



Elphinstone Capital Management

Equity Research Report

Eli Lilly (NYSE: LLY)

November 2025

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Date: 20 October.
Ticker: LLY
Exchange: NYSE.
Sector: Healthcare

Current Price: USD 842.10
Target Price: USD 930.00
Recommendation: BUY

Investment Summary

Eli Lilly & Co. is a global biopharmaceutical leader with a diversified portfolio in metabolic, oncology, neuroscience, and immunology therapeutics. With its recent breakthroughs in obesity and diabetes treatments, Lilly has established one of the strongest growth pipelines in the healthcare industry. The company’s innovation-driven business model, recurring demand across chronic-care markets, and consistent pipeline productivity underpin its premium valuation relative to peers.

We remain constructive on Eli Lilly and maintain a BUY view, supported by robust GLP-1 franchise momentum, expanding biologics capacity through its recent acquisition of Adverum, and disciplined capital deployment. Structural demographic tailwinds and increasing payer acceptance of weight-management drugs continue to reinforce the company’s top-line trajectory.

Our thesis rests on multi-year EPS compounding above 20%, underpinned by volume expansion, pipeline conversion and cost leverage from manufacturing scale. Near-term catalysts include FDA approvals, global reimbursement rollouts, and data from ongoing Alzheimer’s and oncology trials.

Top-Line Strength

Revenue grew 32% YoY to USD 42.7 bn in FY 2024, driven by GLP-1 portfolio expansion and new product launches.

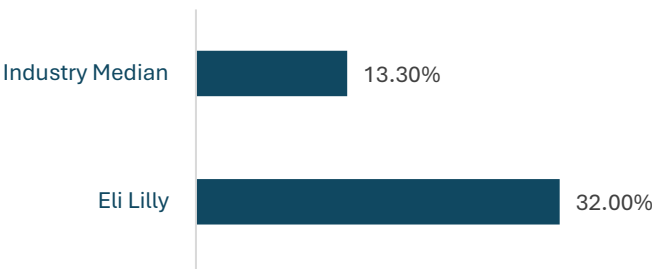
Pipeline Visibility

Over 30 late-stage assets across metabolic, oncology, and neuroscience segments support durable 5–10-year growth.

Secular Tailwinds

Global health spending on metabolic and neurodegenerative diseases is shifting from cyclical to structural, mirroring rising chronic disease burden.

YoY Revenue Growth (%) FY 2024



YoY Earnings per Share Growth (%) FY 2024



Data sourced from SEC

Eli Lilly & Company (Lilly) is an American multinational pharmaceutical company headquartered in Indianapolis, Indiana. It focuses on discovering, developing, manufacturing, and marketing human pharmaceutical products (medicines) in fields such as diabetes, oncology, immunology, neuroscience, and cardiovascular diseases, and has products which are sold in more than 125 countries.

Business Model

Lilly's business model is structured around six principal areas:

1. **High-value patented medicines:** Lilly invests heavily in R&D to develop novel therapies, often protected by patents and exclusivity. Its revenues come largely from sales of these branded, high-margin products.
2. **Lifecycle management & line extensions:** After initial launch, Lilly often seeks to extend the life or expand the indications of its drugs (e.g. additional approvals, new formulations) to sustain revenues over a longer period.
3. **Geographic and product diversification:** While a large share of revenue comes from a few blockbuster drugs, Lilly balances risk by operating across therapeutic areas (e.g. diabetes, oncology, immunology) and in many geographies.
4. **Strategic partnerships, licensing, acquisitions:** Lilly enters into collaborations with biotech firms, licensing deals, and occasional acquisitions to bolster or expand its pipeline or capabilities.
5. **Manufacturing scale and capacity investments:** To support growing demand (especially for high-growth products), Lilly invests in expanding manufacturing capacity globally and improving supply chain resilience.
6. **Regulation & pricing dynamics:** As with all pharma companies, Lilly's model must navigate regulatory approvals, pricing pressures, reimbursement schemes, and patent cliffs.

Operating / Product Segments

Diabetes / Metabolic / Obesity (largest segment) : Products like tirzepatide (branded Mounjaro for diabetes and Zepbound for obesity) dominate this segment. In 2024, this area accounted for ~ 37 % of revenue. Other drugs like dulaglutide (Trulicity), empagliflozin (Jardiance) also contribute.

Oncology: Cancer therapies (e.g. Verzenio, Cyramza) are another key revenue stream. In 2024, oncology contributed ~ 12 % of Lilly's revenues.

Immunology / Autoimmune / Other specialty biologics: Drugs like ixekizumab (Taltz) and others targeting autoimmune or inflammatory diseases form a solid contribution (~ 7 % or more).

Other therapies / Smaller areas: Includes neurological, cardiovascular, and other specialty areas (e.g. insulin products, migraine, etc.). These are smaller in magnitude but help broaden the portfolio. Lilly's recent acquisition of Adverum has also opened the door to enter the cell and gene therapy market, which bucks the recent trend of big pharma companies steering clear of the sector.

Geography & Markets

In 2024, about 67 % of Eli Lilly's revenue was generated in the U.S. Europe and rest of world also contribute meaningfully, with growth being pushed in emerging markets (e.g. India, Brazil, China) especially for its weight-loss / diabetes medicines. The figure below shows Lilly's launch of its major drugs into new geographies, particularly for Mounjaro / Zepbound in emerging markets:

Sales in countries in scope

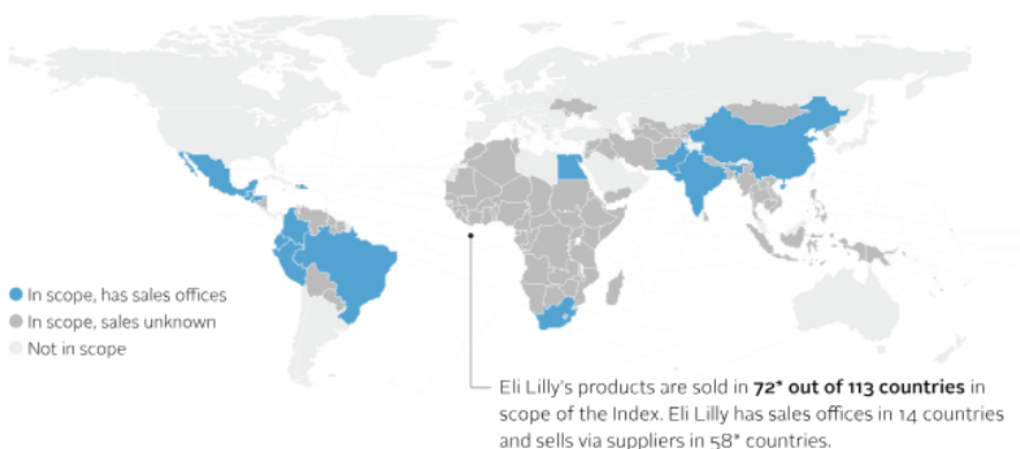


Figure: Eli Lilly's expansion into emerging markets (Eli Lilly)

Management & Governance Highlights

David A. Ricks serves as Chair, President, and Chief Executive Officer of Eli Lilly and Company, a position through which he has guided the firm's strategic evolution since assuming leadership in 2017. Under his tenure, Lilly has strengthened its position as one of the world's leading pharmaceutical innovators, with an intensified focus on breakthrough therapies, operational excellence, and shareholder value creation. Ricks has also emphasized disciplined R&D investment and ethical leadership amid an increasingly competitive and regulated global healthcare environment. Importantly, Eli Lilly & Company is a publicly traded corporation listed on the New York Stock Exchange (NYSE: LLY). Its governance framework reflects strong adherence to U.S. corporate governance standards, encompassing an independent board structure, robust risk management systems, and rigorous regulatory and clinical oversight mechanisms designed to safeguard patient safety and data integrity.

Historical Snapshot

Eli Lilly & Company delivered robust financial performance in its Q4 2024 results, projecting 2025 revenues between US\$58.0 billion and US\$61.0 billion—a reflection of strong momentum across its core therapeutic areas. The company's growth has been driven primarily by its diabetes, oncology, and immunology divisions. Lilly's cost structure underscores its long-term innovation strategy, with significant allocation toward Research & Development, complemented by sustained investment in marketing, sales, and regulatory compliance to ensure global product reach and adherence to safety standards. The company has also prioritized manufacturing expansion, including large-scale facilities in Indiana, U.S., to meet rising production demands tied to its rapidly growing product portfolio. Strategic dealmaking continues to be a central pillar of Lilly's growth trajectory. In 2025, the firm entered a US\$1.3 billion partnership with Superluminal Medicines to leverage AI-driven drug discovery in obesity therapeutics. Additionally, the acquisition of Verve Therapeutics, valued at up to US\$1.3 billion, strengthened Lilly's presence in gene-editing technologies for cardiovascular and metabolic diseases. Together, these initiatives illustrate the company's forward-looking commitment to scientific innovation and its confidence in the long-term expansion of the metabolic and obesity treatment markets.

Market Trends and Total Addressable Market

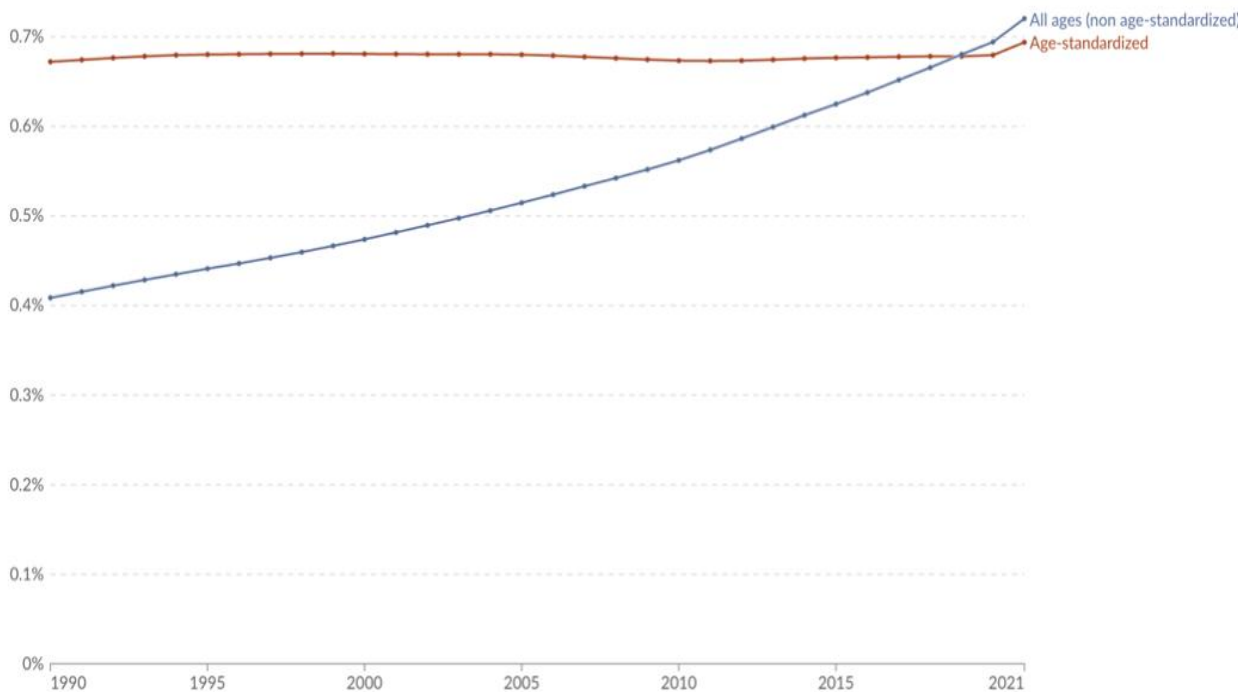
Quantifying the GLP-1 Market

The GLP-1 receptor agonist market represents the core growth engine for Eli Lilly, driven by treatments for Type 2 Diabetes (T2D) and chronic weight management. The global GLP-1 market, estimated at \$53.46 billion in 2024, is projected to surge to \$156.71 billion by 2030, reflecting a Compound Annual Growth Rate (CAGR) of 17.46%. This exponential growth is fueled by the vast, underserved population with obesity—over 880 million adults globally. Eli Lilly’s lead product, Tirzepatide (Mounjaro/Zepbound), demonstrated a 94% reduction in T2D risk and achieved an average 22.9% weight loss in trials.² While rival Novo Nordisk held a strong market share in 2024, LLY is strategically manoeuvring. LLY’s plan to launch lower-priced single-dose vials of Zepbound targets market volume and formulary positioning, especially as therapeutic application expands to broader cardiometabolic risk management. Market realisation now hinges on resolving global manufacturing bottlenecks.

Neuroscience Breakthroughs

Eli Lilly’s high-risk, high-reward bet in Neuroscience centres on Donanemab, an anti-amyloid antibody targeting early symptomatic Alzheimer’s Disease (AD). Clinical results from the TRAILBLAZER-ALZ 2 trial showed that Donanemab significantly slowed cognitive and functional decline by 35% in the low/medium tau population compared to placebo. Critically, this benefit persisted even after participants stopped treatment, suggesting a limited-duration dosing model favourable for payer acceptance. The global AD drug market is projected to reach \$11.34 billion by 2032.⁴ However, TAM realisation is constrained by diagnostics. Donanemab is only effective in amyloid-positive patients, necessitating expensive biomarkers and advanced imaging. Consequently, the global Alzheimer’s Disease Diagnostics Market is projected to nearly double from \$8.33 billion in 2024 to \$15.57 billion by 2030. LLY’s commercial success is therefore interdependent on the global expansion of specialised diagnostic capacity.

Global Prevalence of Alzheimer's Disease and Other Dementias (All Ages)



Strategic Diversification

Eli Lilly's strategy is to utilize the massive cash flows from its GLP-1 franchise as a self-sustaining internal fund to "buy and build differentiated platforms". This financial strength underwrites critical diversification away from long-term reliance on the metabolic market. In Oncology, LLY is building a portfolio centered on hard-to-replicate modalities: radiopharmaceuticals and targeted small molecules. The acquisition of POINT Biopharma provided specialized manufacturing capacity for radiopharma, which LLY is strengthening through further investment in the necessary isotope supply chain (e.g., actinium-225). Similarly, announced just this week, Lilly has acquired eye disease specialist Adverum, bucking a trend of big pharma steering clear of the cell and gene therapy sector. Beyond oncology, LLY has invested in Immunology (acquiring Morphic for IBD focus) and gene-editing (Verve Therapeutics). This strategy is designed to structurally mitigate risk by creating multiple, independent revenue streams, as evidenced by Oncology's 24.99% growth and Immunology's 20.59% growth in the Trailing Twelve Months (TTM) ending Q1 2025, alongside Diabetes's 58.49% growth.

Eli Lilly Trailing Quarterly Month Revenue by Core Therapeutic Area (Q1 2025)

Period Ending		Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023
Diabetes	📊	33.24B	29.52B	26.16B	23.47B	20.97B	19.67B	17.90B	16.84B
Diabetes Growth	📊	58.49%	50.10%	46.17%	39.40%	37.36%	35.97%	26.78%	22.67%
Oncology	📊	8.89B	8.75B	8.08B	7.60B	7.11B	6.66B	6.43B	5.97B
Oncology Growth	📊	24.99%	31.45%	25.83%	27.27%	25.46%	17.51%	18.46%	7.85%
Immunology	📊	4.65B	4.39B	4.21B	4.01B	3.85B	3.80B	3.63B	3.51B
Immunology Growth	📊	20.59%	15.68%	15.98%	14.30%	14.21%	13.54%	7.70%	0.01%
Animal Health	📊	-	-	-	-	-	-	-	-
Animal Health Growth	📊	-	-	-	-	-	-	-	-
Cardiovascular	📊	-	-	-	-	-	-	-	-
Cardiovascular Growth	📊	-	-	-	-	-	-	-	-
Neuroscience	📊	1.36B	1.47B	1.44B	2.86B	2.91B	2.88B	2.90B	1.51B
Neuroscience Growth	📊	-53.34%	-48.81%	-50.26%	89.84%	92.66%	86.18%	77.83%	-11.84%
Other	📊	873.90M	902.90M	968.50M	981.80M	1.09B	1.12B	1.22B	1.69B
Other Growth	📊	-19.74%	-19.54%	-20.74%	-41.97%	-41.83%	-68.12%	-74.00%	-63.16%

Data sourced from StockAnalysis

Macro-Regulatory Environment

The U.S. Inflation Reduction Act (IRA) introduces a fundamental structural risk by empowering Medicare to negotiate Maximum Fair Prices (MFP) for selected branded drugs. This provision shortens the economic product lifecycle by introducing a new Medicare event horizon at nine years for small molecules and 13 years for biologics. Since negotiations occur when a drug is typically at its peak commercial value, this greatly compresses margins and reduces future R&D funding, correlating with a decline in industry-funded post-approval oncology trials. Eli Lilly's adaptive strategy is to front-load development—accelerating clinical programs and pursuing all possible indications at launch. The goal is to maximize revenue accumulation during the short, non-negotiated exclusivity period. A secondary risk is the shadow negotiation effect: health plans and PBMs are expected to compel competitors of negotiated drugs (including LLY's GLP-1 rivals) to match the MFP price to maintain favourable coverage, thereby pressuring LLY's core profitability even without direct negotiation.

Regulatory Outlook in October 2025:

In 2025, Eli Lilly operates within one of the most complex regulatory eras in its history. While improved acceleration and convergence across the U.S., EU, and Asia enhance drug- market access, they are counterbalanced by heightened post-market surveillance, pricing transparency requirements, and advertising restrictions. The company's active engagement with international regulatory harmonization initiatives positions it not only as a compliance leader but also as a strategic beneficiary of evolving fast-track mechanisms worldwide.

United States – Pharmaceutical Pricing Reform:

The U.S. regulatory environment for pharmaceuticals in 2025 is shaped by aggressive reforms in drug pricing, telehealth, and compounded drug oversight. The Inflation Reduction Act (IRA) continues to influence the pricing landscape, allowing Medicare drug price negotiations that will expand in 2026. Although Lilly's Mounjaro and Zepbound remain exempt until at least 2029 due to their recent market entry, follow-up policies—such as the May 2025 Executive Order on International Drug Price Benchmarking—signal further scrutiny of biologics and specialty therapies.

The FDA has intensified its enforcement activities, issuing over 50 warning letters in 2025 to telehealth and compounding organizations marketing GLP-1 analogues without proper compliance. This crackdown enforces key provisions of the Federal Food, Drug, and Cosmetic Act (FDCA), addressing misbranding and unapproved distribution of compounded semaglutide and tirzepatide products. The FTC and HHS have also begun investigating potential anti-competitive barriers in PBM rebate structures, which could alter Lilly's pricing dynamics through greater transparency and reduced intermediary influence. Concurrent compliance challenges arise from marketing regularization rules, as the FDA expands the use of AI-based monitoring of DTC pharmaceutical advertising, raising expectations for consistent messaging and substantiation.

China and Emerging Markets- Innovation and integration of new healthcare systems:

In **China**, 2025 marks a pivotal policy transition under the Healthy China 2030 Plan, emphasizing innovation and affordability through domestic manufacturing partnerships. Lilly entered a notable joint obesity-drug collaboration with a major Chinese technology firm to improve distribution of its GLP-1 therapy portfolio. Additionally, it joined other U.S. firms in applying for inclusion in Beijing's new private insurance reimbursement catalogue, a strategic step to broaden patient access beyond national healthcare coverage. Regulatory approval timelines in China are shortening, aided by new reliance pathways between the National Medical Products Administration (NMPA) and foreign regulators, further accelerating entry of biologics.

In **India**, the government's fifth round of the Production Linked Incentive (PLI) scheme for pharmaceutical manufacturing incentivizes biologics and biosimilar production, inviting foreign partnership. Lilly's growing collaborations with local contract research and manufacturing organizations position it to leverage these subsidies for supply chain diversification and reduce dependence on single-source API inputs from China.

In **Brazil**, ANVISA's 2024–2025 modernization introduces digitalized workflows for accelerated reviews, aligning with ICH Q12 standards and cutting approval times to as little as 120 days for priority drugs. Lilly's neurology and oncology divisions benefit from these regulatory adjustments, particularly under the country's new biosimilar framework (RDC 875/2024) facilitating comparative trials and lifecycle management compliance. Parallel revisions under RDC 327/2019 for medical cannabis derivatives aim to increase clinical transparency and pharmacovigilance, indirectly influencing all importers' pharmacological quality standards.

European Union – Pharmaceutical Strategy 2025:

Lilly’s European operations are directly impacted by the EU Pharmaceutical Strategy Roadmap to 2025 and the EMA–HMA Network Strategy. Reforms focus on five pillars: accelerated approvals, digital regulatory integration, antimicrobial stewardship, supply continuity, and sustainability of the medicines network. The European Medicines Agency (EMA) has overhauled its Fast-Track Approval mechanism, reducing review timelines from 210 days to as few as 90 days for rare disease and oncology applications. This aligns with Lilly’s pipeline emphasis on oncology (Lebrikizumab) and rare immunologic conditions, providing faster EU entry for late-stage candidates. Lilly particularly benefits from the Regulatory Science Strategy 2025, which facilitates parallel data assessments and rolling submissions, drastically shortening European market-access delays. However, these accelerated pathways now accompany enhanced post- authorization safety obligations, requiring increased pharmacovigilance investment— particularly under evolving conditional marketing authorizations for biologics. As part of EMA’s sustainability framework, Lilly is also adapting its European facilities to meet API waste-reduction and packaging circularity targets, aligning environmental stewardship with regulatory compliance.

Key Competitors and Strategic Positioning

Company	2024–25 Revenue (USD)	Strategic Strengths	Key Risks	Position vs. Eli Lilly
Novo Nordisk	47.9Bn	GLP-1 category pioneer with Wegovy and Ozempic; global obesity dominance; strong supply chain efficiency	Supply shortages amid demand surge; policy scrutiny over pricing	Lilly surpasses in R&D speed and multi-dosage innovation (injectable + oral GLP-1). Novo leads in current market share but lags in manufacturing scale-up agility .
Johnson & Johnson	88.0Bn	Diversified portfolio (oncology, immunology, medical devices); deep global distribution	Legal exposures in consumer segment; limited obesity focus	Broader scope but less specialized in cardiometabolic and GLP-1 fields.
Pfizer	59.0Bn	Diverse R&D base; strong vaccine pipeline and AI drug discovery investments	Post-COVID revenue decline; delayed obesity portfolio	Lilly exceeds in metabolic leadership and innovation velocity.
AbbVie	54.0Bn	Immunology expansion (Skyrizi, Rinvoq); pipeline diversification	Exposure to Humira patent cliff	Direct overlap in neuroscience and oncology, but Lilly’s obesity dominance differentiates it.
Merck & Co.	63.8Bn	Oncology powerhouse (Keytruda franchise); vaccine and antiviral leadership	Patent renewals and biosimilar competition	Surpasses Lilly in oncology but lacks weight management portfolio depth.
Bristol Myers Squibb	46.0Bn	Immunology and oncology synergies; strong alliances	Price controls and regulatory headwinds	Comparable innovation efficiency; smaller R&D spend and pipeline scale.

Catalysts and Risks

Key Catalysts

Data from ongoing Obesity and Diabetes trials

Eli Lilly is making significant advancements in the obesity and diabetes market with two key drugs. The promising oral GLP-1 therapy, orforglipron, aims to change market dynamics by eliminating injections, which could lower costs and facilitate insurance coverage for weight loss. Though it is still to be seen whether the FDA will approve the creation of this oral drug. Additionally, Lilly's Mounjaro has shown superior results over Trulicity in patients with Type 2 diabetes and established cardiovascular disease, demonstrating a 16% lower mortality rate and an 8% lower risk of major cardiovascular events. If approved for cardiovascular risk reduction in 2026, Mounjaro could result in improved insurance coverage and a boost in prescriptions.

Artificial Intelligence (AI)

Introduction of AI into the industry is rapidly transforming pharmaceutical research and development (R&D), and it is one of the major catalysts for any company's future. AI and machine learning algorithms are essential for target identification and efficient drug design, analysing massive datasets like genomics and proteomics to predict which molecules will be effective. This approach significantly reduces the time and cost of the discovery phase. Moreover, in clinical trials, AI enhances productivity by optimising trial design, improving patient recruitment by diversification and completing the analysis of large data sets quicker, causing shorter clinical timelines and faster regulatory approvals.

Advanced Manufacturing Technologies

Technological development, particularly in advanced manufacturing, is driving the pharmaceutical industry towards personalised medicine and greater efficiency. Innovations of 3D printing allow for the creation of customised drugs with precise doses and release profiles, moving away from a standardised model. Furthermore, robotics and automation in manufacturing enhance product quality, increase production flexibility and streamline the supply chain. The use of the Internet of Things (IoT), a network of physical devices, vehicles, appliances, and other physical objects that are embedded with sensors, software, and network connectivity, allowing them to collect and share data, additionally provides real-time monitoring and allows for reducing the risk of human error.

Aging Demographics

The accelerating growth of the global ageing population is increasing the demand for complex medical care and shaping the future of the pharmaceutical sphere. While older people are disproportionately affected by chronic and neurodegenerative conditions, there is a rising need for long-term therapies for diseases like Alzheimer's, but also for wider contribution to the areas of Oncology and Immunology. This demographic pressure pushes pharmaceutical innovation toward developing new treatments for age-related illnesses and improving drug delivery systems to manage polypharmacy, the use of multiple medications, in the elderly population.

Industry Consolidation and Strategic Acquisitions

The recent acquisition of Adverum by Eli Lilly aligns with a broader industry trend of strategic M&A activity aimed at strengthening pipelines in high-growth therapeutic areas, particularly gene therapy and ophthalmology. For Lilly, this acquisition represents a forward-looking catalyst that expands its technological capabilities and diversifies beyond its current dominance in metabolic disorders like diabetes and obesity. Across the pharmaceutical industry, leading firms are racing to secure long-term revenue streams by acquiring innovative biotech companies with platform technologies, early-stage assets, and high regulatory potential. Acquisitions provide access to proprietary gene therapy delivery systems and preclinical programs that could unlock new therapeutic markets and support pricing power.

Key RisksLack of Diversification

The company faces a risk due to its heavy reliance on a limited number of products for most of its revenue. In 2024, six of the company's products, accounted for 75% of total revenues. Mounjaro, Trulicity and Zepbound in particular generate 48% and this concentration is expected to grow as cardiometabolic health products become an increasingly important part of the business.

Consequently, the company is vulnerable to the risk of loss of patent protection, unexpected side effects, safety concerns, fluctuations in demand, changes in prescription rates, material litigation, regulatory proceedings, negative publicity and competitive pressures for the key products.

Supply Chain and Distribution Risks

The company's distribution model relies on consolidated supply chain entities. In the U.S., most products are distributed through a limited number of wholesalers. If any of these key partners face financial or operational difficulties, it could disrupt the supply chain and prevent the timely collection of amounts owed affecting the results. Furthermore, the negotiating power of entities like Pharmacy Benefit Managers (PBMs) has grown significantly due to consolidation, enabling them to impose stricter controls, such as using formularies and utilization management tools, to limit access to and pressure the pricing of the company's drugs. This consolidation is expected to intensify competitive and pricing pressures.

Safety and efficacy concerns

All pharmaceutical products risk the emergence of new safety and efficacy concerns once they are used by a larger patient population for longer periods of time. New post-market data can lead to product label changes, recalls and market withdrawal, which would severely reduce market acceptance and sales. Most prominently, we can look at Novo Nordisk's Ozempic drug. Additionally, safety concerns about a competitor's product, a product in the same therapeutic class or even counterfeit versions of Eli Lilly's own medicines can cause negative impacts on the commercial viability and the approval of pipeline candidates, leading to material financial, legal and reputational harm.

Costs and Complications of the Research & Development process

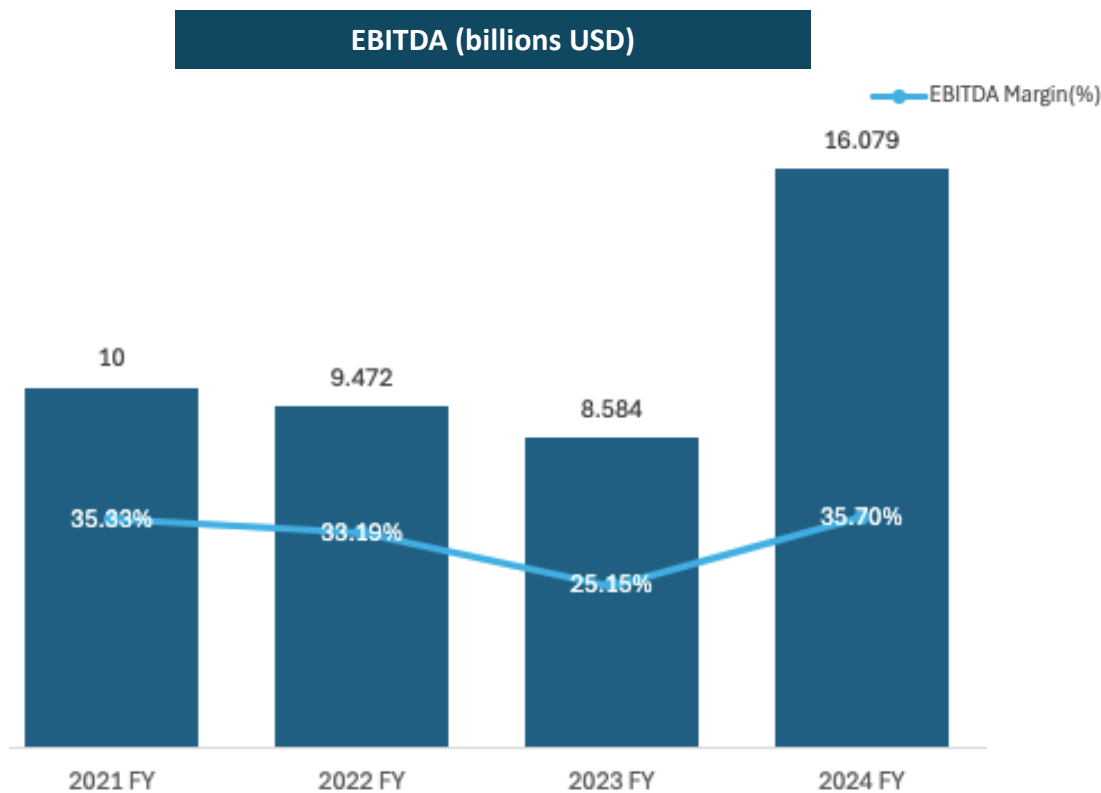
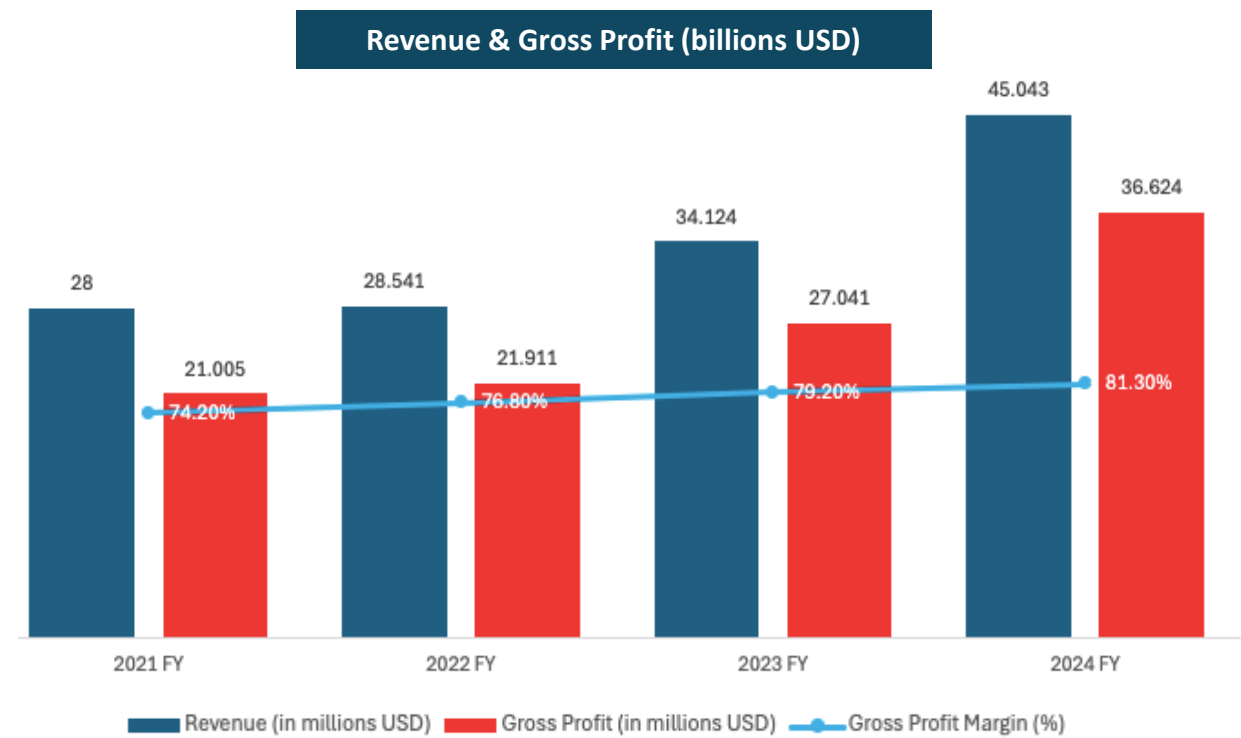
The pharmaceutical R&D process is inherently costly and high-risk, characterized by a high failure rate and significant time and expense to bring a new drug to the market. The industry must constantly advance to offset revenue loss from patent expirations, increased competition and pricing controls. Due to challenges in securing regulatory approvals and payer reimbursement, safety issues and the rise of superior competitors, success is uncertain. Further risks arise from challenges in efficiently allocating R&D resources and the substantial integration risks and increased regulatory scrutiny associated with business development activities, such as acquisitions and licensing, which may fail to deliver the required pipeline growth.

Drawn Conclusions from Catalysts and Risks Considerations

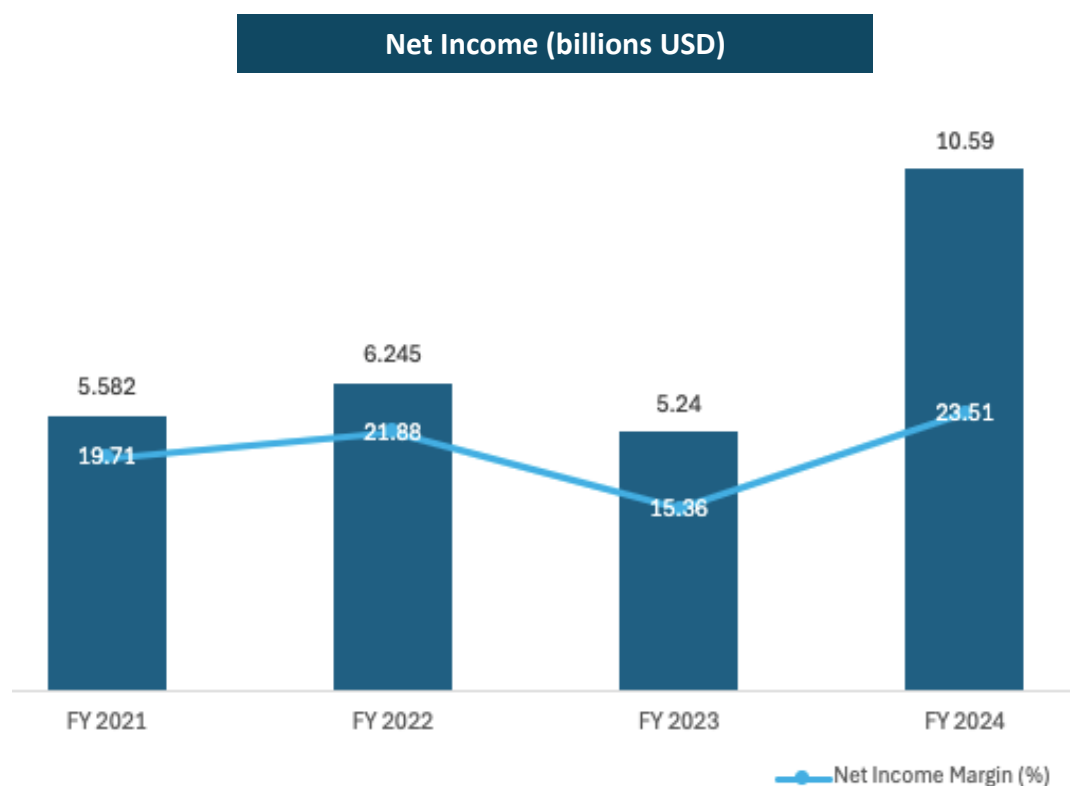
The investment case for Eli Lilly is compelling, driven by its leadership in the rapidly expanding obesity and diabetes markets and its strong pipeline in oncology and immunology. The company's integration of AI and advanced analytics enhances drug discovery and operational efficiency, strengthening its competitive edge. However, investors should remain alert to long development timelines, and regulatory uncertainty that create ongoing exposure to pipeline setbacks. Supply chain disruptions, safety concerns, and limited diversification around a few high-performing drugs could also pose headwinds. Overall, Eli Lilly's innovation-led strategy offers significant upside potential, but success depends on navigating the structural and operational challenges of a dynamic healthcare landscape.

Financial Overview: Revenue, EBITDA & Net Income

Eli Lilly has shown strong growth in revenue, EBITDA, and net income over the past 5 financial years exceeding industry averages.



All data sourced from SEC



All data sourced from SEC

Across roughly the last five fiscal years Eli Lilly has moved from steady, mid-single-digit growth into a period of rapid top-line expansion and materially higher profitability. Revenue climbed from the high-20s/low-30s billions in 2020–2022 to \$34.1B in 2023 and then jumped to about \$45.0B in 2024 — roughly a 32% year-over-year rise — driven largely by the commercial roll-out of new diabetes/obesity medicines. Net income, however, shows more volatility: after roughly \$6.25B (2022) it dipped to about \$5.24B in 2023 before surging to \$10.59B in 2024, implying a large operating-and-tax swing rather than steady linear improvement. EBITDA mirrors that pattern — a modest decline in 2023 followed by an outsized rebound in 2024 (EBITDA rising to the mid-teens billions), signalling strong operating leverage as higher-margin new products scaled.

In short: Lilly’s 2024 performance reflects powerful revenue momentum from Mounjaro/Zepbound and other new launches and shows the company can convert scale into margin gains; but the prior-year wobble and the degree of earnings concentration in a few blockbuster drugs raise execution and commercial-concentration risks (pricing pressure, competition, and volatility in prescription volumes), so the recent surge is impressive but not yet a guarantee of smooth, repeatable growth.

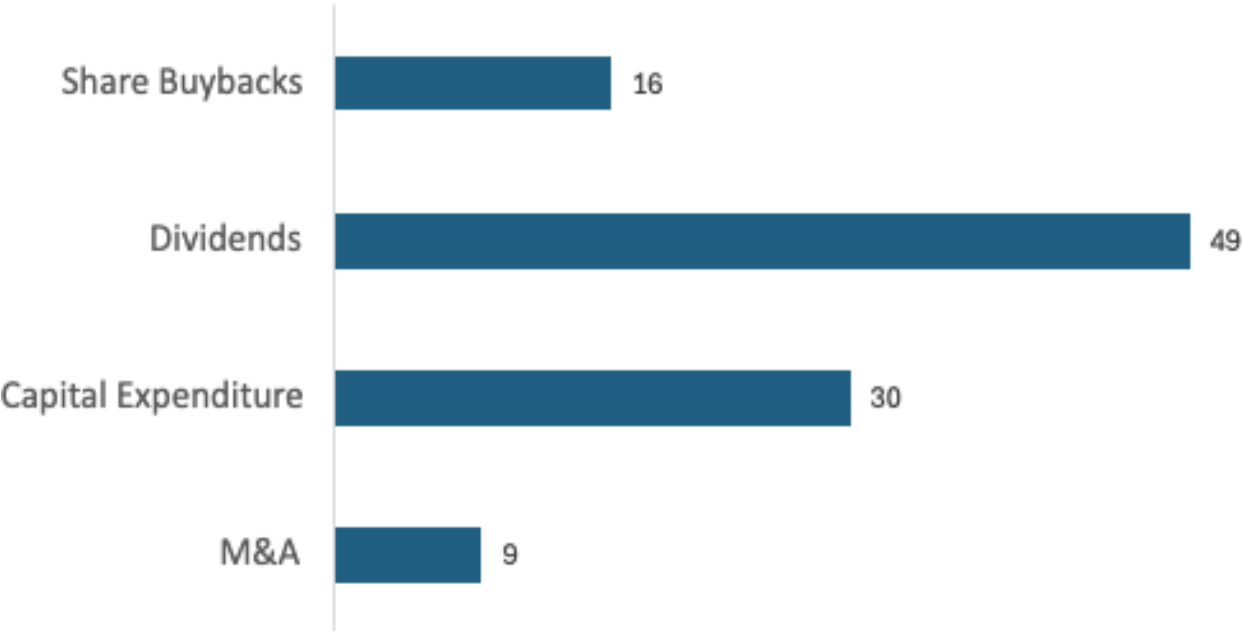
Financial Overview: Balance Sheet & Cashflow metrics

Eli Lilly shows incredibly strong balance sheet health while keeping in line with industry standard leverage. The firm has top credit ratings among top agencies and is viewed as having a stable outlook by Moodys and Fitch, whilst the S&P holds a positive outlook.

Balance Sheet Health Metrics

	Eli Lilly	Peer Median
Current Ratio	1.15x	1.16x
Quick Ratio	0.89x	0.79x
Avg. Cash conversion cycle	245x	112x
Debt to Equity	2.36x	0.69x
Net Debt to EBITDA	1.78x	1.67x
EBITDA/Interest Expense	19.5x	4.8x

Capital Allocation (billions USD last 5yr Cumulative)



All data sourced from SEC

Investment Thesis and Overview

Eli Lilly is emerging as one of the fastest-growing pharmaceutical companies, underpinned by a wave of breakthrough therapies and strategic pipeline investments. Our DCF analysis (2025–2029) assumes a robust 13.85% CAGR in revenue and applies a premium 23× EBITDA exit multiple, supported by Lilly’s exceptional growth prospects, improving profitability, and pipeline depth. Lilly commands “growth stock” status, with shares trading at valuations on par with tech leaders. This re-rating reflects investor confidence in Lilly’s blockbuster GLP-1 franchise, entry into Alzheimer’s therapy, expanding oncology portfolio, and a series of recent approvals and acquisitions that have solidified its long-term growth trajectory. The key driver of Lilly’s mid-2020s growth is its incretin (GLP-1) franchise, notably Tirzepatide, marketed as Mounjaro for type 2 diabetes and Zepbound for obesity. Demand for these drugs will capture over half of the U.S. GLP-1 market by mid-2025, and analysts estimate the global obesity/diabetes GLP-1 market could exceed \$100B by 2030. Lilly’s dominant market position underpins double-digit revenue growth through 2029.

Lilly is rapidly expanding Tirzepatide’s uses beyond glycemic control. In late 2024, the FDA approved Zepbound for obstructive sleep apnea in obese patients, marking the first drug ever approved for this indication. Lilly’s GLP-1 franchise is a platform for multiple indications and revenue streams, supporting sustained high growth and strong margin expansion even under approaching economies of scale and pricing power. Notably, Lilly’s net income margins have already expanded above historical levels, recently reaching 16.7%, and are forecast to exceed 40% by 2030.

Our DCF yielded an implied fair value of \$962 per share, representing approximately 14% upside from the current price of \$845, assuming a WACC of 7.85% and a calculated terminal growth rate of 4.8%.

Financial Performance and Margin Expansion

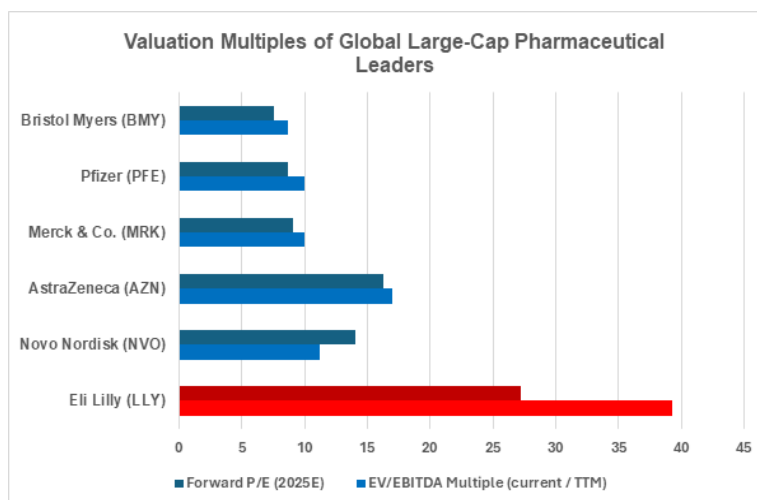
In the past year, Lilly’s revenue grew 35%, far above its 5-year historical average of 15%. High-margin products like Mounjaro drive operating leverage, with adjusted EPS growth over 60% and net margins expanding sharply. Lilly’s management has raised 2025 guidance to \$60–62B in sales, almost double 2022 levels, and \$21.75+ EPS. This implies >76% revenue growth from 2023 to 2026, outpacing Novo Nordisk’s 68% growth forecast in the same period. As a result, Lilly now anticipates earning \$60B+ revenue in 2025. Such scale improvements support significant EBITDA margin expansion through 2029, justifying the aggressive 23× exit multiple in our DCF. By 2029, Lilly’s product mix will skew heavily to recently launched, patent-protected drugs such as Tirzepatide and Donanemab, with high gross margins, while overhead grows more slowly, driving EBITDA higher at a faster pace than revenue. Analysts project Lilly’s net income margin could reach 42% by 2030, well above traditional pharma averages.

Valuation Data Analysis Overview

Projection Period — Eli Lilly and Company (USD millions)						
	2025E	2026E	2027E	2028E	2029E	CAGR (2025-29)
Operating Assumptions & Forecast (2025–2029)						
Revenues	61,000	73,300	84,700	94,900	102,500	13.85%
% Growth	34.80%	20.16%	15.55%	12.04%	8.01%	
COGS	(9,247)	(10,153)	(10,965)	(11,678)	(12,321)	7.44%
YoY %	9.80%	8.00%	6.50%	5.50%	4.50%	
% Revenues	15.16%	13.85%	12.95%	12.31%	12.02%	
Gross Profit	51,753	63,147	73,735	83,222	90,179	14.89%
YoY %	20%	22%	17%	13%	8%	
% Margin	84.84%	86.15%	87.05%	87.69%	87.98%	
SG&A	(22,875)	(26,718)	(31,207)	(36,449)	(39,657)	14.75%
YoY %	16.80%	16.80%	16.80%	8.80%	4.80%	
% Sales	37.50%	36.45%	36.84%	38.41%	38.69%	
EBITDA	28,878	36,429	42,528	46,772	50,523	15.01%
% Margin	47.34%	49.70%	50.21%	49.29%	49.29%	
D&A	(2,500)	(2,700)	(2,900)	(3,100)	(3,300)	
% Sales	4.10%	3.68%	3.42%	3.27%	3.22%	
EBIT	26,378	33,729	39,628	43,672	47,223	15.67%
% Margin	43.24%	46.01%	46.79%	46.02%	46.07%	
Taxes @ 21 %	(5,539)	(7,083)	(8,322)	(9,171)	(9,917)	
EBIAT	20,839	26,646	31,306	34,501	37,306	15.67%
CapEx	(3,050)	(3,200)	(3,400)	(3,600)	(3,800)	
% Sales	-5.00%	-4.37%	-4.01%	-3.79%	-3.71%	
Δ NWC	-610	-733	-847	-949	-1025	
Free Cash Flow	19,679	25,413	29,959	33,052	35,781	16.12%
Discounted FCF	18,246	25,413	29,959	33,052	35,781	
Terminal Value						
EBITDA (2029E)	50,523					
Exit Multiple	23x					
Terminal Value (EV)	1,162,020					
Implied Perpetuity Growth Rate						
FCF Terminal (2029E)	35,781					
Terminal Value	1,162,020					
WACC (Discount Rate)	7.85%					
Implied Growth Rate	4.77%					
Discount Period	5 years					
Present Value of TV	796,366					
Implied Share Price						
PV of Free Cash Flows	142,451					
Present Value of TV	796,366					
Enterprise Value (EV)	938,817					
Cash & Cash Equivalents	3,268					
Net Debt	30,300					
Equity Value	911,785					
Shares Outstanding (M)	947.54					
Implied Share Price (USD)	962.27					
Current Share Price (USD)	845.05					
Upside / Downside	13.9%					

Data sourced from Yahoo Finance (Yahoo Inc.).

Peer Benchmarking and Comparables



Data sourced from Yahoo Finance (Yahoo Inc.).

Novo Nordisk (NVO): Novo Nordisk is Lilly's direct competitor in the GLP-1 obesity and diabetes arena. Both companies witnessed explosive growth and stock performance due to the GLP-1 "gold rush." Novo's Ozempic and Wegovy were first-to-market and achieved tremendous success, but Lilly's Mounjaro/Zepbound is rapidly gaining share. By mid-2025 Lilly held 57% of the U.S. incretin market. Both firms are valued as growth stocks, however Lilly has a broader therapeutic footprint, with strong franchises in oncology and immunology.

Pfizer (PFE): Pfizer forecasts a 30% revenue decline in 2025, versus 2022, as COVID product demand falls off. Its \$43B acquisition of Seagen in 2023 brought a pipeline of oncology drugs, however Pfizer's mid-term growth will be low. Pfizer also faces upcoming patent expirations such as Eliquis in 2026 and others, and consequently, trades at a low valuation.

Merck (MRK): Merck is currently growing from its oncology mega-blockbuster Keytruda and HPV vaccine Gardasil, but faces a patent cliff in 2028, when analysts estimate Keytruda sales could drop by 50% within a few years post-expiry. Merck is investing in next-gen oncology such as Sotorasib for lung cancer and ADC partnerships, however many of Merck's pipeline assets such as PCSK9 siRNA, and new ADCs will not match Keytruda's scale by 2029. Merck's expected revenue CAGR is far below Lilly's, and Merck trades around the sector average multiple.

Amgen (AMGN): Legacy products Enbrel and Neulasta have flattened or declined, resorting to the large acquisition of Horizon Therapeutics for \$28B in 2023 to drive growth. Even with Horizon's drugs, Amgen projects 2025 revenue of only \$35B. Amgen is known for high margins and buybacks rather than breakthrough revenue drivers, and trades more similarly to a stable pharmaceutical income stock.

Risks and Sensitivities

If uptake of the Alzheimer's drug disappoints due to safety or reimbursement hurdles, or if a competitor GLP-1 significantly outperforms Lilly's, the revenue could underperform our projections. Macro-policy changes such as aggressive pricing reforms could also trim margins more than expected. However, Lilly's diversification across product lines and proactive risk management support upside scenarios. Reasonable contingencies such as moderate price erosion and fractional market share loss to competition after 2028 have been accounted for, however we still arrive at strong growth.

Final Remarks

Eli Lilly remains one of the most compelling growth stories in global pharmaceuticals. Its dominance in the GLP-1/metabolic space, underpinned by the success of Zepbound and Mounjaro, continues to drive exceptional top-line expansion. In Q2 2025, revenue rose 38% year-on-year to \$15.6 billion, prompting upgraded full-year guidance and reinforcing confidence in sustained demand. Zepbound alone generated around \$3.4 billion in U.S. sales, highlighting the scale and velocity of adoption.

Beyond its metabolic franchise, Lilly's pipeline is transforming into a second growth engine. Donanemab (Kisunla), recently approved in the EU, opens a substantial commercial opportunity in Alzheimer's treatment, while expanding oncology and immunology assets offer further diversification. Strategic manufacturing investments in Ireland and the U.S. are set to ease supply constraints and support margin improvement as capacity ramps up.

The main risks centre on execution and policy. Regulatory scrutiny of GLP-1 ingredient imports, rising reimbursement pressure, and potential supply bottlenecks could temper near-term performance. Capital intensity from ongoing expansion also weighs on free cash flow, though these investments should strengthen long-term competitiveness. To monitor the firm's recommendation, we will be looking at the following factors over the next 6-12 months:

- **Quarterly revenue prints vs. guidance** — track Q3/Q4 2025 uptake and management cadence on FY-2026 guidance.
- **Donanemab reimbursement and early EU/U.S. rollout data** — uptake metrics, prescriber acceptance, and ARIA/safety reporting.
- **Manufacturing milestones** — Limerick and U.S. facility timelines; any announcement of supply shortfalls or regulatory holds.
- **Regulatory/policy developments** — FDA actions on GLP-1 ingredient imports or U.S. pricing frameworks that could affect pricing and margins.

Overall, Lilly's innovation leadership, visible revenue trajectory, and disciplined reinvestment justify its premium valuation. While the market prices in near-flawless execution, the company's proven delivery and robust demand backdrop sustain our **BUY** recommendation. The next year—marked by manufacturing milestones, regulatory updates, and continued uptake of key therapies—will be decisive in validating this growth narrative.

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Disclosure

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