

Royalty Income Funds Can Use Revenue Royalties To Target Specific Problems and Opportunities ©

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The greater the problem, the greater the opportunity for those able to create a solution.

Investments in specific disease solutions are best made by creating a portfolio of revenue royalties. The process of attempting to identify the few likely profitable winners, especially early in the investigation process, is highly challenging and almost impossible. This risk can be mitigated by selection of a diversified portfolio, and by participating in revenues as they develop, rather than in the possible deferred opportunity represented by equity.

It is easy to believe that entities which can solve medical problems of major proportion will be able, should they wish, to profit enormously. But that profit may be deferred for many years; in the meantime, they will begin to generate revenues and could share a small percentage of those revenues with supporting investors who wish to mitigate their risk and reduce their time to liquidity.

Since royalties are focused on the revenues to be generated by problem solutions, and not on the profitability of the problem-solving company, they are ideal as an investment medium for both investors and solution owners.

Also, the enormity of the likely revenues for the problem solving entities, if successful, is sufficient to justify some years of non-revenue and therefore non-royalty payments for investors.

Royalties for non-revenue companies may be attractive to investors, provided the necessary research funding is structured so that early revenues pay a higher royalty rate than subsequent revenues. Each deal is different, but the principle is the same: the royalty investor participates in the revenues but does not have any ownership of the assets of the royalty issuing entity, assuming contractual compliance of the royalty issuing entity, and therefore the royalty investor has no ability to influence corporate actions.

Royalties can be used to finance disease-specific research, problem solving for technological product development, and a range of other likely revenue generation projects where early development capital is needed but where owners wish to preserve their equity.