

Valuation Review and Sensitivity Analysis for daraxonrasib royalty deal

Independent analytical report - For internal and research use only

Author : Olivier Leherle

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1 Executive Summary

This report provides an independent valuation review of the synthetic royalty agreement between Royalty Pharma (RPRX) and Revolution Medicines for daraxonrasib, focusing exclusively on the royalty component of the transaction. The \$1 billion financing capacity structured through debt instruments is outside the scope of this analysis.

Daraxonrasib is a **first-in-class** RAS(ON) inhibitor targeting a broad set of KRAS mutations (G12D, G12V, G12R, G13D, Q61X, etc.) that collectively account for the majority of pancreatic cancers and remain highly prevalent across NSCLC and colorectal cancer. This positioning provides a large commercial opportunity and potential for multi-indication expansion.

Key findings include:

- **Broad commercial potential:** Base-case peak sales for daraxonrasib are estimated at **\$7 billion** based on epidemiology and current treatment guidelines, with scenario testing ranging from \$2bn to \$12bn depending on the number of approved indications.
- **Risk-mitigated structure:** The tranche-based deal architecture provides RPRX with a staged, milestone-gated exposure profile. Capital is deployed only when development or commercial milestones are achieved, materially limiting downside financial risk while preserving upside participation.
- **rNPV range:** Central-case royalty valuations span \$200 million (2L PDAC only approval) to **\$900 million** (1L PDAC approval and full deal tranches' activation).
- **IRR distribution:** IRR ranges from below WACC in downside scenarios to approximately 16% in favorable cases. The base-case IRR is slightly below RPRX's historical high-double-digit return profile for an R&D compound but remains accretive to long-term royalty inflows.
- **Dominant sensitivities:** **Launch probability and peak sales** are the primary valuation drivers, while launch timing and WACC adjustments exhibit comparatively limited influence. Tranche activation interacts strongly with peak sales and acts as an upside multiplier.

This review concludes that daraxonrasib represents a high-potential oncology asset with substantial commercial upside and a valuation profile driven primarily by clinical success and sales penetration in pancreatic cancer. The contingent and optional nature of the tranche structure enhances the economic resilience of the agreement and aligns incentives between both counter-parties.

All analyses are based exclusively on publicly available information and reflect market and clinical data as of November 1st, 2025.

2 Methodology

2.1 Sales Assumptions

The valuation of royalty assets requires the development of long-term sales projections for the underlying product, covering its full life cycle—from commercial launch through peak adoption and extending into the post-loss of exclusivity period.

For products that have not yet been launched, forecasts are generated using **Monte Carlo simulations** applied to key value-driving variables.

- **Launch timing:** a range of best-case to worst-case launch dates.
- **Peak sales:** a distribution spanning low-to-high scenarios that reflect indication potential, comparable market benchmarks, and company disclosures.
- **Loss of exclusivity (LOE):** a windowed range designed to capture the global nature of the program and market-by-market patent expiry dynamics.
- **Sales curve assumptions:** lifecycle revenue curves calibrated to the characteristics of the asset, including its modality (small molecule), therapeutic area (oncology with multiple incremental indications), and anticipated global commercial footprint.

A uniform distribution was selected because daraxonrasib spans multiple indications with distinct commercial profiles, creating two fundamentally different outcome clusters (2L-only vs. multi-indication expansion), for which a single-mode distribution such as normal or triangular would not be appropriate. In total, **132 sales scenarios** were produced.

2.2 Royalty Forecasts Computation

Royalty rates were modeled based on the contractual terms publicly disclosed by the company, including effective dates, rate structures, tiered thresholds, caps, and tranche mechanisms. **A deterministic scenario expansion** framework was applied to compute royalty flows across a wide set of sales scenarios by systematically combining multiple parameter variations.

Key modeling elements include:

- **Launch Probability:** Central-case launch probabilities are derived from historical industry benchmarks. In addition, boundary scenarios—no launch and full launch—were incorporated to test the extreme ends of the outcome distribution.
- **Tranche Activation:** Given the complexity of the tranche activation schedule combining conditional milestone criteria with option exercise uncertainty on the part of Revolution Medicines, a probabilistic cumulative-activation framework was implemented. In this approach, each tranche is assigned a binary state (1 or 0) within every scenario, and activation of an earlier tranche allows subsequent tranches to take cumulative activation states.
- **Royalty Maturity:** The duration of the royalty stream was determined by the modeled range of loss of exclusivity (LOE), adjusted to reflect global market exposure and geographic variations in patent expiry.
- **Tiering and Royalty Rates:** Tiered royalty rates disclosed by Royalty Pharma were applied in accordance with the contractual structure.

The model expands across launch-probability bands, tranche-activation states, and timing windows, resulting in a comprehensive scenario grid comprising around **10,000 individual outcomes**.

2.3 Tranche related Contingent Payments

The daraxonrasib agreements include forward-looking payments linked to the achievement of defined milestones and option exercises. The amounts and timing of these contingent payments were derived from the modeled scenarios described above. Each scenario incorporates tranche option probabilities, ensuring full internal consistency between royalty inflows and contingent payment outflows across all simulated cash-flow paths.

2.4 Computation of NPV and IRR

Royalty Asset Risk Adjusted Net Present Value was determined by discounting the forecasted royalty-flow scenarios using Royalty Pharma's weighted average cost of capital (WACC).

IRR was calculated for each scenario using the bisection method applied across the full set of simulated cash-flow outcomes.

2.4.1 NPV Sensitivity

Sensitivity of the daraxonrasib royalty valuation was assessed against key variables, including launch probability, peak sales, launch timing, royalty-stream maturity, loss of exclusivity, tranche activation, and WACC. Two complementary methodologies were applied: a **tornado analysis** to quantify the relative impact of each variable on valuation outcomes, and **heatmap visualizations** to illustrate interaction effects and highlight the most influential drivers across the scenario space.

2.5 Analytical Framework

A Python-based analytical framework was used to operationalize the modeling process. This framework enables systematic review of royalty transactions and maintains structured versioning of inputs and outputs. It was employed as an existing internal tool rather than developed specifically for this engagement. (*Analysis performed using Framework Version 1.1.1.*)

3 Input Data and Assumptions

3.1 Peak Sales data and assumption

According to Royalty Pharma's public disclosures, daraxonrasib could achieve peak sales of up to **\$8 billion** across multiple indications.

To construct the peak-sales assumptions used in the sales-forecast scenarios, a separate peak-sales estimate was developed for each indication based on epidemiology, current treatment patterns, expected treatment duration, and benchmarking of pricing across comparable oncology therapies. Detailed inputs and methodologies are provided in **Annex A**.

The resulting table below summarizes the peak-sales ranges used in the analysis. Given that daraxonrasib is several years ahead of competing RAS(ON) therapies in PDAC, and that existing KRAS inhibitors have limited prospects in this indication, the base-case scenario assumes treatment penetration of **50% in second-line PDAC** and **one-third of patients** in first-line PDAC.

	Base	Low	High	Launch base	LOE base
PDAC 2 line	2	1.5	3	2028	2041
PDAC 1st line	4	0.5	9	2030	2041

Table 1: Sales potential by indication in \$bn

Overall, the base-case scenario assumes daraxonrasib reaches **\$7 billion in peak sales**, with scenario testing expanded across a range of \$2 billion to \$12 billion to capture extreme cases and ensure robustness of the royalty valuation.

The forecast period covers the full product life cycle across all scenarios, with launch dates ranging from late 2027 to late 2029 for second-line PDAC and from mid-2030 to late 2030 for first-line PDAC. Loss of exclusivity is modeled as a range from January 2041 to December 2043, reflecting global market exposure and variability in patent expiry timing.

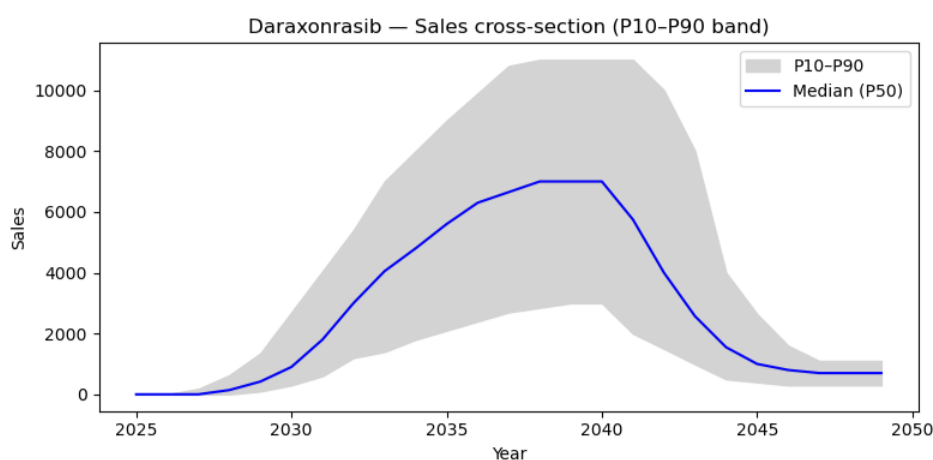


Figure. 1: Sales forecast scenarios

3.2 Royalty Schedule

The royalty schedule for daraxonrasib is particularly complex due to the optionality embedded in its milestone structure, the five tranche design, and the tiered royalty rates linked to sales thresholds. For clarity and practicality, the analysis excludes certain low-materiality or insufficiently specified scenarios, such as potential royalty-rate increases tied to low sales levels and prorated royalty-rates resulting from partial tranche activation, which could not be modeled reliably based on publicly available information.

Royalty maturity was modeled to extend from the start of loss of exclusivity (LOE) through the end of the LOE window, reflecting the drug's global footprint and the fact that patent expiry does not occur at a single uniform date. Instead, LOE varies across countries and regions, necessitating a maturity range rather than a single endpoint.

3.3 Probabilities

3.3.1 Launch Probabilities

Given that daraxonrasib is currently in Phase 3 for second-line pancreatic cancer and is expected to initiate a first-line pancreatic cancer trial within the year, **an 80% launch probability** was applied in the base-case scenario. This estimate reflects both the strength of the Phase 2 results

Tranche	Tier	Sales from	Sales to	Rate	Starting Date	Proba	Active	Comment
tranche_1	1	0	2	2.55%	2025-06-01	0.8	1	approval based on RP historical trackrecord
	2	2	4	1.50%				
	3	4	8	0.60%				
tranche_2	1	0	2	2.00%	2026-06-01	0,8	1	Positive data RASolute 302
	2	2	4	1.00%				
	3	4	8	0.40%				
tranche_3	1	0	2	1.50%	2027-12-31	0.8	0.5	FDA approval 2L pancreatic cancer RVMD option
	2	2	4	0.80%				
	3	4	8	0.40%				
tranche_4	1	0	2	1.00%	2030-12-31	0.8	0.5	Positive P3 1L pancreatic cancer
	2	2	4	0.75%				
	3	4	8	0.50%				
tranche_5	1	0	2	0.75%	2032-12-31	0.8	0.5	Sales Milestones RVMD option
	2	2	4	0.50%				
	3	4	8	0.50%				

Table 2: Royalty schedule and assumptions. Sales in \$bn Royalty schedule and assumptions. Proba = launch probability; Active = tranche activation indicator

and Royalty Pharma’s historical track record with late-stage R&D investments. Across the scenario framework, launch probabilities were varied from 0% to 100% to capture the full range of potential outcomes.

3.3.2 Tranches Activation

Tranches refer to the deal structure under which, upon achievement of specified milestones and the provision of additional funding by RPRX, the company receives an incremental share of the royalty stream.

In the central scenario, we assumed that aside from mandatory Tranches 1 and 2 each of the **remaining tranches carries a 50% probability** of activation (0 or 1), reflecting the optionality granted to the licensor (*See Methodology section for details*). Partial activation of Tranches 3, 4, and 5 mentioned in the documentation was not modeled due to insufficient public information regarding how royalty rates would be prorated under partial draw conditions.

3.4 WACC

The WACC of **6.7%** was calculated using publicly available data, incorporating market capitalization, total debt, equity beta, the risk-free rate, and the implied equity market risk premium. Sensitivity of ± 100 bps around the base case WACC was included in the NAV analysis to assess the impact of capital cost assumptions on valuation outcomes.

Equity beta	Risk-free rate	Equity premium	Debt (\$bn)	Market cap (\$bn)	Cost of equity	Net cost of debt	WACC
0.75	4.1%	4.0%	9.0	21.4	7.1%	5.7%	6.7%

Table 3: WACC inputs and resulting weighted average cost of capital.

4 Results

4.1 Daraxonrasib Cash Flow

In the base case scenario, daraxonrasib is expected to generate between **\$1.6 billion** and **\$2.6 billion** in cumulative royalty cash flows, depending on whether two tranches or all tranches are activated. Annual royalty flows in the base case peak between \$160 million and \$300 million, again reflecting the range of tranche-activation outcomes. In the most favorable scenario where sales reach the contractual \$8 billion upper bound of tier structure and all tranches are activated, daraxonrasib could deliver up to \$346 million in annual royalty revenue by 2037.

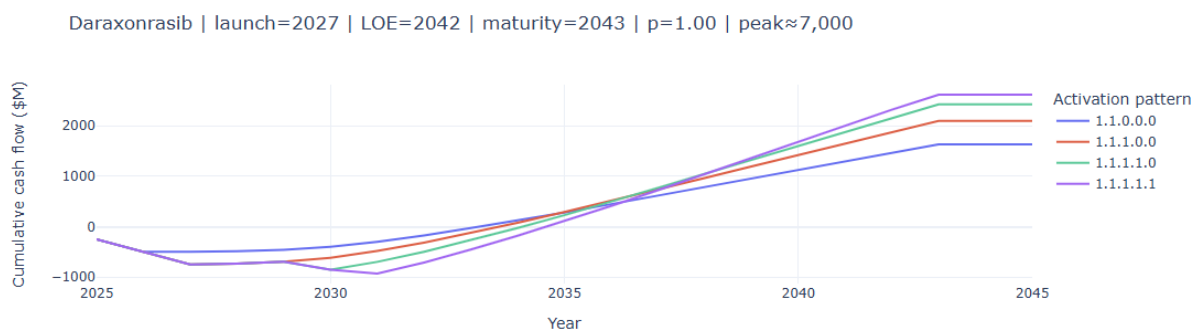


Figure. 2: Cumulative Cash Flow by tranches activation scenario

4.2 Net Present Value

Given the structural complexity of the daraxonrasib royalty agreement particularly the optionality embedded in the tranche activation schedule, the valuation results were anchored on two central case scenarios. These scenarios reflect materially different development outcomes and associated tranche activation paths.

Central-Case Scenario 1: Second-Line PDAC Only

In this scenario, daraxonrasib receives approval exclusively in second line pancreatic cancer reflecting a narrower commercial footprint. As a consequence:

- Tranches contingent on first line approval are not activated.
- Tranches linked to high sales thresholds carry very low activation probability.

This scenario yields an estimated NPV of approximately **\$200 million**, with potential upside if tranche related royalty rate adjustments referenced in Royalty Pharma's public disclosures are applied.

Central Case Scenario 2: First-Line PDAC Approval With Full Tranche Activation Potential

In the second central case, daraxonrasib achieves first line approval in PDAC, leading to an expanded commercial opportunity. Under this outcome:

- All tranches have the potential to be activated under the probabilistic cumulative activation framework.
- Sales driven thresholds become more likely to be reached.

This results in an estimated NPV of approximately **\$900 million**.

These two central case scenarios bracket the likely economic range of outcomes given the current clinical stage of daraxonrasib and the structural optionality of the agreement. Probabilistic scenario averaging (*detailed in the Methodology section*) produces a continuous valuation distribution between these bounds, with tranche activation acting as valuation driver.

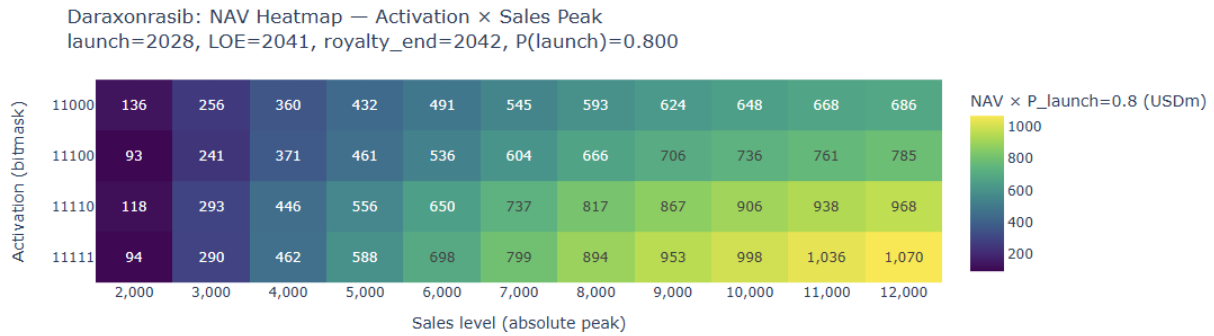


Figure. 3: Heatmap of Daraxonrasib NPV

Note: This heatmap shows rNPV sensitivity across peak sales and tranche activation scenarios.

Risk Mitigation Through Tranche Based Funding

The structure of the royalty agreement provides RPRX with a materially **risk mitigated exposure profile**. Because additional funding is deployed only upon the achievement of predefined clinical or commercial milestones, the total committed capital decreases significantly in downside scenarios where later tranches are not activated. As a result, RPRX’s financial exposure is naturally limited in low sales or delayed launch outcomes, while full participation in upside scenarios is preserved when daraxonrasib progresses successfully through first line PDAC and achieves higher sales thresholds.

4.3 Sensitivity to Key Parameters

This section presents the sensitivity analysis of daraxonrasib’s valuation to key modeling parameters, including launch probability, peak sales, loss of exclusivity (LOE), and WACC. These analyses illustrate how changes to core assumptions influence the NPV outcomes across the scenario framework.

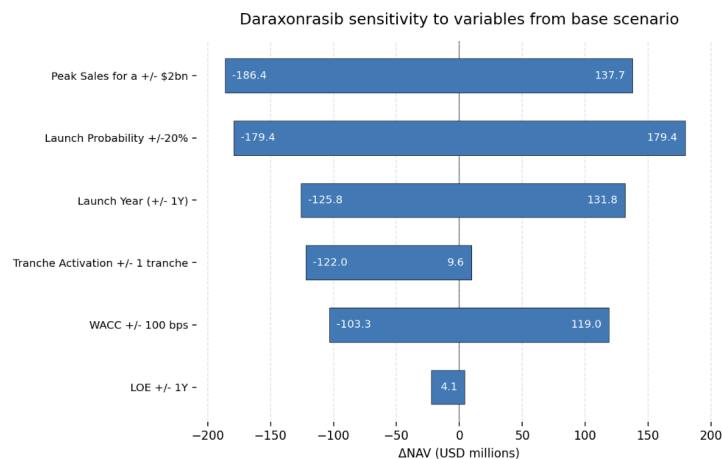


Figure. 4: Tornado Chart of Daraxonrasib valuation sensitivity

The tornado chart highlights the parameters with the greatest influence on valuation:

1. **Launch probability** is the dominant driver of valuation due to the binary nature of the outcome: the royalty stream exists only if the product successfully launches. Variations in launch probability therefore produce the most significant swings in NPV.
2. **Sensitivity to peak sales** is notably skewed to the downside. This is driven by the tiered royalty schedule, where royalty rates decline at higher sales thresholds, dampening upside sensitivity relative to downside exposure.
3. **Tranche Activation**: As illustrated in the accompanying heatmap, tranche activation has a strong interaction with peak-sales potential. Higher revenue scenarios materially increase the likelihood that additional tranches are activated, amplifying the valuation.
4. **Launch Date**: Changes in launch timing have a comparatively modest impact on NPV. Given the multi-decade duration of the royalty stream, moderate shifts in launch year are partially offset by the long-term cash-flow horizon.

4.4 IRR

While the IRR methodology has been described previously, several results are worth highlighting:

- **Downside sales scenarios**: In the lower end of the sales range, the resulting IRR falls below the WACC, which helps explain the undisclosed upward adjustment of royalty rates in Tranches 1 and 2 at low sales thresholds.
- **Base-case scenario**: Under the base case, the IRR is slightly below Royalty Pharma’s historical mid-double-digit return profile, though the transaction would remain a substantial contributor to long-term royalty revenues.
- **Upside potential**: In favorable scenarios, IRR can reach approximately **16%**, supported by strong commercial uptake and full tranche activation.
- **Comparability across tranches and alignment**: IRRs across tranches display similar return characteristics, reflecting the cumulative activation logic and multi decade royalty stream. This structure contributes to an alignment of interests between both parties, as incremental funding and tranche activation are economically coherent for both the licensee and RPRX.

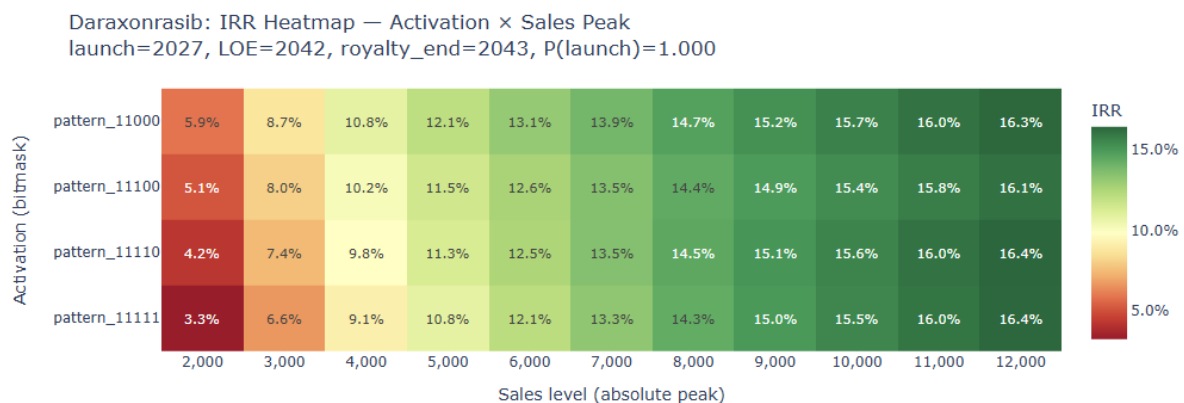


Figure. 5: Heatmap of Daraxonrasib IRR

Note: The heatmap relates to daraxonrasib IRR depending on peak sales and tranche activation and considering product approval.

A Annexes

A.1 Addressable Market in Pancreatic Cancer

Region	New cases	Metastatic /Advanced	KRAS	Eligible	1st line low 40%	1st line mean 50%	1st line max 65%	2nd line low 25% after 1st	2nd line mean 33% after 1st	2nd line max 40% after 1st
Europe	146 477	85%	90%	112 055	44 822	56 027	72 836	11 205	18 489	29 134
China	118 672	90%	85%	90 784	36 314	45 392	59 010	9 078	14 979	23 604
United States	60 127	85%	92%	47 019	18 808	23 510	30 563	4 702	7 758	12 225
Japan	47 627	75%	85%	30 362	12 145	15 181	19 735	3 036	5 010	7 894
Rest of World	138 089	90%	90%	105 638	42 255	52 819	34 332	10 564	17 430	13 733
World total	510 992			385 859	154 343	192 929	216 476	38 586	63 667	86 590

Source : GLOBOCAN 2022 for epidemiology, PubMed for Stratification and Chemo usage

Region	Per patient (K\$)	Sales 1st line low	Sales 1st line mean	Sales 1st line max	Per patient (K\$)	Sales 2nd line low	Sales 2nd line mean	Sales 2nd line max
Europe	60 to 100	2 689	4 482	7 284	40 to 60	448	924	1 748
China	60 to 100	2 179	3 631	5 901	40 to 60	363	749	1 416
United States	80 to 120	1 505	2 351	3 668	60 to 80	282	543	978
Japan	60 to 100	729	1 214	1 974	40 to 60	121	250	474
Total (\$M)		7 101	11 679	18 826		1 215	2 467	4 616

Source : Price per patient benchmarking Kras therapies pricing, dosage from Clinical Trials

Daraxonrasib peak sales potential related to market penetration in \$M

Market share	1st line low	1st line mean	1st line max	2nd line low	2nd line mean	2nd line max
10%	710	1 168	1 883	121	247	462
25%	1 775	2 920	4 706	304	617	1 154
33%	2 343	3 854	6 212	401	814	1 523
50%	3 551	5 840	9 413	607	1 233	2 308
66%	4 687	7 708	12 425	802	1 628	3 047
75%	5 326	8 759	14 119	911	1 850	3 462

Limitations & Disclaimers

This analysis is based solely on information available as of November 1st 2025. Future clinical, regulatory, competitive, or commercial developments may materially alter the outcomes presented in this report.

All assumptions, estimates, and projections used in this valuation are derived exclusively from publicly available information, which has not been independently verified. As a result, the conclusions herein are subject to the accuracy and completeness of the underlying data.

This report does not constitute an audit opinion, investment recommendation, or fairness opinion. All valuations are expressed in nominal USD and discounted to July 1st 2025 at deal agreement announcement, unless otherwise specified.

Given the inherent uncertainties associated with early and mid stage pharmaceutical assets including clinical success rates, regulatory outcomes, competitive dynamics, and pricing—actual results may differ materially from the modeled scenarios.

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Author

Olivier LEHERLE

Lend-Rx SAS

Phone: + 33 6 50 89 90 73

Mail: olivier.leherle@lend-rx.com

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