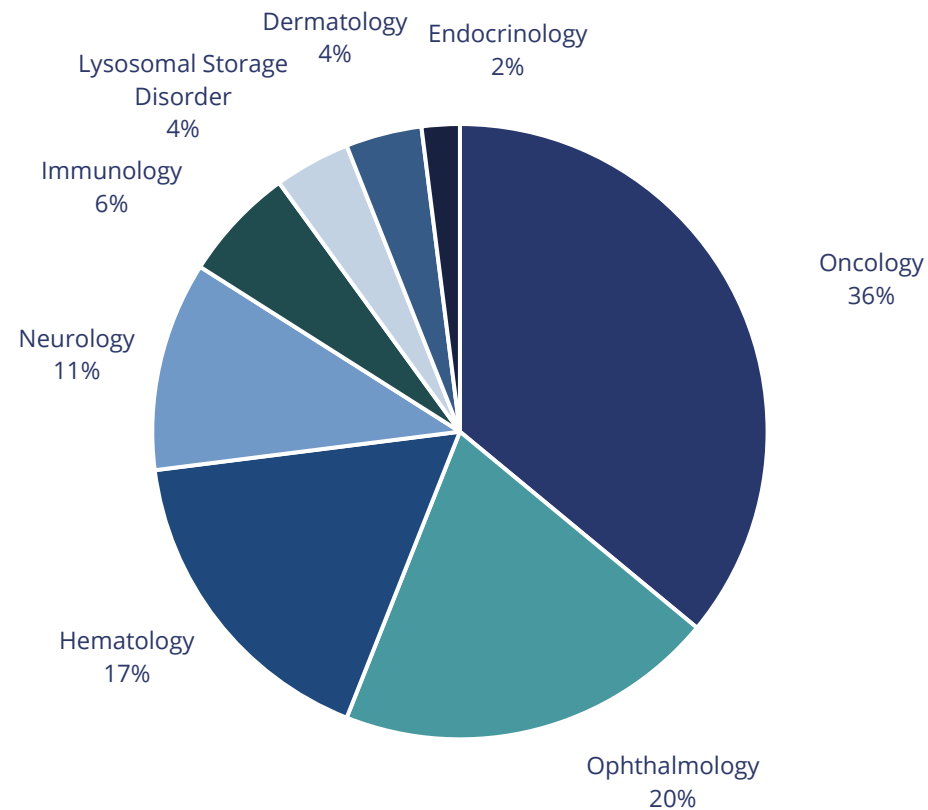
1. Total Cash Receipts and Adjusted EBITDA are non-GAAP measures. See "Financial Review: Non-GAAP Financial Measures" in our MD&A, which includes a reconciliation of IFRS to non-GAAP measures. The MD&A is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

2. The above chart is for illustrative purposes only to depict the effect of reinvesting cash flow over time. The chart was generated using a typical deal cash flow profile based on a historical analysis of DRI Healthcare's internal database of royalty transactions. Key assumptions include original transaction funded with a mix of debt and equity, with interest rate expense, management fees, and other operating costs factored in.

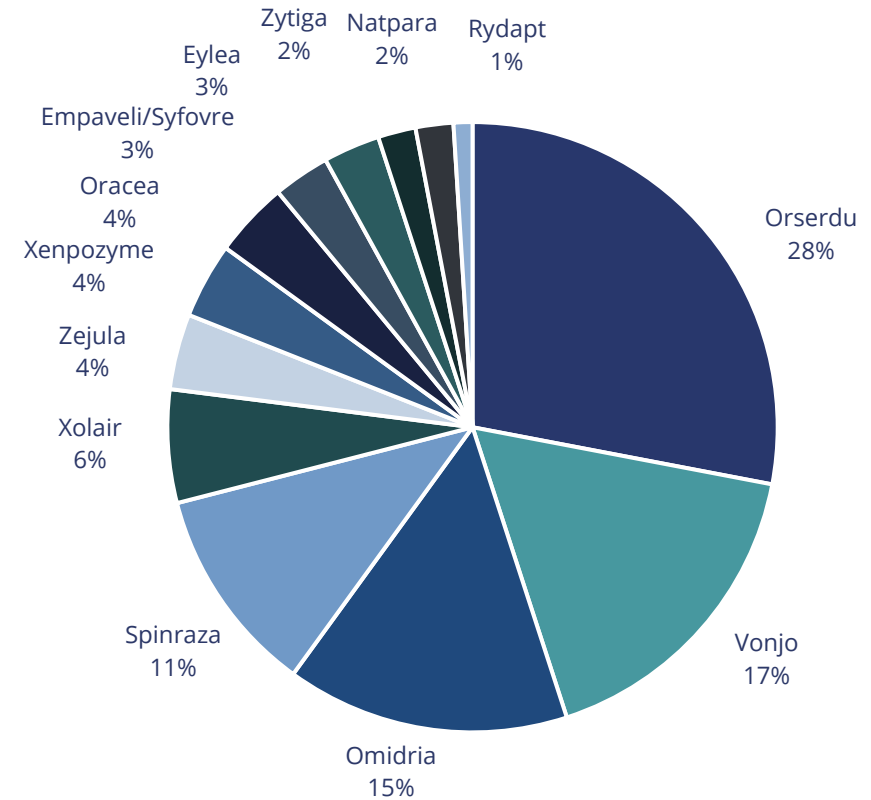


# Robust diversified portfolio

By Therapeutic Area<sup>1</sup>



By Product<sup>1</sup>



No individual product accounts for more than 28% of net book value

1. Based on net book value as at September 30, 2023

# Q3 financial highlights

Normalized Total Cash Receipts<sup>1</sup>

**\$25.2 million**

+34% over Q3 2022

Total Income

**\$34.1 million**

+29% over Q3 2022

Adjusted EBITDA<sup>1</sup>

**\$20.3 million**

+28% over Q3 2022

Adjusted EBITDA Margin<sup>1</sup>

**80%**

Adjusted Cash Earnings per Unit<sup>1</sup>

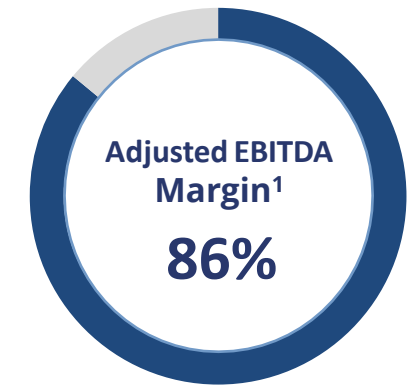
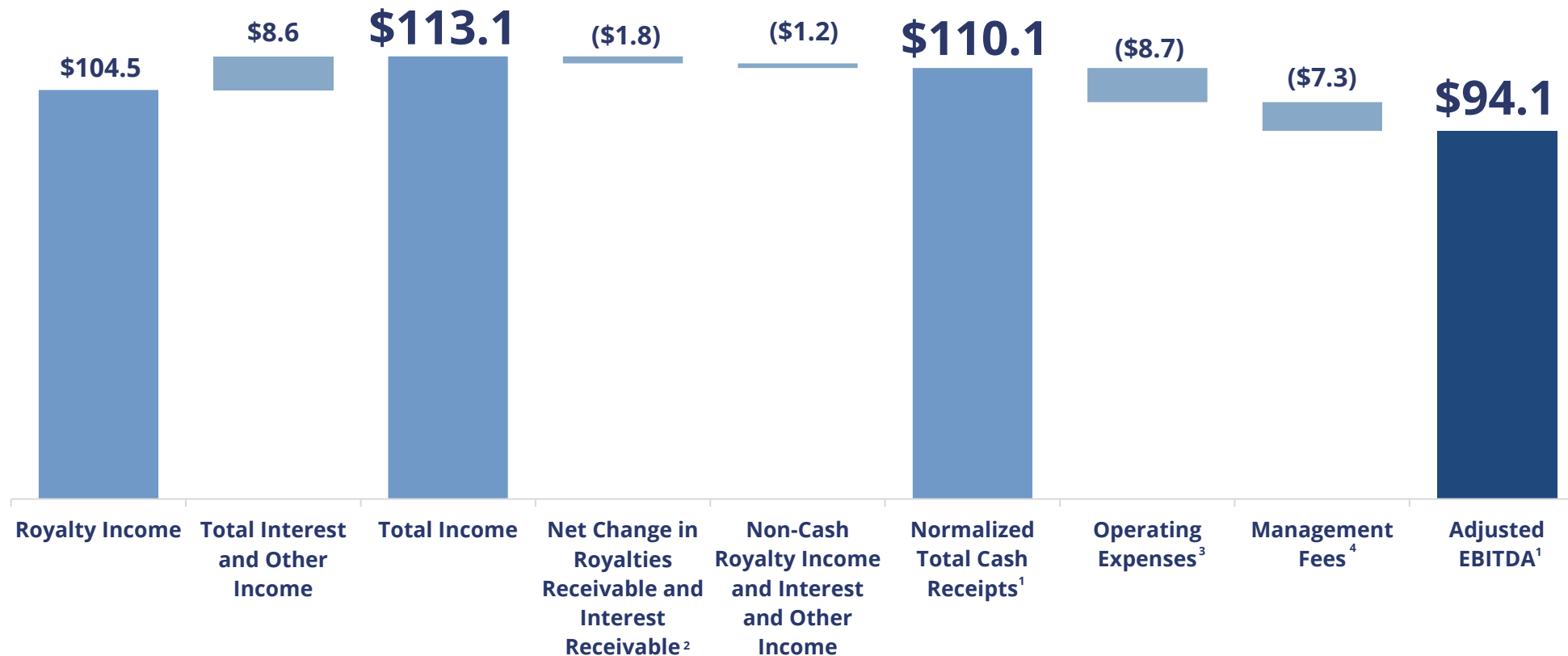
**\$0.46**

Declared Cash Distributions per Unit

**\$0.0750**

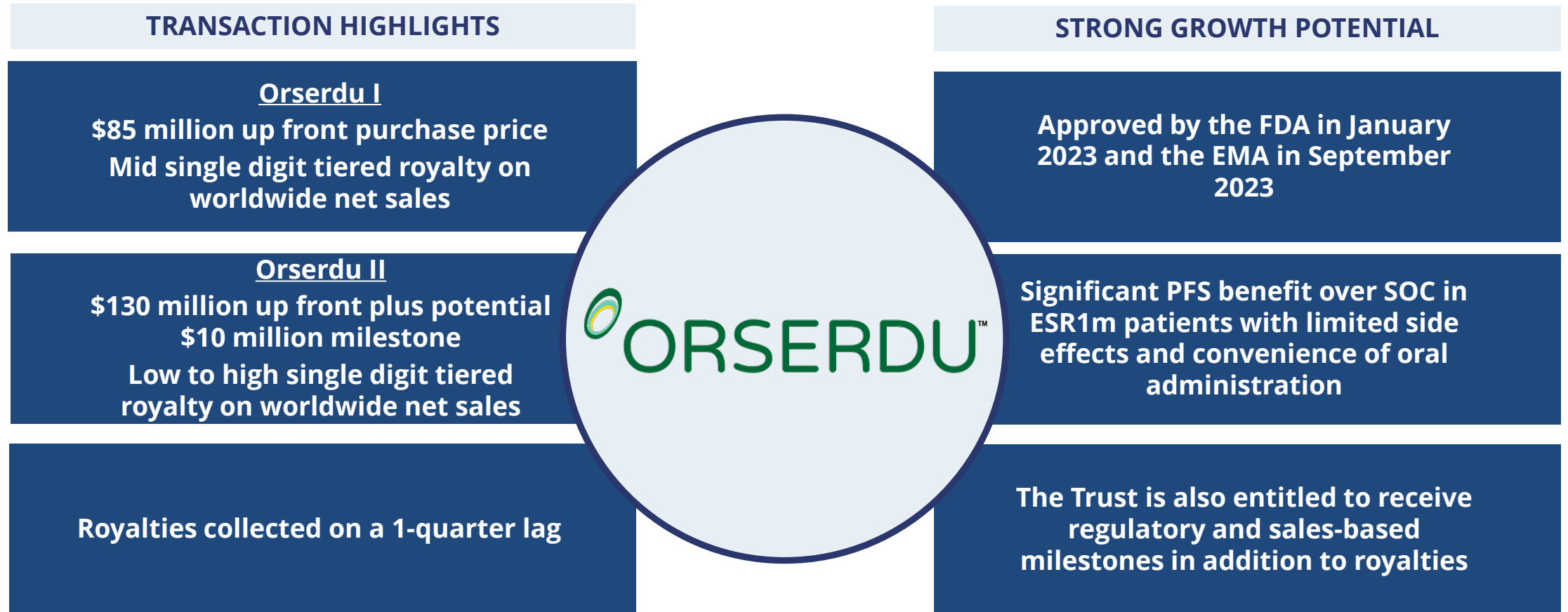
# Strong cash generation

Adjusted EBITDA for the Last Twelve Months Ended September 30, 2023 (\$M)<sup>1</sup>



Cash available to drive portfolio growth and maintain distributions to unitholders

# Orserdu royalty transactions



Uncapped royalties on long-duration asset

# Vonjo II royalty transaction

## TRANSACTION HIGHLIGHTS

**\$66 million purchase price for tiered royalty on worldwide net sales**

**Approved by the FDA in February 2022 as the only treatment for Myelofibrosis with severe thrombocytopenia**

**DRI entitled to receive up to \$107.5 million in milestone payments**



## STRONG GROWTH POTENTIAL

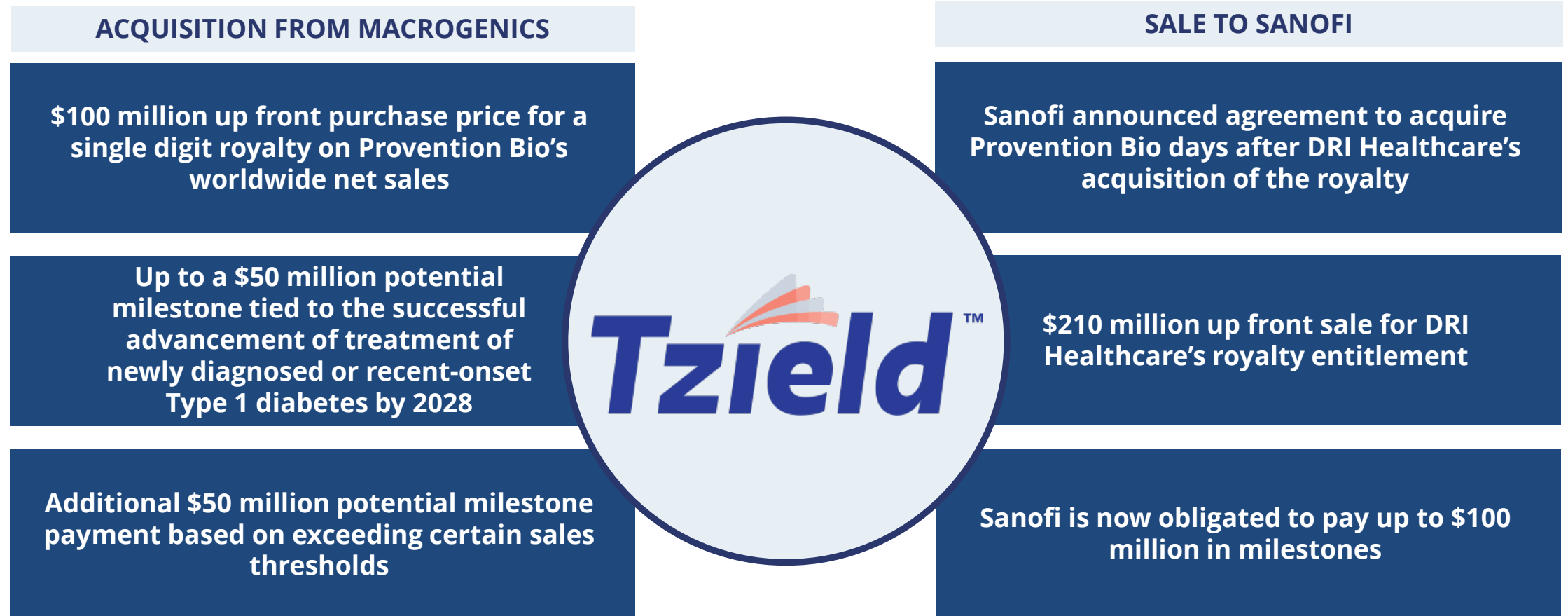
**First year of sales strongly exceeded analyst consensus estimates**

**\$6.5 million payment made to CTI in January 2023 for achieving sales milestone on Vonjo I royalty**

**On June 6, 2023, Sobi acquired CTI for \$1.7 billion**







































Second royalty on Vonjo increases exposure to long duration high-quality asset

# TzielD royalty transactions



Proceeds reinvested to generate compound effects for unitholders

# Portfolio performance

Asset	Primary Marketer(s)	Therapeutic Area	(\$ thousands)	
			Total Cash Royalty Receipts <sup>1,2</sup> LTM 9/30/2023	Net Book Value 9/30/23
	Apellis 	Hematology / Ophthalmology	707	25,445
	REGENERON  	Ophthalmology	8,457	18,735
	AstraZeneca 	Influenza	2,213	-
		Endocrinology	2,381	13,592
		Ophthalmology	11,420	110,161
		Dermatology	7,897	27,338
		Oncology	3,453	209,525
		Oncology	8,770	7,569
		Neurology	16,237	78,969
  	   	Immunology	1,618	2,412
		Hematology	9,202	123,952
		Lysosomal Storage Disorder	247	29,528
	 	Immunology	9,766	44,779
		Oncology	2,951	31,495
	 	Oncology	17,644	15,558
Various <sup>5</sup>		Various	2,317	2,308
<b>Total</b>			<b>105,280</b>	<b>740,040</b>

DHT's assets have continued to show strong performance





# Growth opportunities from existing assets<sup>1</sup>

	Phase 1	Phase 2	Phase 3	Phase 4
Spinraza	RESPOND: Spinraza in patients who had received Zolgensma			
	ASCEND: Higher dose Spinraza in patients who had received Evrysdi			
	DEVOTE: Higher dose Spinraza			
Vonjo	PACIFICA: Confirmatory trial in Myelofibrosis			
Xolair	OUTMATCH: Xolair monotherapy or as adjunct therapy in food allergies			
Zejula	FIRST: 1L treatment of stage III/IV Ovarian Cancer with Dostarlimab			
	RUBY: maintenance treatment of Recurrent or Primary Advanced Endometrial Cancer with dostarlimab			
	ZEAL: 1L maintenance therapy in combination with pembrolizumab in NSCLC			
	AMPLITUDE: Combination of Zytiga + Zejula in mHSPC			
Zytiga	MAGNITUDE: Combination of Zytiga + Zejula in mCRPC			
	AMPLITUDE: Combination of Zytiga + Zejula in mHSPC			
Empaveli / Syfovre	PLAUDIT: Treatment for wAIHA or CAD			
	DISCOVERY: Treatment for IgA Nephropathy, Lupus Nephritis, PNM, or C3G			
Orserdu	ELEVATE: Combination therapy for the treatment of ER+/HER2- breast cancer			
Rydapt	Rydapt + decitabine in unfit AML patients			
	Rydapt + HDM201 in r/r AML with FLT mutation			

Additional indications have potential to enhance royalty streams



# Trust units are undervalued relative to royalty peers

	Price / book	Price / operating cash flow	Dividend yield
 <b>DRIHEALTHCARE</b>	1.0x	4.8x	3.1%
<b>ROYALTY PHARMA</b>	2.0x	7.6x	2.9%
 <b>XOMA</b>	1.6x	Neg	0.0%
<b>Ligand</b>	1.5x	7.3x	0.0%
 <b>Franco-Nevada</b>	4.6x	21.5x	1.2%
 <b>WHEATON</b> PRECIOUS METALS	3.2x	29.8x	1.2%

Valuation comps highlight Trust's underlying value

# Committed to best practices in ESG



## Environmental

### Building a platform for sustainability

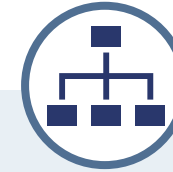
- Review of sustainability practices of our business partners
- Head office located in a Gold LEED-certified building
- Commitment to waste reduction
- Employee environmental training and awareness
- Intend to take steps to minimize or offset our carbon footprint



## Social

### Valuing diversity and community support

- Highly diverse and inclusive team
- Balanced gender representation
- Employee time off each quarter for charitable volunteering
- Professional development and career advancement
- Corporate giving and donations



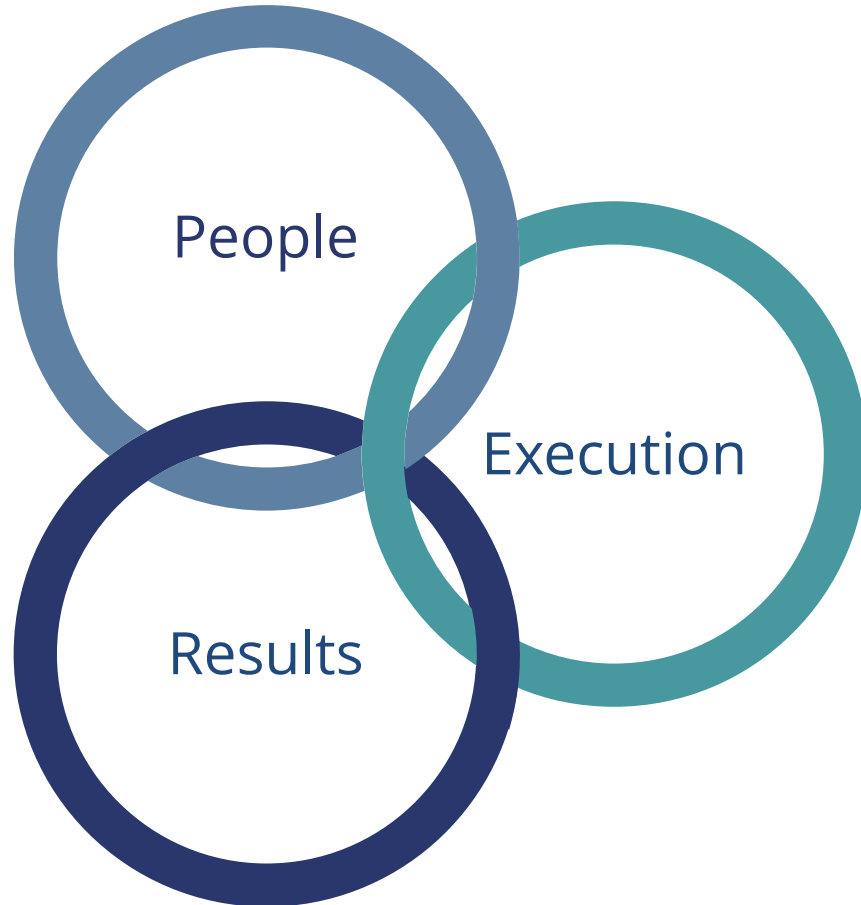
## Governance

### Accountability and integrity as core values

- Best practice governance policies in place
- Diverse and majority independent Board
- Board oversight of ESG and risk management
- Active unitholder engagement
- Robust cybersecurity
- Whistleblower policy in place

Striving to deliver value to our stakeholders, our community, and society as a whole

# Our key priorities



**Invest in our people and build the industry leading royalty investment team**

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**Execute on strong pipeline and operate at peak performance in all aspects of our business**

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**Focus on long-term, sustainable growth generating strong unitholder returns**

# DRIHEALTHCARE



## Contact Us

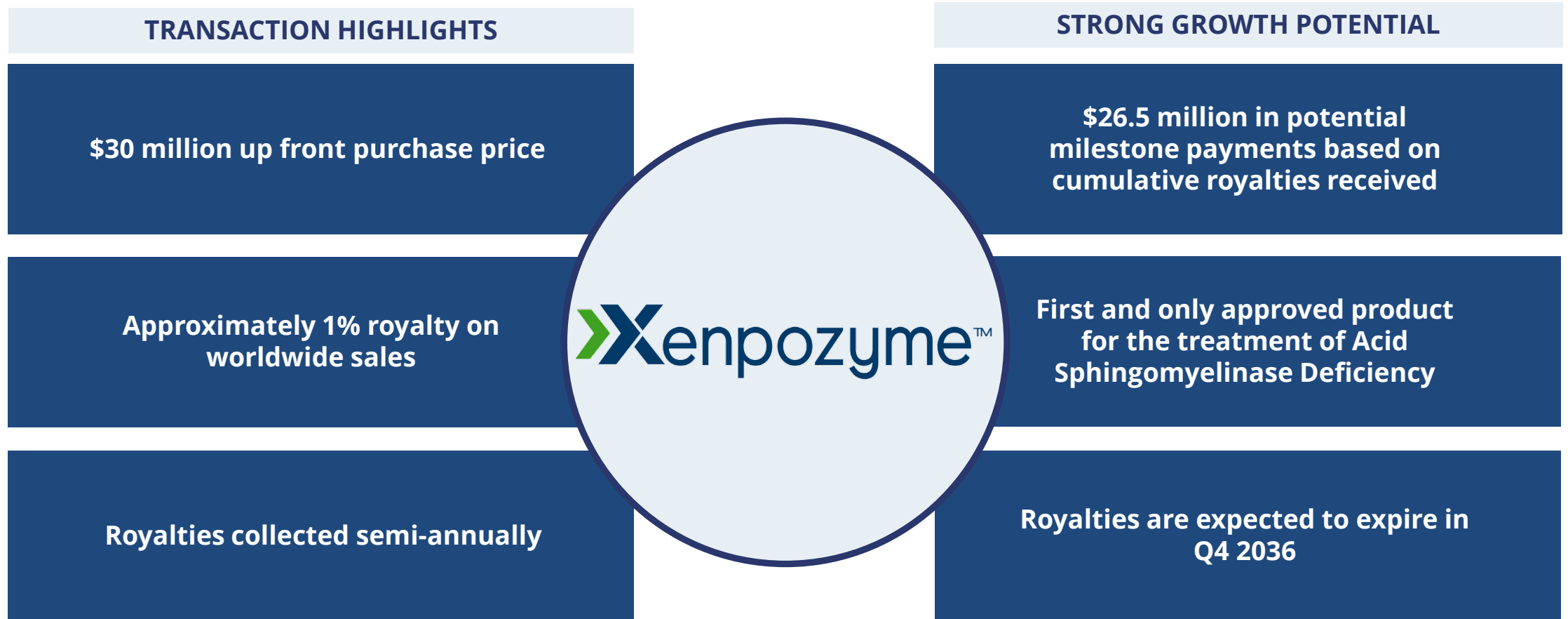
David Levine

[ir@drihealthcare.com](mailto:ir@drihealthcare.com)



## Appendix – Deal Summaries

# Xenpozyme royalty transaction



Long duration product with strong IP protection anticipated to generate high multiple on invested capital

# Omidria royalty transaction

## TRANSACTION HIGHLIGHTS

**\$125 million up front purchase price, subject to annual cash receipt caps**

**Approved for intracameral use during cataract surgery or intraocular lens replacement**

**Marketed by Rayner Surgical with royalties collected monthly**



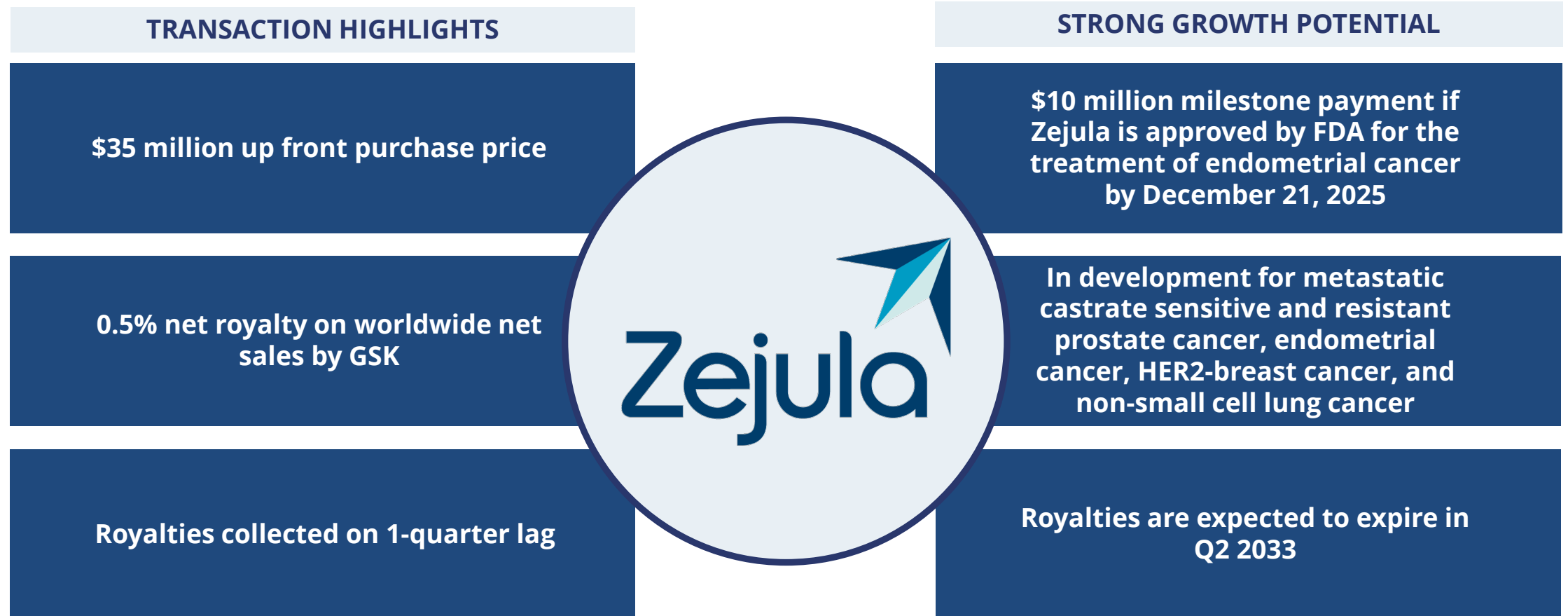
## STRUCTURED GROWTH

Annual Royalty Receipt Caps (\$M)



Substantial near-term cash flows with long-term structural growth anticipated

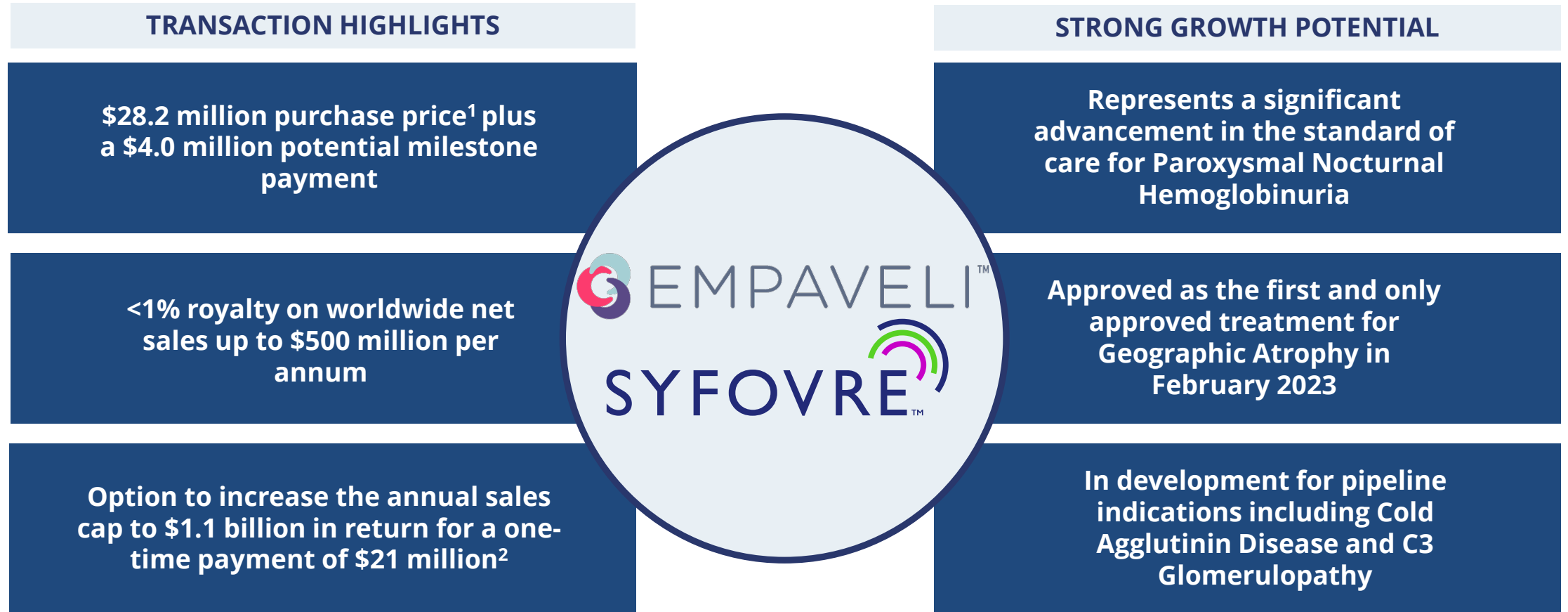
# Zejula royalty transaction



Multiple indications in development represent a pipeline in a product

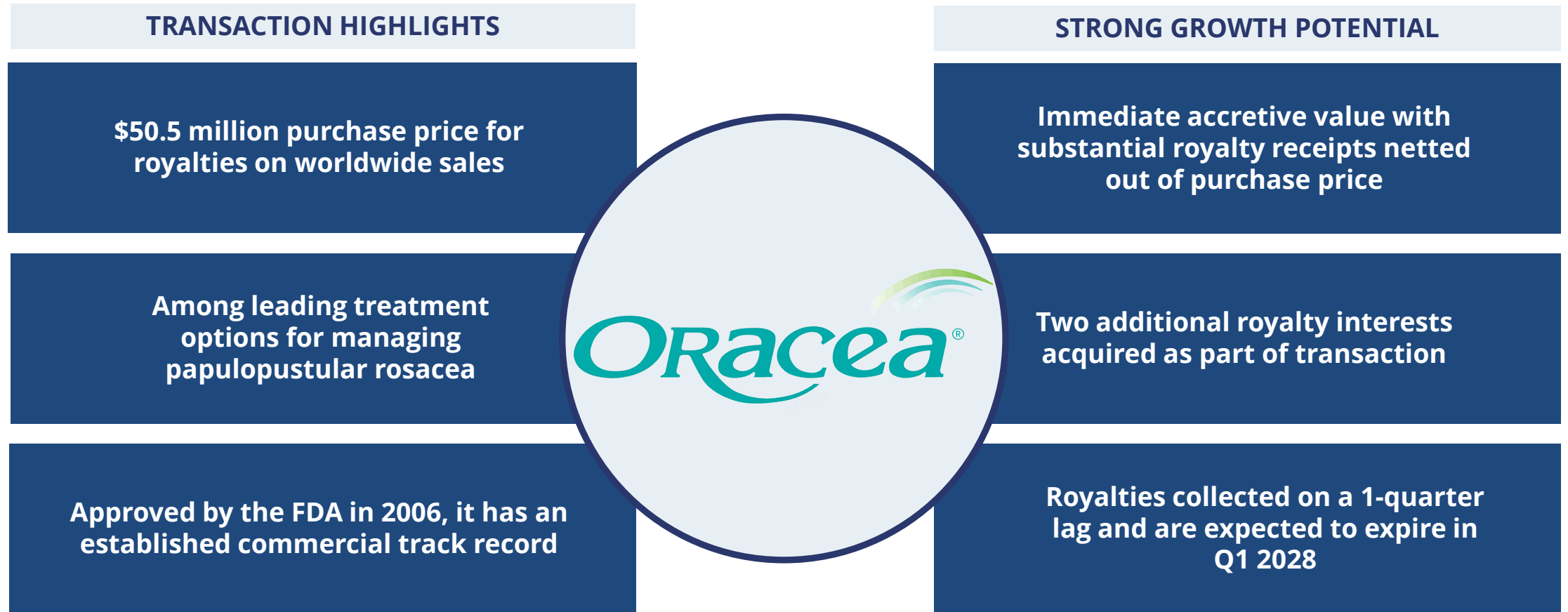


# Empaveli royalty transaction



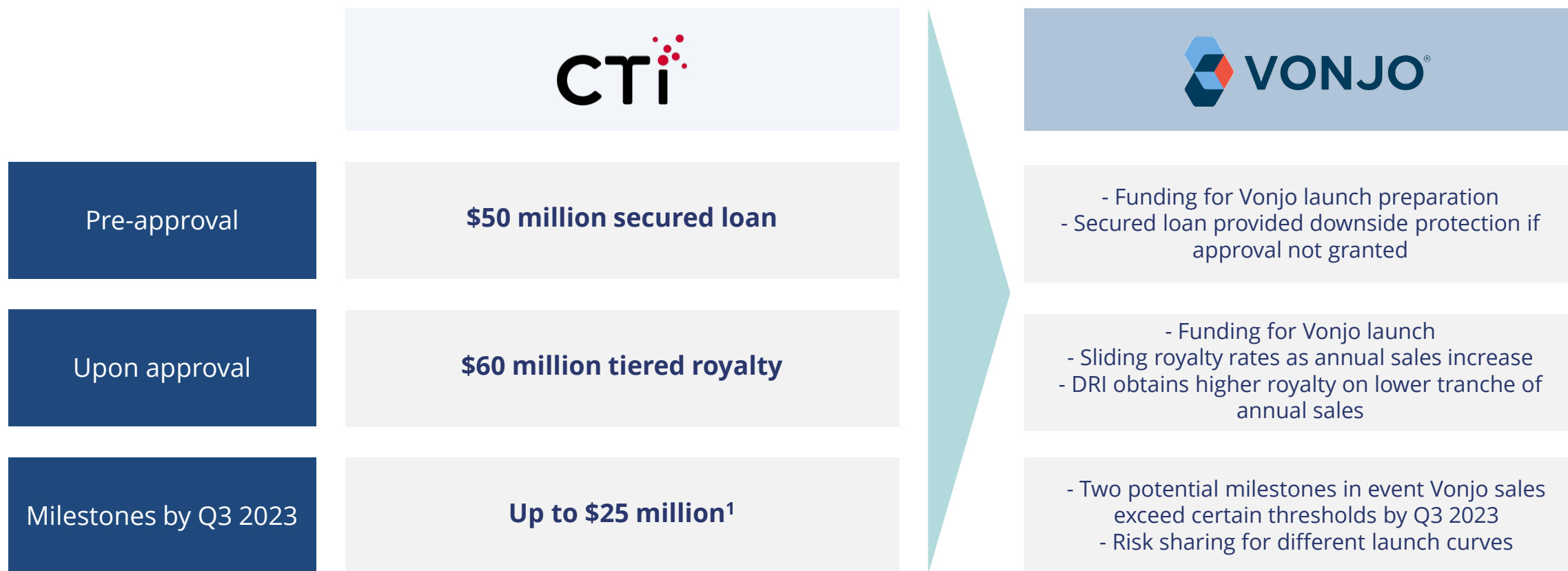
Long-term horizon and attractive growth prospects

# Oracea royalty transaction



Strong cash flows generate immediate revenues

# Deal structure case study: CTI BioPharma / Vonjo



Proven ability to provide flexibility in deal structuring while managing risk