



# Eli Lilly (LLY)

Updated February 19<sup>th</sup>, 2025 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$878	<b>5 Year CAGR Estimate:</b>	24.6%	<b>Market Cap:</b>	\$780 B
<b>Fair Value Price:</b>	\$698	<b>5 Year Growth Estimate:</b>	30.0%	<b>Ex-Dividend Date:</b>	02/14/25
<b>% Fair Value:</b>	126%	<b>5 Year Valuation Multiple Estimate:</b>	-4.5%	<b>Dividend Payment Date:</b>	03/10/25
<b>Dividend Yield:</b>	0.7%	<b>5 Year Price Target</b>	\$2,590	<b>Years Of Dividend Growth:</b>	11
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Buy

## Overview & Current Events

Eli Lilly develops, manufactures, and sells pharmaceuticals around the world, and has about 43,000 employees globally. Eli Lilly has annual revenue of \$59 billion.

On December 9<sup>th</sup>, 2024, Eli Lilly raised its quarterly dividend 15.4% to \$1.50, extending the company's dividend growth streak to 11 years.

On February 6<sup>th</sup>, 2025, Eli Lilly announced fourth quarter and full year results for the period ending December 31<sup>st</sup>, 2024. For the quarter, revenue surged 44.7% to \$13.5 billion, which beat estimates by \$100 million. Adjusted earnings-per-share of \$5.32 compared very favorably to adjusted earnings-per-share of \$2.49 in the prior year and was \$0.24 ahead of expectations. For the year, revenue grew 32% to \$45 billion while adjusted earnings-per-share of \$12.99 compared to \$6.32 in 2023.

Volumes companywide were up 48% for the quarter, but pricing was down 4%. U.S. revenue grew 40% to \$9.03 billion, as volume was up 45% while pricing fell 5%. International revenues were up 55% to \$4.5 billion as volumes improved 56%. Revenue for *Mounjaro*, which helps patients with weight management and is the company's top gross product, totaled \$3.53 billion, compared to \$2.21 billion a year ago. Demand remains incredibly high for the product. *Zepbound*, which is also used to treat patients with obesity, had revenue of \$1.91 billion for the quarter and \$4.9 billion for the year. This product launched in November of 2023 and has generated revenue of nearly \$3.02 billion year-to-date. *Trulicity*, which helps the patient's body release its own insulin, declined 25% to \$1.25 billion due to competition and lower prices. *Verzenio*, which treats breast cancer, increased 36% to \$1.56 billion due to higher demand both domestically and internationally. *Jardiance*, which helps control type 2 diabetes, was up 50% to \$1.2 billion, largely due to a royalty payment. *Taltz*, which treats plaque psoriasis and certain forms of arthritis, increased 21% to \$952 million due to higher realized prices and changes in estimates for rebates and discounts. Eli Lilly's treatment for Alzheimer's, called *Kisunla*, was approved by the U.S. FDA in Q3 2024 and was recently granted approval in Japan and China.

Eli Lilly provided an outlook for 2025 as well. Adjusted earnings-per-share are expected to be in a range of \$22.50 to \$24.00 for the year. This would be a 79% increase from last year at the midpoint.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.43	\$3.52	\$4.28	\$5.55	\$6.04	\$7.93	\$8.16	\$7.94	\$6.32	\$12.99	<b>\$23.25</b>	<b>\$86.33</b>
<b>DPS</b>	\$2.00	\$2.04	\$2.08	\$2.25	\$2.58	\$2.96	\$3.40	\$3.92	\$4.52	\$5.20	<b>\$6.00</b>	<b>\$12.07</b>
<b>Shares<sup>1</sup></b>	1,105	1,101	1,100	1,060	935	911	910	905	903	903	<b>903</b>	<b>895</b>

Eli Lilly managed to grow earnings during the last recession, a rare feat in the market. The company's growth over the last decade is 15.9%, though much of that growth has occurred over the last five years. Given the strength of Eli Lilly's key pharmaceuticals and positive clinical data, we continue to expect earnings-per-share to grow at a rate of 30% per year through 2030 due to the strong growth rates that the company is projected to achieve.

<sup>1</sup> In millions of shares

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Eli Lilly increased its dividend just 6 times from 2008 through 2019. From 2009 to 2014, the dividend remained unchanged. Many companies in the pharmaceutical sector have a more impressive and longer dividend growth history than Eli Lilly. However, the company did increase its dividend by at least 15% the past seven years. For now, we expect that dividends will grow at 15% per year.

On August 16<sup>th</sup>, 2022, the Inflation Reduction Act of 2022 was signed into law. The law will, in part, require the federal government to negotiate prices for drugs covered under Medicare starting in 2026. This could reduce the profits pharmaceutical companies could collect, but these costs could be shifted to employer sponsored plans, reducing the negative impact on businesses. As such, we maintain our expected growth rates, but will monitor the situation as we get closer to the implementation of the law.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.9	21.7	19.1	19.0	21.8	21.2	33.9	46.1	92.2	59.4	<b>37.8</b>	<b>30.0</b>
Avg. Yld.	2.5%	2.7%	2.5%	2.4%	2.2%	2.0%	1.2%	1.1%	0.8%	0.7%	<b>0.7%</b>	<b>0.5%</b>

Shares of Eli Lilly have increased \$59, or 7.2%, since our November 4<sup>th</sup>, 2024 report. Based off earnings estimates for the year, shares trade with a price-to-earnings ratio of 37.8. We are reaffirming our target price-to-earnings ratio to 30.0, from 25.0, given that the market expects Eli Lilly to see tremendous growth in the coming years. If shares were to revert to this target valuation by 2030, then multiple contraction would reduce annual returns by 4.5% over this time frame.

Even though the company's dividend remained at the same level for a long period of time, shares of Eli Lilly have often traded with an above average dividend yield. The yield today is well below the stock's 10-year average of 1.8%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

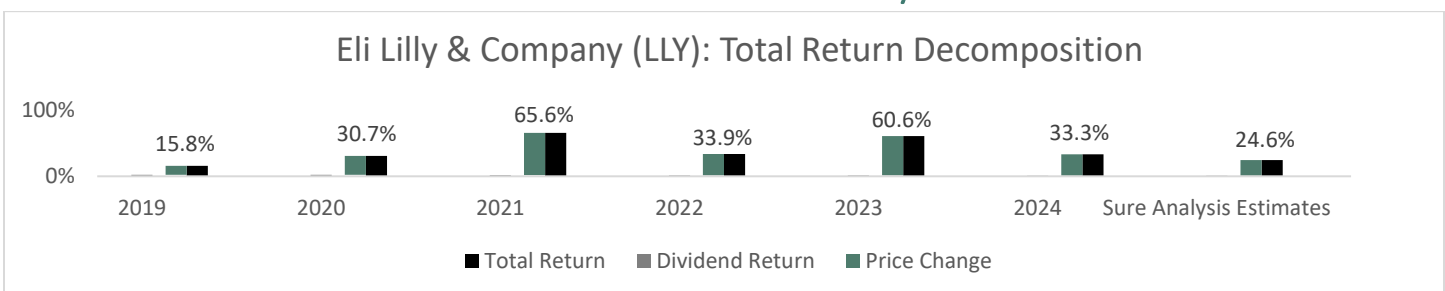
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	58%	58%	49%	41%	43%	37%	42%	49%	72%	40%	<b>26%</b>	<b>14%</b>

Eli Lilly's primary competitive advantage is the strength of newer pharmaceuticals in its portfolio. These products have shown very high rates of growth and should do so over the next few years. Another advantage is Eli Lilly's willingness to spend capital to improve its pipeline through acquisitions and research and development. Eli Lilly allocated 24% of sales into R&D in 2024 in order to augment their pipeline.

## Final Thoughts & Recommendation

Eli Lilly is expected to return 24.6% annually through 2030, up from our previous estimate of 13.1%. Our projection stems from a 30% earnings growth rate and 0.7% starting yield that are partially offset by a mid-single-digit headwind from multiple compression. Eli Lilly continues to see growth in most of its important products, with the weight management products performing especially well. The company has now received approval for its Alzheimer's product in the U.S., Japan, and China, which should be a tailwind to future results. Shares are still trading ahead of our target P/E, but the business is expected to perform very well in the medium-term. Shares continue to earn a buy rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	19959	21222	19974	21493	22320	24540	28318	28541	34124	45043
<b>Gross Profit</b>	14922	15512	15526	16812	17598	19057	21006	21912	27042	36624
<b>Gross Margin</b>	74.8%	73.1%	77.7%	78.2%	78.8%	77.7%	74.2%	76.8%	79.2%	81.3%
<b>SG&amp;A Exp.</b>	6533	6330	6180	5735	6004	5869	6142	6068	6941	8132
<b>D&amp;A Exp.</b>	1428	1497	1567	1609	1233	1324	1548	1523	1527	1767
<b>Operating Profit</b>	3592	3871	4250	6026	5999	7101	7933	8653	10787	17502
<b>Op. Margin</b>	18.0%	18.2%	21.3%	28.0%	26.9%	28.9%	28.0%	30.3%	31.6%	38.9%
<b>Net Profit</b>	2408	2738	(204)	3232	8318	6194	5582	6245	5240	10590
<b>Net Margin</b>	12.1%	12.9%	-1.0%	15.0%	37.3%	25.2%	19.7%	21.9%	15.4%	23.5%
<b>Free Cash Flow</b>	1338	3759	3452	2506	3483	4471	5388	4600	(3152)	414
<b>Income Tax</b>	382	636	2391	530	628	1036	574	562	1314	2090

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	35569	38806	44981	43908	39286	46633	48806	49490	64006	78715
<b>Cash &amp; Equivalents</b>	3666	4582	6536	7321	2338	3657	3819	2067	2819	3268
<b>Acc. Receivable</b>	3513	4029	4546	4594	4547	5875	6673	6896	9091	11006
<b>Inventories</b>	3446	3562	4458	3098	3191	3980	3886	4310	5773	7589
<b>Goodwill &amp; Int.</b>	9075	8331	8399	2435	10297	11217	11584	11280	11846	11937
<b>Total Liabilities</b>	20979	24725	33313	32999	36587	40808	39651	38714	53143	64443
<b>Accounts Payable</b>	1338	1349	1411	1207	1405	1607	1671	1931	2599	3229
<b>Long-Term Debt</b>	7979	10305	13647	10299	15317	16595	16885	16239	25225	33644
<b>Total Equity</b>	14571	14008	11592	9829	2607	5642	8979	10650	10772	14192
<b>LTD/E Ratio</b>	0.55	0.74	1.18	1.05	5.88	2.94	1.88	1.52	2.34	2.37

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	6.7%	7.4%	-0.5%	7.3%	20.0%	14.4%	11.7%	12.7%	9.2%	14.8%
<b>Return on Equity</b>	16.1%	19.1%	-1.6%	28.6%	122.3%	145.3%	74.5%	62.7%	48.4%	84.3%
<b>ROIC</b>	10.5%	11.7%	-0.8%	13.9%	42.4%	30.6%	23.0%	23.5%	16.6%	25.2%
<b>Shares Out.</b>	1,105	1,101	1,100	1,060	935	911	910	905	903	903
<b>Revenue/Share</b>	18.73	19.99	18.99	20.79	23.85	26.89	31.06	31.55	37.78	49.82
<b>FCF/Share</b>	1.26	3.54	3.28	2.42	3.72	4.90	5.91	5.09	(3.49)	0.46

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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