

Company Update Report

Eli Lilly and Company

Health Care

Analyst thesis

Our recommendation is based on:

- LLY leads the GLP-1 obesity and diabetes market, with Zepbound and Mounjaro driving international growth, strong market share gains, and expanding payer access. The imminent launch of Orforglipron (oral GLP-1) is expected to expand patient base and significantly accelerate growth, positioning LLY for a second wave of adoption.
- Advancing competitors (e.g., Novo Nordisk, Pfizer), which could pressure margins and erode long-term forecasts.
- Drug pricing reform efforts in the US/EU are a major overhang, potentially capping pricing power and limiting revenue from high-profile therapies, requiring close monitoring of reimbursement, access, and margin trends.
- Eli Lilly NTM P:E is currently expensive when compared to peers and to its own 10-year historical average P: E. The current share price, therefore, seems to be pricing in its better placement compared to peers for future growth, its large scale, deep drug pipeline, domestic manufacturing pivot, and leadership in obesity treatments.

As at: 13 November 2025

Ticker	LLY-US
Share price	\$1 018
Intrinsic value	\$1 134
Upside/(Downside)	11%
Recommendation	Buy

Latest company and market insights

Key highlights

In this report, we revisit 3Q25 results for Eli Lilly, released in October 2025, and where this positions our view in context.

Financial results at a glance:

- Eli Lilly reported 3Q25 revenue growth of 54% year-over-year to \$17.6 billion, up from \$11.4 billion in 3Q24, fuelled by extraordinary volume gains in Mounjaro (+109%) and Zepbound (+185%) as well as solid demand for Verzenio and other growth drivers. Mounjaro contributes 37% to revenue while Zepbound contributes 20%.
- Volume growth reached 62%, an acceleration from last year, substantially offsetting a 10% decrease in realised prices driven by US rebates and discounts. International revenues surged 74% to \$6.3 billion, demonstrating rapidly expanding global demand.
- Profitability improved markedly: 3Q25 reported EPS soared to \$7.02 (non-GAAP), from \$1.18 year-over-year, with net income rising from \$970 million to \$5.58 billion, driven by operating leverage and margin discipline amid heavy investment in R&D (+27%) and SG&A (+31%).
- Gross margin expanded to 83.6% (non-GAAP), up 1.4 percentage points from 3Q24, reflecting a beneficial shift in product mix toward high-value, innovative therapies.
- Key strategic progress was made in the pipeline, including four positive Phase 3 Orforglipron trials, FDA/EC approvals for Inluriyo, Omvoh, and Kisunla, strengthening the outlook of the business by broadening Lilly's portfolio, driving future revenue growth, and reinforcing leadership across multiple high-value therapeutic areas.

Management's outlook:

Eli Lilly's 4Q25 consensus revenue forecast stands at \$17.5 billion, representing 29% year-over-year growth, underpinned by persistent, outsized demand for its flagship diabetes and obesity drugs, Mounjaro and Zepbound. Management has raised full-year 2025 revenue guidance to the \$63.0–\$63.5 billion range, a robust 40% jump from the prior year, while adjusted EPS is expected to reach \$23.00–\$23.70. Consensus now calls for 4Q25 growth of 73% for Mounjaro and 103% for Zepbound, highlighting market leadership in GLP-1 therapies. Profitability is expanding alongside topline growth: operating margin is projected to rise to 43.5%–44.5% (reported) and 45%–46% (non-GAAP), reflecting a favourable product mix, operational leverage, and disciplined R&D and commercial investment. Management has reaffirmed that demand for incretin-based medicines remains exceptionally strong, both in the US and internationally, positioning Eli Lilly for sustained above-peer revenue and margin expansion heading into 2026.

Sector outlook:

The 2025 global pharma outlook is clouded by sharper US and European pricing pressures, as most-favoured-nation drug pricing and import tariffs hit sector profitability. Top players like Eli Lilly and Novo Nordisk face major patent expiries and rapidly intensifying generic pressure, especially in GLP-1 obesity and diabetes. These trends are forcing faster product launches and higher marketing spend while compressing margins and moderating overall sales growth, led by the US and Europe.



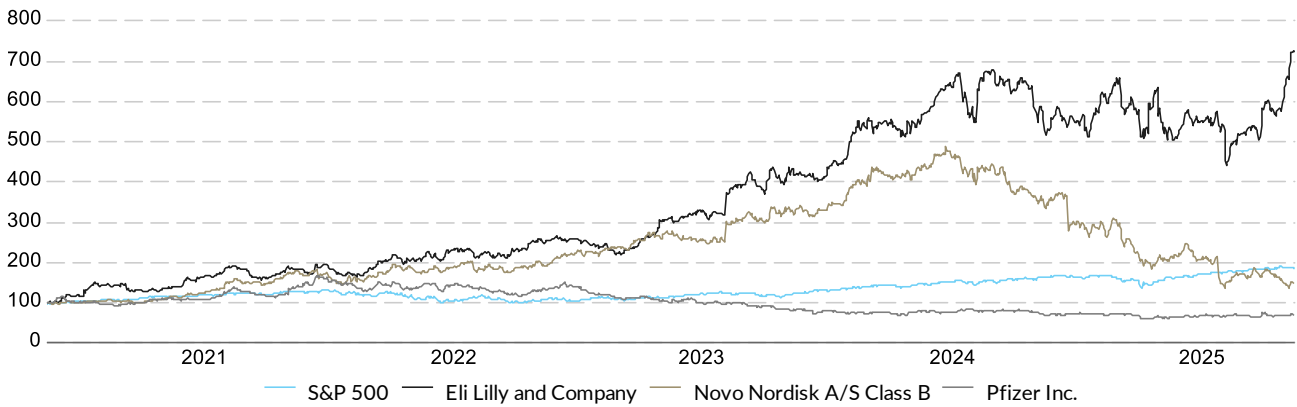
Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 23.5% and expected three-year EPS CAGR is 46.4% We expect earnings growth over the next three years to be driven by: Blockbuster Product Demand: Continued high demand for Mounjaro and Zepbound Orforglipron (oral GLP-1), now through four positive Phase 3 trials and set for regulatory submissions, is poised to be a further global growth catalyst. Lilly's recently announced production expansion in the US and Puerto Rico will boost capacity and support worldwide demand for current and future products, minimising supply constraints and facilitating fast-tracked commercialisation. The approvals and launches of new therapies in Alzheimer's (Kisunla), oncology, and immunology are expected to generate successive waves of incremental revenue growth and margin expansion.
Valuation	★★★★☆	The share price has 11% upside to the IV. Current NTM P:E of 36.8x is trading at a 36% discount to the five-year average P:E of 57.9x. Peer company, Novo Nordisk (Novo), with a current NTM P:E of 12.3x and a five-year average P:E of 27.30x, it is trading at a 55% discount to its average.
Dividend	★★★★☆	LTM dividend yield 0.7%. NTM dividend yield 0.8%.
Issuance	★★★★☆	Shares issued have decreased by 1% in the past five years.
Catalyst		<ul style="list-style-type: none"> Eli Lilly's growth thesis is anchored by global leadership in GLP-1 therapies (Zepbound, Mounjaro), supported by breakthrough efficacy in obesity and diabetes. Pipeline innovation continues, with the imminent launch of Orforglipron (oral small molecule GLP-1).
Quality of earnings	★★★★☆	Five-year average ROE 84.8%. Five-year average operating margin 30.3%. Seven of the past 10 years had both positive earnings with growth. Supported by diversified pipeline momentum led by metabolic therapies such as Zepbound and Mounjaro, alongside launches of new medicines in Alzheimer's (Kisunla), oncology, and immunology, which are expected to generate successive waves of incremental revenue growth and margin expansion.
Moat	★★★★☆	Eli Lilly (LLY) primarily falls under the Intangible Assets moat. The company's portfolio of patents, proprietary drug formulations, strong global brands, and regulatory exclusivity around its major therapies, such as Mounjaro, Zepbound, Verzenio, and novel pipeline assets, creates substantial barriers to entry for competitors. This intellectual property, combined with Lilly's research and development prowess and history of successful regulatory navigation, ensures multi-year pricing power, sustained innovation, and long-term competitive advantage, supporting superior growth and resilient profitability.
Management and governance	★★★★☆	Dave Ricks has served as CEO since 2017, bringing 29 years of experience to Eli Lilly as of 2025. CFO Lucas Montarce, in the role since 2024, has been with the company for 24 years. The management team averages 10 years of tenure, reflecting strong continuity and institutional expertise.
Balance sheet	★★★★☆	Net debt/EBITDA ratio 1.6x, interest coverage ratio 21.8x. Debt/assets 42.7%.
Risks		<ul style="list-style-type: none"> Intellectual property expirations and increasing competition. Manufacturing difficulties and disruptions may affect product availability and revenue stability. Pricing pressures, rebates, and government actions can impact realised prices, particularly in the US Global demand fluctuations and economic downturns present ongoing external risks for the business. Litigation or adverse events related to drug safety could impact reputation and financials. Risks from large acquisitions, including integration and clinical trial success. <p>Regulation:</p> <ul style="list-style-type: none"> Lilly operates under strict regulatory controls, requiring frequent interaction with agencies like the FDA and international medical bodies. Maintaining approvals, managing changes to laws (including US tax law), and meeting compliance standards across global markets is critical and resource intensive.

Source: FactSet



Graph 1: Five-year price (Indexed to 100)



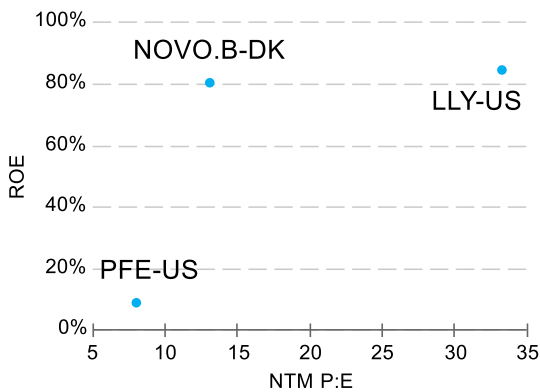
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Eli Lilly and Company	33.4%	19.4%	47.6%	36.0%	41.6%	74.1%	184.8%	634.9%	1131.4%
Novo Nordisk	-51.2%	-3.5%	-12.3%	-28.5%	-56.8%	-56.1%	-24.9%	45.1%	61.1%
Pfizer Inc.	-4.1%	3.2%	1.5%	11.5%	2.4%	-14.9%	-47.2%	-29.9%	-19.3%
MSCI world	14.6%	1.1%	7.0%	27.1%	15.0%	53.0%	73.5%	83.8%	-

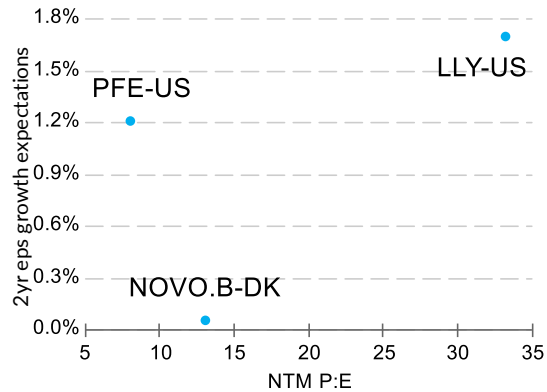
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs consensus EPS 2Y CAGR forecast



Source: FactSet

Valuation

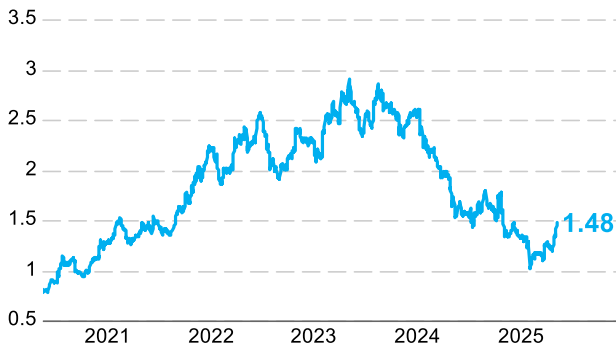
Eli Lilly was valued using a (DCF) model with a weighted average cost of capital (WACC) of 7.6% and long-term growth rate (LTG) assumptions reflecting varying growth outlooks. The bear case applies a 2.0% LTG, heightened pricing pressure, generic competition after key patent expiries, and possible margin compression driven by increased regulatory scrutiny. The base case uses a 4.5% LTG, Assumes continued robust demand for new and existing products, with innovations in obesity, diabetes, neuroscience, and immunology. The bull case assumes a 6.0% LTG, 3Q25 reaffirms that pipeline launches and capacity expansion (with new facilities in Texas, Virginia, and Puerto Rico) could reinforce operating leverage and keep Lilly at the top of sector profitability.

Table 3: Valuation summary

Valuation Probabilities			
	Bear	Base	Bull
LTG Rate	2.0%	4.5%	6.0%
Probability	10%	60%	30%
Share price	\$537	\$924	\$1 754
Weighted intrinsic value	\$1 134		
Upside/(Downside)	11%		

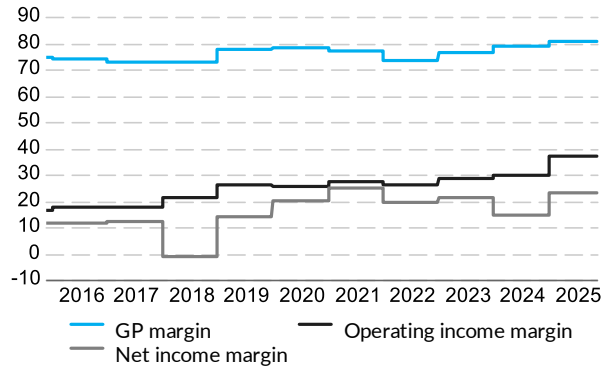


Graph 4: NTM P:E. relative to benchmark



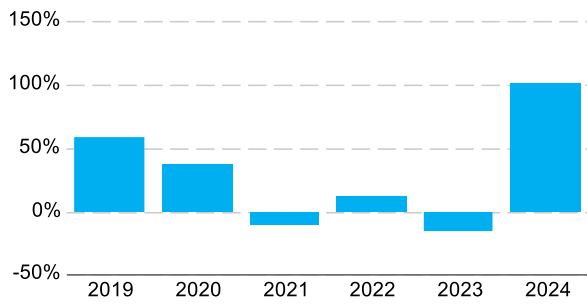
Source: FactSet

Graph 5: Profit margins (%)



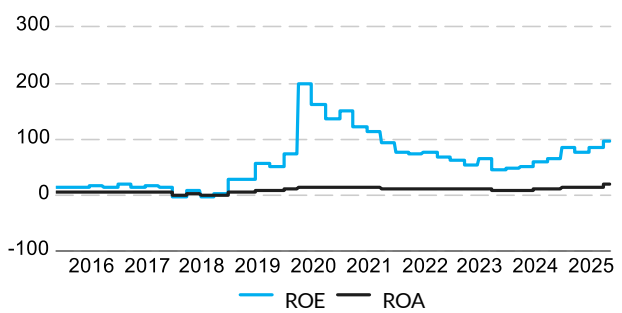
Source: FactSet

Graph 6: 5Y EPS y/y Growth



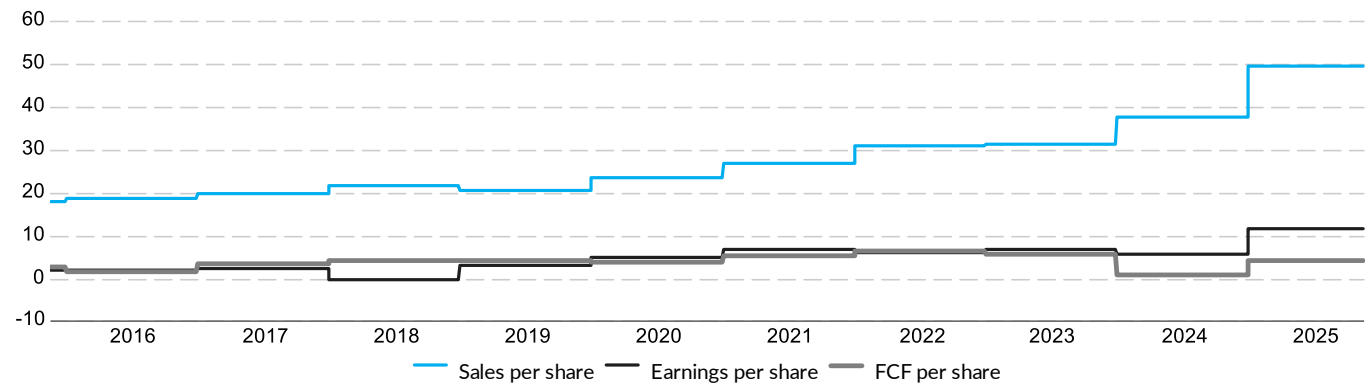
Source: FactSet

Graph 7: ROE and ROA (%)



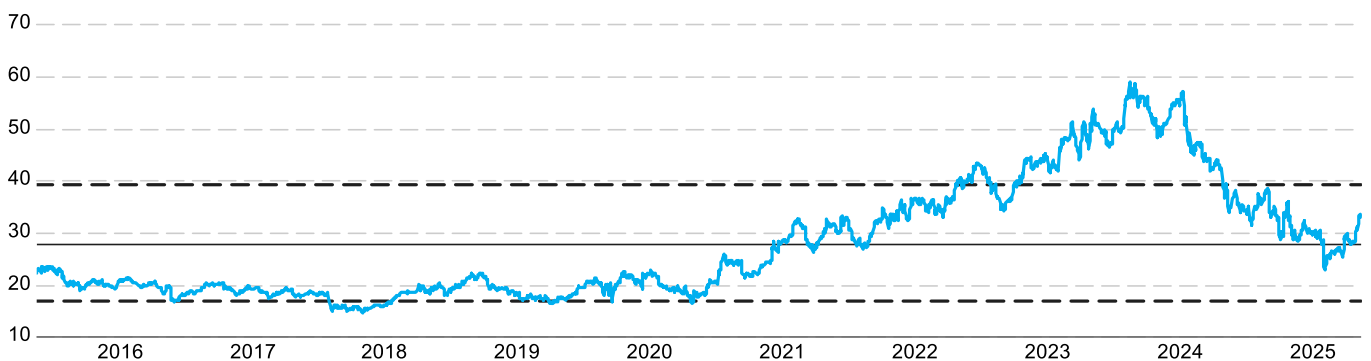
Source: FactSet

Graph 8: Sales, earnings and FCF per share (USD)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (\$Mn)	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	1Y Growth	3Y CAGR	5Y CAGR
Revenue	24 540	28 318	28 541	34 124	45 043	32%	17%	15%
Cost of sales	5 483	7 313	6 630	7 082	8 418	19%	5%	12%
Gross income	19 057	21 006	21 912	27 042	36 624	35%	20%	16%
EBIT	6 850	7 548	8 280	10 325	17 040	65%	31%	24%
EBITDA	8 174	9 096	9 803	11 853	18 807	59%	27%	22%
Net income	6 194	5 582	6 245	5 240	10 590	102%	24%	18%
EPS (USD)	7	6	7	6	12	102%	24%	19%
Balance sheet (\$Mn)	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	1Y Growth	3Y CAGR	5Y CAGR
Total assets	46 633	48 806	49 490	64 006	78 715	23%	17%	15%
Total shareholders equity	5 825	9 155	10 775	10 864	14 272	31%	16%	40%
Total liabilities	40 808	39 651	38 714	53 143	64 443	21%	18%	12%
Ratios	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	5Y Avg		
Net debt/EBITDA	1.6	1.4	1.4	1.9	1.6	1.6		
Interest coverage	19.0	22.2	25.0	21.3	21.8	21.9		
Debt/assets (%)	35.6	34.6	32.8	39.4	42.7	37.0		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
CAGR	Compounded annual growth rate
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FDA	Food and Drug Administration
FY	Financial year
GAAP	Generally Accepted Accounting Principle
GLP-1	Glucagon-like peptide-1
GP	Gross profit
LLY	Eli Lilly and Company
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
R&D	Research and Development
ROA	Return on assets
ROE	Return on equity
SG&A	Selling, General and Administrative expenses
USD	United States Dollar
Y/y	Year(s)
YTD	Year to date



Contact details

Muneeb Nana

Equity Analyst

+27 (11) 996 5200

Muneeb.Nana@psg.co.za

Pierre Muller, CA(SA), CFA

Head of Equity Solutions

+27 (11) 996 5200

Pierre.Muller@psg.co.za

The purpose of this document is to provide information and is not available for external distribution.

About PSG Wealth recommendations

PSG Wealth provides medium- to long-term recommendations based on the premium or discount that a company trades at, relative to our estimation of intrinsic value. We expect companies to rerate towards their intrinsic value over a one- to three-year period. The long-term valuation is a quantitative-based valuation based on the fundamental performance of each company in the past, as well as their future forecasts. The fundamental features used are based on profitability and includes EPS growth and return on equity (ROE).

House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the portfolio committee is likely to precede the release date and price on the report.

*Share price as at closing.

Disclaimer

PSG Wealth has issued this publication. It is confidential and released for the information of clients only. It shall not be reproduced in whole or in part without our permission. Any unauthorised use, duplication, redistribution or disclosure is prohibited by law. This publication is not to be construed as providing investment services in any jurisdiction where the provision of such services is not permitted. It is provided for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security, and we have no responsibility whatsoever arising here from or in consequence thereof. The user assumes the entire risk of any use made of this publication. Any decision to purchase securities mentioned in this publication must consider existing public information on such security or any registered prospectus. The information contained herein has been obtained from sources which and persons whom we believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute our judgement as of the date of this material and are subject to change without notice. This publication does not attempt to identify the nature of the specific market or other risks associated with an investment. Leveraged/Geared positions in securities can accentuate the profit/loss made on investments. Geared/Leveraged positions are not recommended based on the information contained in this publication. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and investors must make their investment decisions using their own objective advisers as they believe necessary and based upon their specific financial situations and investment objectives. Certain investments/recommendations may have tax implications for private customers. Investors should seek advice from a tax adviser before acting on information contained in this publication. The securities described herein are subject to fluctuation in price and/or value and investors may get back less than originally invested. Past performance is not indicative of future results. The employees responsible for producing this report may from time-to-time own securities mentioned herein.

Analyst certification

The research analyst who prepared this report certifies that the view expressed herein accurately reflects the research analyst's personal views about the subject, security and issuer and that no part of their compensation was, is or will be directly or indirectly related to specific recommendations or opinions contained in this report.

FSP

PSG Investment Management (Pty) Ltd is an authorised financial services provider. FSP: 44306

PSG Securities Limited is an authorised member of the JSE and authorised financial services provider. FSP: 42996