EQUITY RESEARCH

Eli Lilly and Company

LLY | NYSE

RATING	Price Target	Current Price	Market Cap
Buy	$ 1,217	$ 903	$ 840 B

EQUITY RESEARCH

Research Team

Eli Lilly and Company (LLY | NYSE)

Armaan Arora
President, Tech & Healthcare
AFM, UNIVERSITY OF WATERLOO

Ometh Rajapakse
Vice President, Tech & Healthcare
AFM, UNIVERSITY OF WATERLOO

Yoselin Luo
Vice President, Tech & Healthcare
FARM, UNIVERSITY OF WATERLOO

Siraj Noury
Analyst, Tech & Healthcare
MATHEMATICS, UNIVERSITY OF WATERLOO

Arhun Piragalathan
Analyst, Tech & Healthcare
AFM, UNIVERSITY OF WATERLOO

Ivan Zeng
Analyst, Tech & Healthcare
BBA, WILFRID LAURIER UNIVERSITY

Shaurya Singh
Analyst, Tech & Healthcare
COMPUTER SCIENCE + IVEY HBA, WESTERN UNIVERSITY

EXECUTIVE SUMMARY

Investment Thesis

Eli Lilly is a dominant player in the pharmaceutical industry, currently at the intersection of a massive unmet medical need and best-in-class pharmaceutical innovation. Tirzepatide, marketed as Mounjaro for type 2 diabetes and Zepbound for obesity, has established Lilly as the clear clinical leader in the GLP-1 space, outperforming Novo Nordisk's semaglutide in head-to-head trials and becoming the world's best-selling drug by revenue in Q3 2025. With the GLP-1 market projected to reach $100–150 billion by 2030, a next-generation oral GLP-1 pill approaching regulatory approval, and a $7.8 billion manufacturing buildout underway to resolve supply constraints, the next phase of growth is already visible. Our DCF implies a price target of $1,217, representing approximately 34.8% upside to the current share price of $903.

Key Highlights

- Tirzepatide generated $36.5 billion in combined FY2025 revenue (+122% YoY), representing 56% of total company revenue and becoming the world's best-selling drug by revenue in Q3 2025
- FY2025 revenue grew 45% to $65.2 billion, driven almost entirely by volume, with non-GAAP EPS rising 86% to $24.21 and net income nearly doubling to $20.6 billion
- Orforglipron, Lilly's oral GLP-1 for obesity, has a PDUFA date of April 10, 2026 and is estimated to generate up to $13 billion in peak annual sales by 2031
- DCF analysis yields an implied share price of $1,217 (+34.8% upside), supported by a WACC of 8.75% and 22.5% annual revenue growth through 2030

COMPANY & INDUSTRY OVERVIEW

Company Overview

Eli Lilly and Company (NYSE: LLY), headquartered in Indianapolis, Indiana, is one of the world's largest pharmaceutical companies with a market capitalization of approximately $820 billion (Yahoo Finance) as of March 2026. Founded in 1876 and entering its 150th year of operations, Lilly develops, manufactures, and markets pharmaceutical products across the globe, operating in over 120 countries. The company's portfolio is organized across four primary areas: cardiometabolic health, oncology, immunology, and neuroscience.

Lilly's earnings profile has become increasingly driven by cardiometabolic products, particularly Mounjaro and Zepbound, which generated $23.0 billion and $13.5 billion of 2025 revenue, respectively. These products, alongside oncology drug Verzenio (for breast cancer), immunology products such as Ebglyss and Omvoh, and Alzheimer's treatment Kisunla, form the backbone of a diversified growth engine. Strategically, this implies Lilly is no longer just a traditional large-cap pharma company with diversified brands, it is increasingly a high-growth innovator with a business model centered on scaling large chronic-disease franchises. In FY 2025, Lilly generated $65.2 billion in total revenue, representing

45% year-over-year growth, with its Key Products (Mounjaro, Zepbound, Verzenio, Ebglyss, etc.) driving most of the gains.

CEO David A. Ricks has led the company since 2017, overseeing the strategic pivot toward cardiometabolic health and the expansion of the firm's manufacturing footprint. In 2025, Lilly invested approximately $7.8 billion in manufacturing capacity, including new facilities in Virginia, Texas, Alabama, and Puerto Rico. The company also operates LillyDirect, a direct-to-patient digital platform that will reach over 1 million patients in 2025.

Industry Development:

Lilly operates in the innovative biopharmaceutical industry, where value creation is mainly based on patent protection, regulatory execution, manufacturing reliability, and sustained R&D productivity. The global biopharmaceutical industry is amid one of its most significant product cycles in decades, centered on GLP-1 receptor agonists. Originally developed for type 2 diabetes management, GLP-1 drugs have since demonstrated remarkable efficacy in treating obesity and are being investigated for other conditions. According to estimates, obesity will cost the global economy $2.76 trillion in lost GDP by 2050, leading to a $ 70 billion valuation for the global GLP-1 receptor agonist market, with projections ranging from $100 billion to over $150 billion by 2030 depending on assumptions around pricing, coverage expansion, and patient adherence. Goldman Sachs Research forecasts the anti-obesity drug market specifically to reach approximately $95 billion by 2030, while McKinsey estimates total GLP-1 sales could reach $100 billion by 2030. In the United States alone, GLP-1 prescriptions grew 38% annually between 2022 and 2024, with approximately 10 million Americans on GLP-1 treatment in 2025 and estimates projecting 25 to 30 million by 2030.

The competitive landscape is dominated by two companies: Eli Lilly and Novo Nordisk. Novo Nordisk markets semaglutide under brand names Ozempic (diabetes), while Lilly's tirzepatide franchise has increasingly gained market share based on superior efficacy data. Tirzepatide's dual GIP/GLP-1 mechanism has shown greater weight loss in clinical trials, and the combined Mounjaro and Zepbound franchise became the world's best-selling drug by revenue in Q3 2025, generating $10.1 billion in a single quarter. Emerging competitors include Viking Therapeutics, Structure Therapeutics, and Pfizer (which acquired Metsera for $10 billion in 2025), but none have achieved commercial scale.

FINANCIAL HIGHLIGHTS

Key Metrics Snapshot:

Metrics	FY-2024	FY-2025	YoY Change
Revenue ($B)	45.0	65.2	+45%
Gross Margin (%)	81	83	+200 bps
EPS (Reported)	12.02	22.95	+91%

EPS (Non-GAAP)	13.01	24.21	+86%
Mounjaro Revenue ($B)	11.5	23.0	+99%
Zepbound Revenue ($B)	4.9	13.5	+175%
Verzenio Revenue ($B)	5.3	5.7	+8%
R&D as % of Revenue (%)	22	20	-200 bps
Market Capitalization ($B)	750	860	+15%
P/E Ratio (Trailing)	68	39	Compressed

FY 2025 Quarterly Revenue and Earnings Breakdown:

Quarter	Revenue ($B)	YoY Growth	Mounjaro ($B)	Zepbound ($B)	EPS (GAAP)
Q1 2025	12.7	+45%	3.8	2.3	$3.06
Q2 2025	15.6	+38%	5.2	3.4	$6.29
Q3 2025	17.6	+54%	6.5	3.6	$6.21
Q4 2025	19.3	+43%	7.4	4.3	$7.39
FY 2025	65.2	+45%	23.0	13.5	$22.95

Financial Evaluation:
Profitability improved meaningfully. Non-GAAP gross margins grew to approximately 83%, driven by: a trend towards higher-margin GLP-1 products. Non-GAAP EPS rose 86% to $24.21. R&D investment remained robust at approximately $13.5 billion in FY 2025 (~20% of revenue), reflecting Lilly's late-stage pipeline across obesity, diabetes, oncology, immunology, and neuroscience.

An important point to highlight is that Mounjaro and Zepbound represented about 56% of total 2025 revenue, which shows how much of Lilly's investment case depends on the durability of the franchises. Lilly also disclosed that 2025 revenue growth was driven primarily by volume, while price was a headwind, which is important when thinking about future margin durability and reimbursement risk.

DETAILED INVESTMENT THESES

Thesis 1: Clinical leadership in the largest drug market of the decade

Eli Lilly is a dominant player in the pharmaceutical industry, currently at the intersection of a massive unmet medical need and best-in-class pharmaceutical innovation. Obesity and type 2 diabetes collectively affect over one billion people worldwide, but only recently has a solution been made that could address both conditions at scale. Lilly's tirzepatide, marketed as Mounjaro for diabetes and Zepbound for obesity, has changed the market. In head-to-head clinical trials, tirzepatide has demonstrated immense success over competitor Novo Nordisk's semaglutide, establishing Lilly as a clear clinical leader in the GLP-1 space and beating the previous market standard.

Thesis 2: Operating leverage is converting hypergrowth into compounding earnings power

Lilly's financial profile has shifted from that of a diversified large-cap pharma company to a high-growth compounder, and the income statement reflects it. Revenue grew 45% year-over-year to $65.2 billion in FY2025, driven almost entirely by volume rather than price, which is a structurally sound growth profile. More importantly, that top-line acceleration is flowing through to the bottom line: gross margins expanded to 83%, net income nearly doubled to $20.6 billion, and non-GAAP EPS rose 86% to $24.21 with shares outstanding essentially flat, confirming the earnings growth is operational rather than financial engineering. R&D spend held at $13.5 billion (roughly 20% of revenue), preserving the innovation engine while margins expand. With net debt/EBITDA compressing to 1.27x and interest coverage at 28.7x, the balance sheet is strong enough to sustain the $7.8 billion annual manufacturing buildout without constraining capital returns. As manufacturing capacity catches up to demand, incremental volume should flow through at high incremental margins, driving further EPS acceleration.

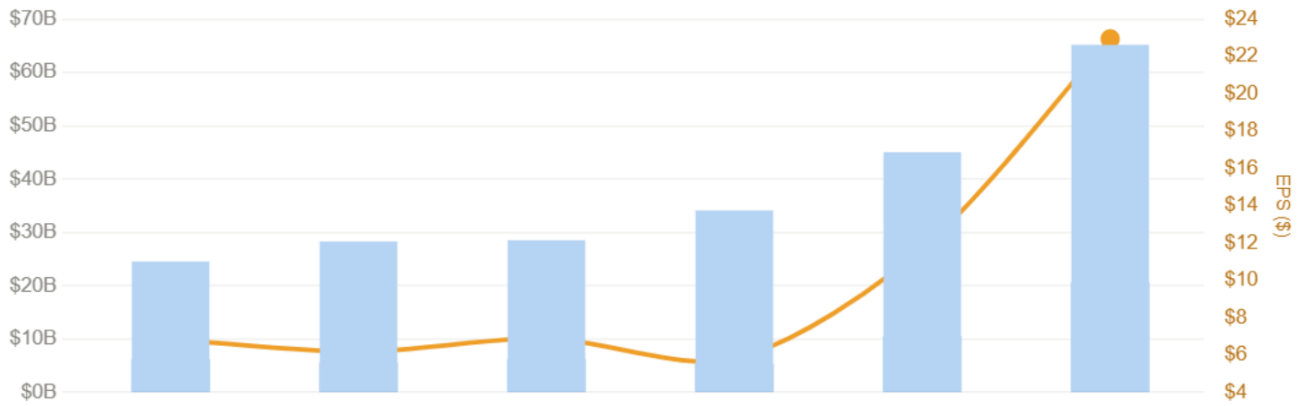
Thesis 3: The next growth curve is already in motion

A common concern with high-multiple pharma names is single-product concentration risk, and Lilly is actively building the answer. An oral GLP-1 formulation in late-stage trials would, if approved, dramatically expand the addressable patient population by removing the injection barrier that has kept a large share of eligible patients from initiating treatment. Beyond obesity, tirzepatide is being studied for heart failure, sleep apnea, and NASH, any one of which represents a multi-billion-dollar label expansion. The $7.8 billion manufacturing buildout across new facilities in Virginia, Texas, Alabama, and Puerto Rico is designed to resolve the supply constraints that have been the primary brake on revenue growth to date. The broader pipeline across oncology, immunology, and neuroscience provides further diversification beyond the GLP-1 franchise. Lilly is not a one-product story riding a single wave. It is a platform company building the infrastructure to sustain above-market growth for the better part of this decade.

Income Statement Highlights

Line item ($M)	FY2024A	FY2025A	YoY Δ	2-Yr CAGR
REVENUE				
Total revenue	$45,043	$65,179	44.70%	38.20%
— Mounjaro (tirzepatide)	$11,540	$22,965	99.00%	—
— Zepbound (tirzepatide)	$4,926	$13,542	174.90%	—
— GLP-1 total	$16,466	$36,507	121.80%	—
— Verzenio (abemaciclib)	$5,307	$5,723	7.80%	—
— Other products	$23,270	$22,949	-1.40%	—
— U.S. revenue	—	$43,481	43.00%	—
— International revenue	—	$21,698	47.90%	—
PROFITABILITY				
Gross profit	**$36,625**	**$54,127**	**47.80%**	**41.50%**
Cost of sales	$8,418	$11,052	31.30%	24.90%
R&D expense (core)	$10,991	$13,337	21.30%	19.70%
SG&A expense	$8,594	$11,094	29.10%	22.40%
Acquired IPR&D	$3,280	$2,910	-11.30%	—
GAAP operating income (EBIT)	**$17,040**	**$29,696**	**74.30%**	**69.50%**
Interest expense	-$781	-$895	—	—
Income tax expense	$2,090	$5,091	143.60%	—
Net income	**$10,590**	**$20,640**	**94.90%**	**98.50%**
Per-Share Metrics				
EPS — diluted (GAAP)	$11.71	$22.95	96.00%	98.90%
Diluted shares outstanding (M)	904.1	899.3	-0.50%	—

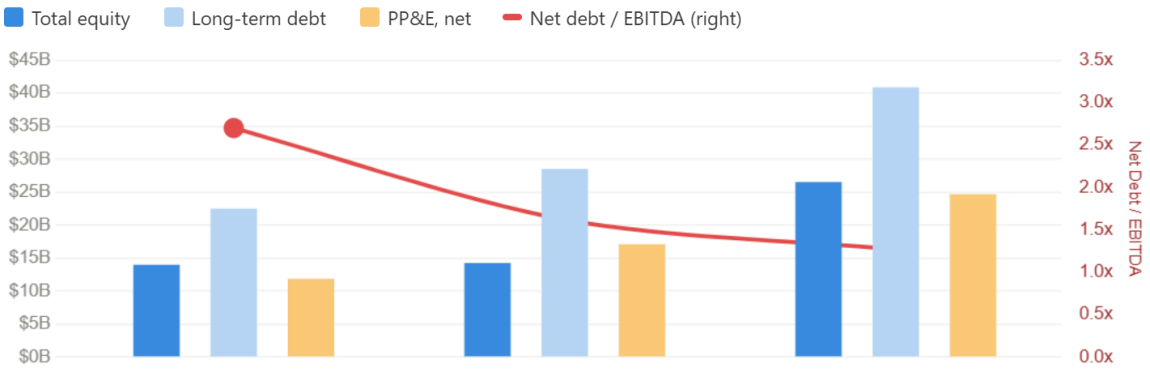
Revenue Growth



In 2025, Eli Lilly generated $65.2B in Revenue, which is a 44.7% year-over-year increase that was driven mostly by volume of units sold. In the 10-K, the revenue bridge shows that volume contributed +50 percentage points while net price realization brought it down by -6 points, which is due to the GLP-1 pricing concessions under the White House agreement. The GLP-1 products make up 56% of total revenue at 36.5B combined and are growing at triple-digit rates. Mounjaro's international expansion was particularly notable in 2025, as international revenue jumped from 2.6B to 9.3B in a single year. Verzenio is the strongest non-GLP-1 product at 5.7B in revenue, while legacy products as a whole are declining slightly (-1.4%), which is consistent with the plan to transition towards incretin-based medicines. Net income nearly doubled to 20.6B with EPS of 22.95, a 96% increase while shares outstanding are around the same. This reflects that this growth in EPS is due to operating leverage and not financial engineering.

Balance Sheet Overview

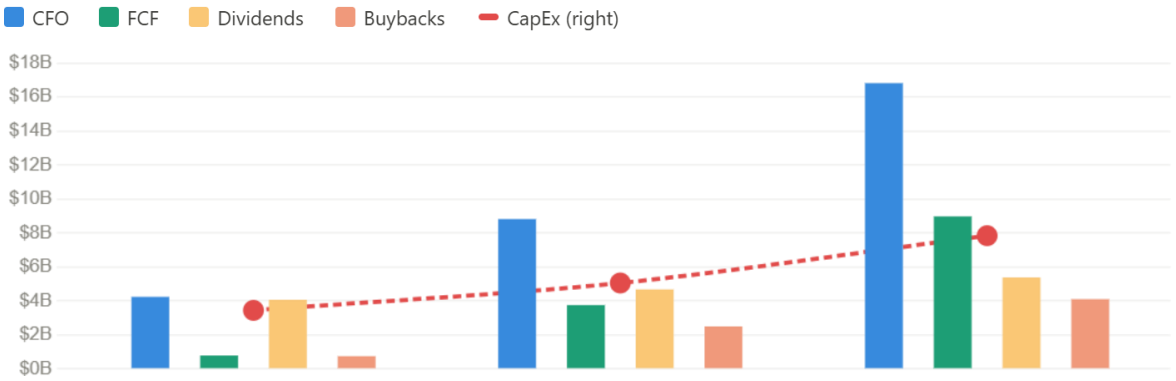
Metric	Current Value	Trend
Total assets	$112.5B	+42.9% YoY
Total equity	$26.5B	+85.9% YoY
Net debt	$35.2B	↑ from $30.4B
Net Debt/EBITDA	1.27x	↓ from 1.62x
Current ratio	1.58x	↑ from 1.15x
Interest coverage	28.7x	↑ from 21.8x
ROE (Return on Equity)	77.80%	↑ from 74.2%
ROA (Return on Assets)	18.40%	↑ from 13.5%



Total assets expanded from $78.7B in 2024 to $112.5B in 2025, a 43% increase, with the growth concentrated in three main areas. Net PP&E grew by $7.6B (+44% from 2024) as Lilly executed its $7.8B Capex program to build out manufacturing in North Carolina, Wisconsin, Indiana, Ireland, Germany, and the Netherlands. Inventory surged $6.2B (+81% from 2024) as the company pre-positioned GLP-1 supply following the FDA's resolution of the shortage. Accounts receivable grew to $17.8B from 11B in 2024 (+61%) which is consistent with the revenue growth rate. Long-term debt rose to $40.9B as Lilly raised $13.3B in new debt to fund its manufacturing buildout. Lilly also retired $5.1B in short term debt, most likely as a way to extend the maturity of its debt. Despite the increase in debt, net debt/EBITDA compressed from 1.62x to 1.27x, reflecting that it is in a good position to take on the debt as the company's increase in earnings exceeds the borrowing amount. Total equity shot up to $26.5B from $14.3 B in 2024 due to generating $20.6B in net income and was decreased by $9.6B in capital returns. Book value per share rose from $15.79 to $29.51.

Cash Flow Statement

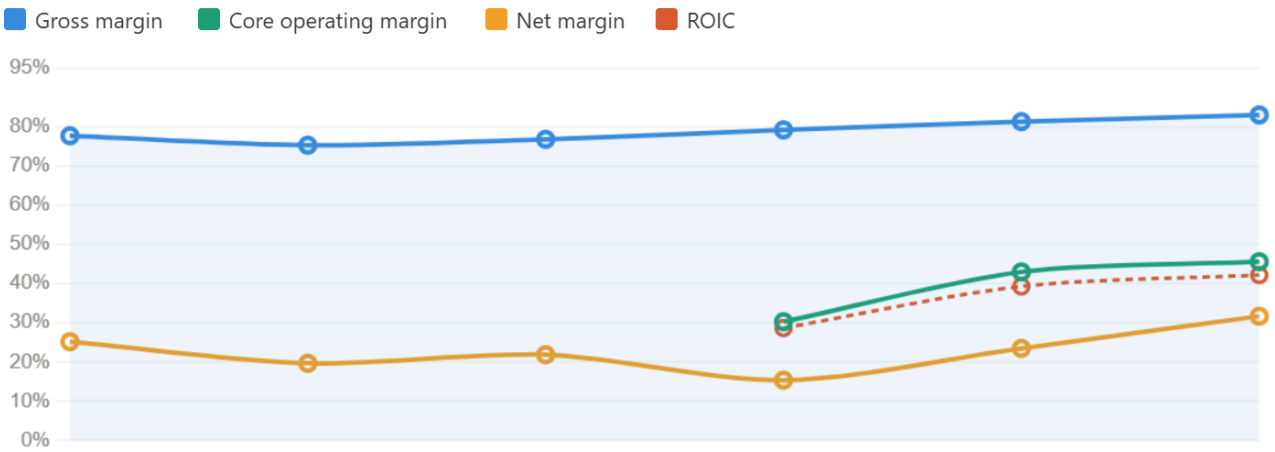
Key Metric	2025 Value	Trend
CFO (Cash Flow from Ops)	$16.8B	+90.6% YoY
CapEx (Capital Expenditure)	$7.8B	+55.0% YoY
FCF (Free Cash Flow)	$9.0B	+138.6% YoY
FCF conversion	43.50%	↑ from 35.5%
Dividends paid	$5.4B	+15.1% YoY
Buybacks	$4.1B	+64.3% YoY
Total capital return	$9.5B	≈ 100% of FCF
CFO margin	25.80%	↑ from 19.6%



Operating Cash flow more than doubled to $16.8B, however it is important to point out that the $2.9B Acquired IPR&D add-back is a structural feature of Lilly's accounting, as these are real cash outlays but are reclassified to the investing section. An "adjusted operating cash flow" of $13.9B is still a strong result. The working capital increase of $8.2B is from Lilly's deliberate inventory and receivables build. This is not a bad sign but rather the cost of executing the fastest manufacturing scale-up in modern pharma history. FCF grew 138% to $9B. In the 10-k, it mentions that there will be meaningfully higher capital expenditure in the near term, and in our forecasts, we project capex to peak at $9B in 2026, before decreasing. Total capital return to shareholders was $9.5B ($5.4B dividends + $4.1B buybacks), essentially matching the FCF. This signals management confidence in underlying cash generation. Notably, Lilly has become financing cash flow negative for the first time as debt issuance slows and buybacks accelerate, which shows that it is transitioning from a debt-funded growth phase to a self-funding one.

Margin Analysis

Key Metric	FY2023A	FY2024A	FY2025A
Revenue-based margins			
Gross margin	79.20%	81.30%	83.00%
EBITDA margin	34.70%	41.80%	42.50%
Net profit margin	15.40%	23.50%	31.70%
CFO margin	12.40%	19.60%	25.80%
FCF margin	2.30%	8.30%	13.80%
Return & efficiency metrics			
Return on equity (ROE)	—	74.20%	77.80%
Return on assets (ROA)	—	13.50%	18.40%
ROIC	28.70%	39.30%	42.20%
Asset turnover	—	0.57x	0.58x
FCF conversion (FCF / NI)	15.10%	35.50%	43.50%



From 2023-2025, the margins have expanded through structural changes, not cyclical ones. Gross margin widened to 83% as the product mix shifted toward high-margin tirzepatide and manufacturing efficiencies began to compound. In the 10-k, it attributes the improvement to "favorable product mix and improved cost of production, partially offset by lower realized prices." Both R&D% and SG&A% are declining as a share of revenue even though both are increasing due to operational leverage. R&D% dropped to 20.5% while actual R&D grew 21%. Net margin expanded to 31.7%, which is the fastest single-year margin improvement in Lilly's modern history. ROIC of 42.2% is the clearest signal of moat durability, as it sits nearly 35% above the company's WACC.

FINANCIAL ESTIMATES

	2026E	2027E	2028E	2029E	2030E
REVENUE ($M)	82,500.0	100,600.0	116,600.0	128,500.0	137,000.0
GROSS MARGIN (%)	83.0%	83.0%	83.0%	83.0%	83.0%
EBITDA ($M)	38,398.49	49,337.88	57,767.86	64,306.05	69,244.76
EBIT MARGIN (%)	46.5%	49.0%	49.5%	50.0%	50.5%
NET INCOME ($M)	29,998.8	38,588.8	45,195.6	50,325.4	54,205.7
EPS (DILUTED)	33.59	43.21	50.61	56.35	60.70

VALUATION

DCF Assumptions

WACC Build

Component	Input	Value
Risk-free Rate (Rf)	10-yr U.S. Treasury	4.20%
Equity Risk Premium	Market ERP	5.50%
Beta	Large-cap pharma avg.	0.89
Cost of Equity (Ke)	Rf + Beta x ERP	**9.10%**
Pre-tax Cost of Debt (Kd)	Interest exp. / avg. debt	2.41%
After-tax Cost of Debt	Kd x (1 - tax rate)	1.95%
Equity Weight	Mkt cap / total capital	95.1%
Debt Weight	Debt / total capital	4.9%
WACC		**8.75%**

Free Cash Flow Projections

($M)	2026E	2027E	2028E	2029E	2030E
Revenue	$79,837	$97,792	$119,785	$146,724	$179,721
Revenue Growth	22.5%	22.5%	22.5%	22.5%	22.5%
EBIT Margin	28.4%	28.4%	28.4%	28.4%	28.4%
NOPAT	$18,853	$23,092	$28,286	$34,647	$42,439
Unlevered FCF	**$13,455**	**$17,694**	**$22,888**	**$29,249**	**$37,041**

DCF Output

Sum of PV (UFCF)	$409,185M
Terminal Value (EV/EBITDA exit: 16x)	$710,953M
Enterprise Value	**$1,120,138M**
Less: Total Debt	($40,868M)
Plus: Cash & Equivalents	$7,268M
Plus: Operating Leases	$222M
Implied Equity Value	**$1,086,760M**
Shares Outstanding	893M
Implied Share Price	**$1,217**
Current Share Price	$903.02
Implied Upside	**+34.8%**

Comparables Analysis

Valuation Multiples (as of March 2026)

Company	Ticker	Mkt Cap	Fwd P/E	EV/EBITDA	P/Sales	P/Book
Eli Lilly	**LLY**	**$831B**	**28.9x**	**22.9x**	**10.1x**	**33.3x**
Novo Nordisk	NVO	$1,107B*	11.3x	~12x	3.6x	5.7x
Merck & Co.	MRK	$286B	15.2x	~10x	4.5x	5.4x
Bristol-Myers	BMY	$122B	11.5x	~8x	2.5x	6.6x
AbbVie	ABBV	~$330B	15x	~13x	5.5x	~18x

Pfizer	PFE	~$150B	9x	~7x	2.5x	~2x
Peer average	—	—	*12.4x*	*10.0x*	*3.7x*	*7.5x*
LLY Premium	—	—	**133%**	**129%**	**173%**	**344%**

Fundamental Operating Comparison (LTM / FY2025)

Company	Rev Growth	Gross Margin	Op Margin	Net Margin	R&D % Rev	ROE	Net Debt/EBITDA
Eli Lilly	**44.70%**	**83.00%**	**39.50%**	**31.70%**	**20.50%**	**77.80%**	**1.27x**
Novo Nordisk	Neg. 2026E	~82%	~35%	~28%	~18%	~80%	~1.5x
Merck & Co.	2.95	~72%	~25%	~18%	~18%	~35%	~1.0x
Bristol-Myers	1.96	~72%	~22%	~16%	~16%	~28%	~2.0x
AbbVie	4.93	~70%	~28%	~18%	~13%	NM	~2.0x
Pfizer	~0-2%	~65%	~15%	~10%	~17%	~10%	~2.5x
Peer average	*~4%*	*~72%*	*~25%*	*~18%*	*~16%*	*~38%*	*~1.8x*

While Lilly has a significant premium over its competitors, the data makes a compelling case as to why. On all the fundamental operating metrics, such as revenue growth (+44.7% vs peer average ~4%), gross margin (83% vs ~72%), operating margin (39.5% vs. ~25%), net margin (31.7% vs. ~18%), and ROE (77.8% vs. ~38%), Lilly ranks first among its competitors. Its R&D intensity at 20.5% is also meaningfully above the industry average of 16-18%, which shows that they are still committed to long term growth. However, the valuation premium is also substantial. LLY trades at a 28.9x forward P/E vs a peer average of 12.4x. The justification is that Lilly's fundamentals are significantly better than its peers with the lowest leverage in the group at 1.27x Net Debt/EBITDA. The premium is only justifiable if Lilly's growth differential compared to its peers is consistent for several more years, which the current operating trajectory makes defensible.

Novo Nordisk is Lilly's most direct competitor in the GLP-1 space. Despite similar moat quality, NVO trades at only 11.3x forward P/E because it guided to shrinking revenue in 2026. LLY's expanding margin with growing volume is the core reason for the 155% P/E gap between the two companies. However, this is an important risk to be aware of as a company with near-identical GLP-1 franchise quality and comparable gross margins trades at a much lower P/E because of its revenue outlook, highlighting how volatile Lilly could be if it misses earnings. Another important risk is the competitive pressure from an increasingly crowded GLP-1 field, pricing compression from payers, and pipeline concentration risk around tirzepatide. A single weak quarter on volume, pricing realization, or a pipeline setback in a key area could trigger a sharp de-rating as the current multiple embeds near-perfect execution for several years, with very little margin for disappointment.

CATALYSTS & RISKS

▲ Key Catalysts

- **Orforglipron FDA Approval (PDUFA: April 10, 2026):**

An imminent catalyst is the expected FDA approval of orforglipron, Lilly's oral GLP-1 for obesity. Orforglipron received the FDA's Commissioner's National Priority Voucher, potentially accelerating the review timeline. Trials have yielded positive results, including weight loss of ~10.5%. If approved, orforglipron could generate an estimated $13 billion in annual peak sales by 2031. Lilly plans to price the starter dose at $149/month (LillyDirect).

- **Medicare and Government Access Expansion:**

In November 2025, Lilly announced a landmark agreement with the U.S. government to provide Zepbound and (if approved) orforglipron to Medicare beneficiaries at a capped cost of $50/month starting April 2026. This opens access to nearly 40 million Americans on government insurance and could meaningfully drive volume.

- **Retatrutide (Triple Agonist, Phase 3):**

In addition, Lilly's peptide, Retatrutide, has demonstrated weight loss of up to 28.7% in Phase 3 trials, significantly exceeding current standard-of-care results. Retatrutide is being studied across obesity, knee osteoarthritis, and sleep apnea, further widening Lilly's competitive moat.

- **Manufacturing Scale-Up:**

Lilly invested $7.8 billion in manufacturing capacity in 2025, with new facilities announced in Virginia, Texas, Alabama, and Puerto Rico. These investments are critical to alleviating historical supply constraints and supporting the projected doubling of tirzepatide volume. The company is also building dedicated oral manufacturing capacity for orforglipron in the Netherlands.

▼ Key Risks

- **Revenue Concentration in GLP-1 Products:**

In FY 2025, Mounjaro and Zepbound together generated approximately $36.5 billion, or 56% of total revenue. This degree of product concentration exposes Lilly to material risk from any operational disruption, whether regulatory, competitive (a superior product emerges), or demand related.

- **Pricing Pressure and Margin Decrease:**

U.S. realized prices for Mounjaro and Zepbound declined in every quarter of FY 2025. The Goldman Sachs GLP-1 pricing model now assumes 7% annual price erosion, with each 1% change in annual price erosion translating to a $6 billion impact on U.S. peak sales estimates. The government access deal and LillyDirect discount further compresses net pricing. Performance margin guidance of 43–44.5% (reported basis) for 2025 reflects this dynamic. Every 100 bps of gross margin compression on a $65 billion revenue base equates to approximately $650 million in EBIT impact.

- **Intensifying Competitive Landscape:**

Novo Nordisk remains a strong competitor, having launched oral Wegovy in early 2026. Pfizer's $10 billion acquisition of Metsera in 2025 signals a major new competitive entry. Viking Therapeutics, AstraZeneca, and Amgen are all developing differentiated GLP-1 products.

- **Valuation Risk:**

At a trailing P/E of 39x and a forward P/E of 27x, Lilly is priced for sustained high growth. The stock has a 52-week range of $623.78 to $1,133.95, reflecting significant volatility. Any disappointment in quarterly results, guidance, or pipeline readouts, especially in terms of Orforglipron or Retatrutide, could trigger outsized downsides.