



Eli Lilly (LLY)

Updated May 12th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$733	5 Year CAGR Estimate:	17.7%	Market Cap:	\$694 B
Fair Value Price:	\$646	5 Year Growth Estimate:	20.0%	Ex-Dividend Date:	05/16/25
% Fair Value:	113%	5 Year Valuation Multiple Estimate:	-2.5%	Dividend Payment Date:	06/10/25
Dividend Yield:	0.8%	5 Year Price Target	\$1,607	Years Of Dividend Growth:	11
Dividend Risk Score:	A	Sector:	Health Care	Rating:	Hold

Overview & Current Events

Eli Lilly develops, manufactures, and sells pharmaceuticals around the world, and has about 47,000 employees globally. Eli Lilly has annual revenue of \$59 billion.

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

On May 1st, 2025, Eli Lilly reported first quarter results for the period ending March 31st, 2025. For the quarter, revenue grew 45.2% to \$12.7 billion, which was in-line with estimates. Adjusted earnings-per-share of \$3.34 compared very favorably to adjusted earnings-per-share of \$2.58 in the prior year, but this was \$0.12 lower than expected.

Volumes companywide were up 53% for the period, but pricing was lower by 6%. U.S. revenue increased 49% to \$8.49 billion, as volume was up 57% while pricing declined 7%. International revenues grew 38% to \$4.24 billion as volumes improved 46%. Revenue for *Mounjaro*, which helps patients with weight management and is the company's top gross product, totaled \$3.84 billion, up from \$1.81 billion a year ago. Demand remains very high for the product. *Zepbound*, which is also used to treat patients with obesity, had revenue of \$2.31 billion for the quarter compared to just \$517 million in the prior year. This product launched in November of 2023 and has seen impressive growth since. *Verzenio*, which treats breast cancer, grew 10% to \$1.16 billion due to higher, especially in international markets. To help meet demand for new products, Eli Lilly is going to construct four new facilities. 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. This product generated \$21 million in revenue in the first quarter. Additionally, it was announced that CVS Health's (CVS) pharmacy benefit manager would take action to make Novo Nordisk's (NVO) weight loss drug Wegovy its preferred weight loss therapy for its members.

Eli Lilly provided an outlook for 2025 as well. Adjusted earnings-per-share are expected to be in a range of \$20.78 to \$22.28 for the year, down from \$22.50 to \$24.00 previously. This is primarily due to in-process research and development charges. Still, this would be a nearly 66% improvement from 2024.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.43	\$3.52	\$4.28	\$5.55	\$6.04	\$7.93	\$8.16	\$7.94	\$6.32	\$12.99	\$21.53	\$53.57
DPS	\$2.00	\$2.04	\$2.08	\$2.25	\$2.58	\$2.96	\$3.40	\$3.92	\$4.52	\$5.20	\$6.00	\$12.07
Shares¹	1,105	1,101	1,100	1,060	935	911	910	905	903	903	901	895

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 now expect earnings-per-share to grow at a rate of 20% per year through 2030. This is down from 30% previously due to the high base from which EPS begins.

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

¹ In millions of shares

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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 16th, 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	34.0	30.0
Avg. Yld.	2.5%	2.7%	2.5%	2.4%	2.2%	2.0%	1.2%	1.1%	0.8%	0.7%	0.8%	0.8%

Shares of Eli Lilly have declined \$145, or 16.5%, since our February 19th, 2025 report. Based off revised earnings estimates for the year, shares trade with a price-to-earnings ratio of 34.0. We are reaffirming our target price-to-earnings ratio to 30.0, up from 25.0, given that the market expects Eli Lilly to see strong growth in the coming years. If shares were to revert to this target valuation by 2030, then multiple contraction would reduce annual returns by 2.5% 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

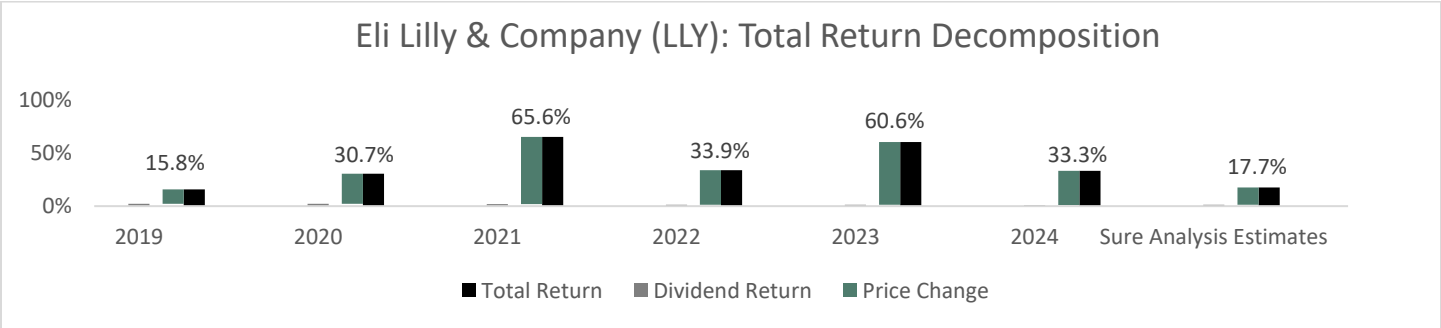
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	58%	58%	49%	41%	43%	37%	42%	49%	72%	40%	28%	23%

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 17.7% annually through 2030, down from our previous estimate of 24.6%. Our projection stems from a 20% earnings growth rate and 0.8% starting yield that are partially offset by a low 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 begun to generate a small amount of revenue for its Alzheimer’s therapy. Despite the steep decline in the share price, Eli Lilly now earns a hold rating as the stock trades ahead of our fair value target.

Total Return Breakdown by Year



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Income Statement Metrics

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

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	35569	38806	44981	43908	39286	46633	48806	49490	64006	78715
Cash & Equivalents	3666	4582	6536	7321	2338	3657	3819	2067	2819	3268
Acc. Receivable	3513	4029	4546	4594	4547	5875	6673	6896	9091	11006
Inventories	3446	3562	4458	3098	3191	3980	3886	4310	5773	7589
Goodwill & Int.	9075	8331	8399	2435	10297	11217	11584	11280	11846	11937
Total Liabilities	20979	24725	33313	32999	36587	40808	39651	38714	53143	64443
Accounts Payable	1338	1349	1411	1207	1405	1607	1671	1931	2599	3229
Long-Term Debt	7979	10305	13647	10299	15317	16595	16885	16239	25225	33644
Total Equity	14571	14008	11592	9829	2607	5642	8979	10650	10772	14192
LTD/E Ratio	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
Return on Assets	6.7%	7.4%	-0.5%	7.3%	20.0%	14.4%	11.7%	12.7%	9.2%	14.8%
Return on Equity	16.1%	19.1%	-1.6%	28.6%	122.3%	145.3%	74.5%	62.7%	48.4%	84.3%
ROIC	10.5%	11.7%	-0.8%	13.9%	42.4%	30.6%	23.0%	23.5%	16.6%	25.2%
Shares Out.	1,105	1,101	1,100	1,060	935	911	910	905	903	903
Revenue/Share	18.73	19.99	18.99	20.79	23.85	26.89	31.06	31.55	37.78	49.82
FCF/Share	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.

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