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# Eli Lilly (LLY.N)

Full coverage of obesity portfolio among all major PBMs reduces friction points for commercial patients

## CITI'S TAKE

This morning's announcement that all three major PBMs will cover Lilly's full obesity medicine portfolio (Zepbound: weekly injectable GLP-1/GIP; Foundayo: daily oral GLP-1) is a meaningful step forward. Payer coverage continues to be the primary barrier to GLP-1 access and is the leading cause of discontinuations per our KOL conversations. With a more streamlined process coming soon for commercial insurance patients, more extensive coverage lowers hurdles and further adds to the volume inflection that is expected from broad Medicare Part D access (starting 7/1; \$50/mo). Together with cash pay options via LillyDirect, commercial pricing as low as \$25/mo aims to reduce friction points. Indeed, the addition of Foundayo to CVS Caremark commercial template coverage (6/1) is expected to further bolster its early launch momentum, and resumption of Zepbound coverage (10/1) is an incremental positive for Lilly's overall incretins franchise growth (2026e BBG cons: +55% y/y). Maintain Buy and \$1,500 TP.

## Buy

|                             |                |
|-----------------------------|----------------|
| Price (27 May 26 16:00)     | US\$1,082.92   |
| Target price                | US\$1,500.00   |
| Expected share price return | 38.5%          |
| Expected dividend yield     | 0.6%           |
| Expected total return       | 39.2%          |
| Market Cap                  | US\$1,019,831M |

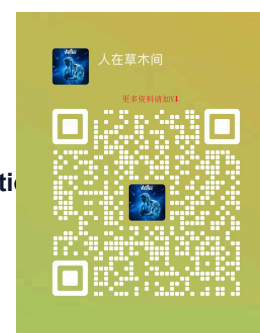
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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations



## Eli Lilly

### Valuation

We set our DCF derived valuation at \$1,500. We project free cash flows for an explicit forecast period to 2030 and thereafter apply terminal growth assumptions. We employ a CAPM-derived WACC of 6% and assume a 2.6% terminal growth rate.

### Risks

Key downside risks include: 1) validated or fictitious adverse events associated with Mounjaro/Zepbound impacting adoption; 2) proposed US rebate reform being passed through congress which would reduce barriers to entry for competition; 3) tirzepatide portfolio facing formulary step-edits through generic semaglutide from 2032E.

Key upside risks include: 1) adoption of Alzheimer's drug donanemab above our modest expectations; 2) positive evolution of pipeline including remternetug, orforglipron, retatrutide, and more; and 3) lower than expected impact of IRA price negotiation on Verzenio and Trulicity.

If the impact on the company from any of these factors proves to be greater/less than we anticipate, the stock could materially undershoot or overshoot our target price.