Morgan Stanley | RESEARCH

UPDATE

August 5, 2026 11:57 AM GMT

Eli Lilly & Co. | North America

2Q26 First Take

LLY posted a top and bottom line beat vs. cons; Mounjaro, Trulicity and Jardiance drove a majority of the beat. Revenue guidance raised 3% at midpoint. We expect shares to trade up this morning.

2026 revenue guidance raised: New revenue guidance is $85.0-$87.0bn (prev. $82.0-$85.0bn); midpoint of $86.0bn (up 3% from $83.5bn prior) is 1% above cons' $85.3bn and 3% below our $88.8bn. New EPS guidance is largely maintained at $35.50-36.50 (prev. $35.50-$37.00); midpoint of $36.00 (down 1% from $36.25), which incorporates $3.03 impact from IPR&D charges in 2Q **(ex-IPR&D EPS raised by $2.78 at midpoint)**, is 3% above cons' $35.04 and 2% below our $36.86. LLY also raised 2026 operating margin guidance to 49.0%-50.5% (vs. 47.0%-48.5%) and maintained tax rate guidance - see Exhibit 8

2Q top-line and bottom-line: Revenues were $23bn, 11% above cons' $20.7bn and 11% above our $20.8bn.

GLP-1 Franchise WW sales were $16.2bn vs. MS/cons $14.6bn/$14.0bn. The beat was driven by outperformance in both US and international. Mounjaro US sales of $4.8bn were above MS/cons of $4.2bn/$4.4bn. Mounjaro ROW was $5.15bn vs. MS/cons of $4.75bn/$4,500mn. Zepbound US sales of $4.9bn were above MS/cons of $4.8bn/$4.6bn. Trulicity also posted a $350mn beat vs cons and we look for details on the call. The PR noted that the decline in realized prices was primarily driven by Zepbound and Mounjaro, partially offset by adjustments to estimates for rebates and discounts primarily driven by Trulicity, Zepbound, and Mounjaro. Excluding these adjustments, US price would have declined by ~9%.

Foundayo posted its first quarter of reported sales at $98mn WW vs. MS/cons of $42mn/$101mn. LLY's CEO noted that 1 in 4 oral GLP-1 starts are now Foundayo. Beyond the US the drug has launched in UAE, Mexico and Saudi Arabia.

Jardiance revenue outside the U.S. included a sales-based milestone of $250mn in 2Q25 that contributed to a ~$500mn beat.

Operating Income was $9.8bn, 38% above cons' $7.1bn and 33% above our $7.4bn. EPS was $8.55, 42% above cons' $6.01 and 41% above our $6.04. $0.01 per share equates to approximately $11.3mn pretax.

Medicare GLP-1 Bridge program: The bridge program was launched on July 1st (LINK), and LLY noted ~20mn of patients are eligible with ~35% increase in U.S. covered lives for LLY obesity medicines. LLY noted that ~60-70% of starts are patients that are new to incretins.

$2.51 EPS upside vs. our model included: Revenues +1.91, COGS +0.39, SG&A -0.30, R&D +0.07, IPR&D +0.02, Other +0.01, Taxes +0.23, Share count +0.18. **2Q I/S YoY growth:** revs +48%, gross profit +50%, oper inc +40%, pretax +42%, net inc +32%, EPS +35%.

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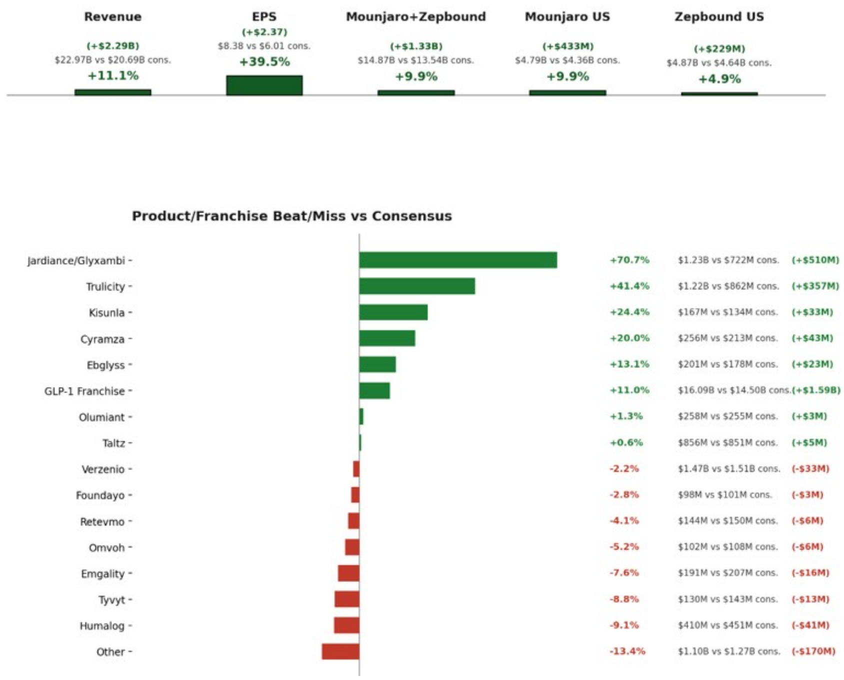
Eli Lilly & Co. (LLY.N, LLY UN)

Major Pharmaceuticals | United States of America

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	**$1,347.00**
Shr price, close (Aug 4, 2026)	$1,115.68
Mkt cap, curr (mm)	$999,558
52-Week Range	$1,249.34-624.00

Key topics/questions for the call: (1) Drivers of guidance raise and margin outlook, (2) Foundayo launch trajectory in 2H, (3) Medicare bridge program and Mounjaro ROW dynamics, (3) pipeline progress (Reta/GGG, Elora/amylin, Brenipatide, and Kisunla/Remternetug for Alzheimer's), and (5) capital allocation.

Exhibit 1: Revenue/EPS and Products Beats/Misses



Variance

Exhibit2: LLY 2Q:26A Income Statement Variances (YOY)

	Actual		MS Estimate		Variation vs. MS Est.			CONS. est.	Variation vs. CONS.		Actual
($M)	2Q:26A	YOY % Chg.	2Q:26E	YOY % Chg.	Absolute	Pct	EPS Impact	2Q:26E	Absolute	Pct	2Q:25A
Total revenues	**22,974**	**48%**	**20,776**	**34%**	**2,198**	**11%**	**+1.91**	***20,685***	***2,289***	***11%***	**15,558**
COGS	3,143	35%	3,590	54%	(447)	-12%	+0.39				2,326
Gross profit	**19,831**	**50%**	**17,187**	**30%**	**2,644**	**15%**	**+2.30**	***17,102***	***2,729***	***16%***	**13,232**
SG&A	3,430	25%	3,083	12%	347	11%	-0.30	*3,232*	*198*	*6%*	2,753
R&D	3,819	14%	3,903	17%	(84)	-2%	+0.07	*4,079*	*(260)*	*-6%*	3,336
IPR&D	2,776	N.M.	2,800	N.M.	(24)	-1%	+0.02				154
Operating income, EBITA	**9,806**	**40%**	**7,400**	**6%**	**2,406**	**33%**	**+2.09**	***7,112***	***2,694***	***38%***	**6,989**
Other income (expense)	(176)	-7%	(186)	-2%	10	-5%	+0.01				(189)
Pretax income	**9,630**	**42%**	**7,214**	**6%**	**2,416**	**33%**	**+2.10**	***7,102***	***2,528***	***36%***	**6,800**
Taxes	2,137	91%	1,804	61%	333	18%	+0.23	*1,649*	*488*	*30%*	1,121
Tax Rate	22.2%	35%	25.0%	52%	-2.8%	-11%					16.5%
Net income	**7,493**	**32%**	**5,411**	**-5%**	**2,082**	**38%**	**+2.33**	***5,400***	***2,093***	***39%***	**5,679**
Adj. Dil. EPS	**$8.55**	**35%**	**$6.04**	**-4%**	**$2.51**	**41%**		***$6.01***	***$2.54***	***42%***	**$6.31**
Dil. shares outstanding	893.7	-1%	895	-1%	(1)	0%	+0.18	*899*	*(5)*	*-1%*	900

*$0.01 per share equates to approximately $11.3mn pretax

	Actual	MS Estimate	Variation (b.p.)		CONS.			Actual
Margin Analysis	**2Q:26A**	**2Q:26E**	**vs. MS est.**	**vs. 2Q:25A**	***2Q:26E***	***Variation (b.p.)***		**2Q:25A**
COGS	13.7%	17.3%	(360)	(127)				15.0%
Gross margin	**86.3%**	**82.7%**	**360**	**127**	***82.7%***	***364***	***4%***	**85.0%**
SG&A	14.9%	14.8%	9	(277)	*15.6%*	*(69)*	*-4%*	17.7%
R&D	16.6%	18.8%	(216)	(482)	*19.7%*	*(310)*	*-16%*	21.4%
Operating margin (incl. IPR&D)	**42.7%**	**35.6%**	**706**	**(224)**	***34.4%***	***830***	***24%***	**44.9%**
Pretax margin	41.9%	34.7%	719	(179)	*34.3%*	*758*	*22%*	43.7%
Net margin	**32.6%**	**26.0%**	**657**	**(389)**	***26.1%***	***651***	***25%***	**36.5%**

Exhibit3: LLY 2Q:26A Revenue Variances (YOY)

	Actual		MS Estimate		Variation vs. MS Est.		CONS. est.	Variation vs. Cons.		Actual
($M)	2Q:26A	YOY % Chg.	2Q:26E	YOY % Chg.	Absolute	Pct	2Q:26E	Absolute	Pct	2Q:25A
Verzenio	1,474	-1%	1,583	6%	(109)	-7%	1,507	(33)	-2%	1,489
Emgality	191	-5%	209	4%	(18)	-8%	207	(16)	-8%	201
Kisunla	167	243%	146	200%	21	14%	134	33	24%	49
Retevmo	144	15%	138	10%	6	4%	150	(6)	-4%	125
Jardiance/Glyxambi royalties	1,232	79%	665	-4%	567	85%	722	510	71%	690
Cyramza	256	1%	178	-30%	78	44%	213	43	20%	254
Taltz	856	1%	867	2%	(11)	-1%	851	5	1%	848
Ebglyss	201	132%	173	99%	28	16%	178	23	13%	87
Omvoh	102	36%	107	43%	(5)	-5%	108	(6)	-5%	75
Olumiant	258	5%	250	2%	8	3%	255	3	1%	246
Humalog	410	-18%	518	3%	(108)	-21%	451	(41)	-9%	503
Tyvyt	130	-5%	144	5%	(14)	-10%	143	(13)	-9%	137
Trulicity incl high-dose	1,219	12%	852	-22%	367	43%	862	357	41%	1,092
Foundayo	98	*	44	*	54	123%	101	(3)	-3%	-
US	67	*	42	*	25	61%	96	(29)	-30%	-
ex-US	31	*	2	*	29	1225%	10	21	226%	-
Mounjaro + Zepbound WW	14,871	73%	13,737	60%	1,134	8%	13,536	1,335	10%	8,580
Mounjaro US	4,791	45%	4,227	28%	564	13%	4,358	433	10%	3,302
Zepbound US	4,873	44%	4,760	41%	113	2%	4,644	229	5%	3,380
GLP-1 Franchise WW	*16,188*	*67%*	*14,633*	*51%*	*1,555*	*11%*	*14,499*	*1,689*	*12%*	*9,673*
Other	1,365	16%	1,167	-1%	198	17%	1,268	97	8%	1,181
Total revenues	**22,974**	**48%**	**20,776**	**34%**	**2,198**	**11%**	**20,685**	**2,289**	**11%**	**15,558**

Exhibit4: LLY 2Q:26A Income Statement Variances (Sequential)

	Reported	Sequential Growth		Actual
($M)	2Q:26A	Dollar	% Chg.	1Q:26A
Total revenues	**22,974**	**3,175**	**16%**	**19,799**
COGS	3,143	(306)	-9%	3,449
Gross profit	**19,831**	**3,481**	**21%**	**16,350**
SG&A	3,430	496	17%	2,934
R&D	3,819	309	9%	3,510
IPR&D	2,776	2,192	375%	584
Operating income, EBITA	**9,806**	**484**	**5%**	**9,322**
Other income (expense)	(176)	(32)	22%	(144)
Pretax income	**9,630**	**452**	**5%**	**9,178**
Taxes	2,137	622	41%	1,515
Tax Rate	22.2%	0	34%	16.5%
Net income	**7,493**	**(170)**	**-2%**	**7,663**
Adj. Dil. EPS	**$8.55**	**($0.00)**	**0%**	**$8.55**
Dil. shares outstanding	894	(2)	0%	896

	Reported	Variation	Actual
Margin Analysis	**2Q:26A**	**b.p. difference**	**1Q:26A**
COGS	13.7%	-374	17.4%
Gross margin	86.3%	374	82.6%
SG&A	14.9%	11	14.8%
R&D	16.6%	-111	17.7%
Operating margin (incl. IPR&D)	42.7%	-440	47.1%
Pretax margin	41.9%	-444	46.4%
Net margin	32.6%	-609	38.7%

Exhibit5: LLY 2Q:26A Revenue Variances (Sequential)

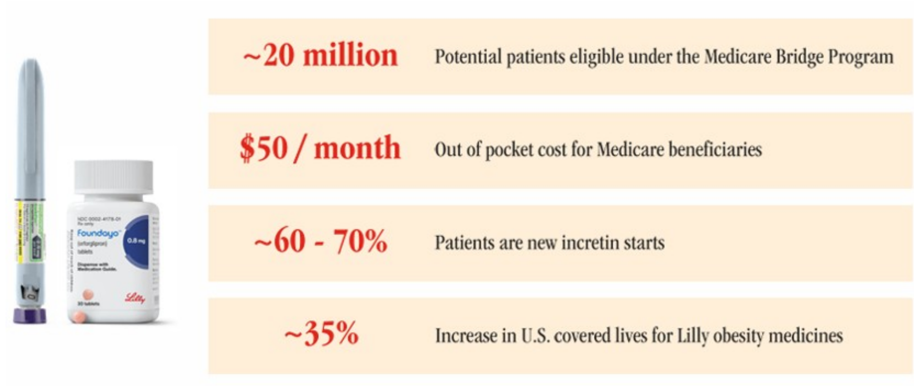
	Reported	Sequential Growth		Actual
($M)	**2Q:26A**	**Dollar**	**% Chg.**	**1Q:26A**
Verzenio	1,474	172	13%	1,302
Emgality	191	18	10%	173
Kisunla	167	43	35%	124
Retevmo	144	14	11%	130
Jardiance/Glyxambi royalties	1,232	118	11%	1,114
Cyramza	256	26	11%	230
Taltz	856	124	17%	732
Ebglyss	201	56	39%	145
Omvoh	102	22	28%	80
Olumiant	258	13	5%	245
Humalog	410	(32)	-7%	442
Tyvyt	130	10	8%	120
Trulicity incl high-dose	1,219	301	33%	918
Foundayo	98	98	*	-
US	67	67	*	-
ex-US	31	31	*	-
Mounjaro + Zepbound WW	14,871	2,049	16%	12,822
Mounjaro US	4,791	559	13%	4,232
Zepbound US	4,873	739	18%	4,134
GLP-1 Franchise WW	*16,188*	*2,448*	*18%*	*13,740*
Other	1,365	143	12%	1,222
Total revenues	**22,974**	**3,175**	16%	**19,799**

Exhibit 6: LLY beats and misses by quarter

LOE		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	% of 2Q26 revs
	Total Revenue	0%	14%	-6%	0%	1%	5%	10%	7%	13%	11%	
2034+	Tirzepatide Consolidated	-4%	33%	-19%	-4%	2%	12%	14%	14%	18%	14%	**65%**
	Mounjaro - US	-21%	21%	-13%	-4%	-2%	4%	2%	9%	11%	10%	**21%**
	Zepbound - US	39%	48%	-23%	-4%	1%	9%	7%	13%	5%	5%	**21%**
	Kisunla	NA	-87%	-85%	-62%	-2%	47%	12%	28%	26%	24%	**1%**
	Retevmo	-1%	10%	25%	-26%	3%	12%	-16%	5%	16%	-4%	**1%**
	Tyvyt	30%	5%	18%	-9%	2%	-5%	-11%	-11%	-19%	-9%	**1%**
	Foundayo	NA	NA	NA	NA	NA	NA	NA	NA	NA	-3%	**0%**
2031 - 2033	Olumiant	-9%	-2%	3%	0%	2%	2%	3%	0%	3%	1%	**1%**
	Emgality	32%	1%	8%	15%	-46%	0%	-16%	5%	30%	-8%	**1%**
2026 - 2030	Jardiance	-5%	-4%	-17%	26%	40%	-8%	38%	-6%	44%	70%	**5%**
	Trulicity	-12%	-13%	8%	-10%	-3%	2%	1%	5%	5%	41%	**5%**
	Taltz	-7%	7%	7%	1%	10%	-3%	0%	12%	-7%	1%	**4%**
	Cyramza	-2%	-3%	2%	-2%	-1%	2%	3%	1%	14%	20%	**1%**
Expired	Humalog	41%	59%	24%	24%	3%	-15%	20%	-6%	-9%	-9%	**2%**
	Humulin	1%	24%	7%	42%	-13%	-14%	-2%	-13%	1%	-4%	**1%**
	Basaglar	-15%	22%	-5%	0%	16%	-16%	9%	-9%	28%	-1%	**1%**

Source: MS Research, Visible Alpha; Note: Percentage values indicate product specific beat/miss. Red/Green color shades indicate proportionally weighted beats and misses.

Exhibit 7: Medicare GLP-1 bridge process



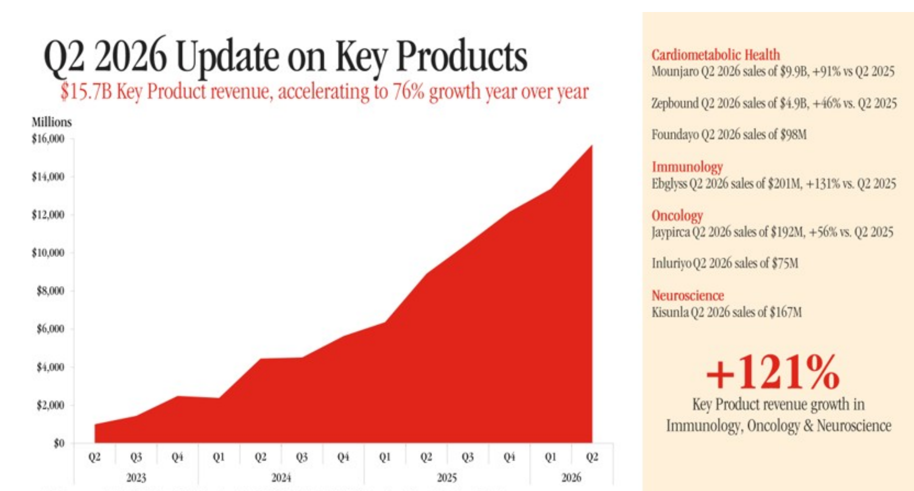
Source: Company presentation

Exhibit 8: LLY 2026 Guidance (non-GAAP)

	Prior	Updated	Comments
Revenue[1]	\$82.0 – \$85.0 billion	\$85.0 – \$87.0 billion	Strong underlying business performance; increased midpoint of the range by \$2.5B reflecting 32% year over year growth
Performance Margin[2]	47.0% – 48.5%	49.0% – 50.5%	Increased by 2.0pp to reflect updated revenue expectations
Tax Rate	Approximately 18-19%	Unchanged	
Earnings Per Share[3]	\$35.50 – \$37.00	\$35.50 – \$36.50	Increased \$2.78 at midpoint to reflect updated revenue expectations before updating guidance for \$3.03 impact of Q2 2026 acquired IPR&D charges

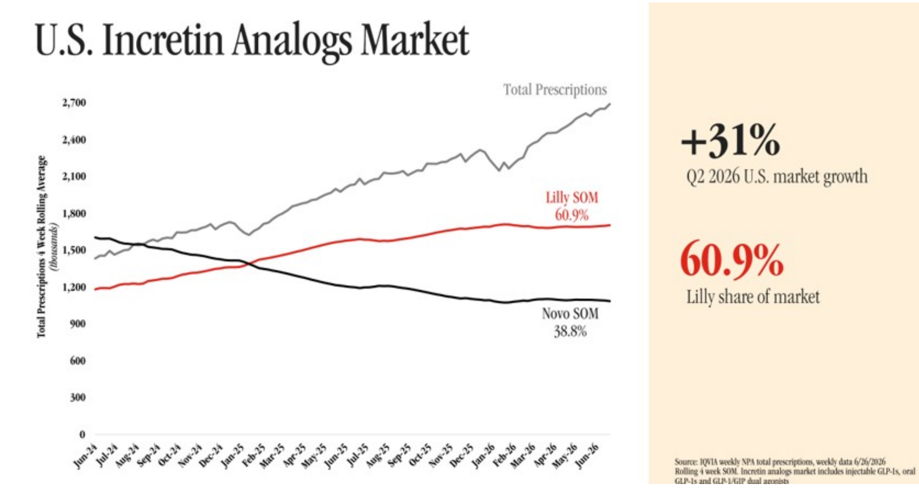
Source: Company presentation; Note: 1 GAAP measure 2 The Company defines Performance Margin as gross margin less research and development and marketing, selling, and administrative expenses divided by revenue. Excludes the impact of intangible asset amortization 3 2026 assumes shares outstanding of approximately 894 million

Exhibit 9: 2Q26 Key Product Highlights



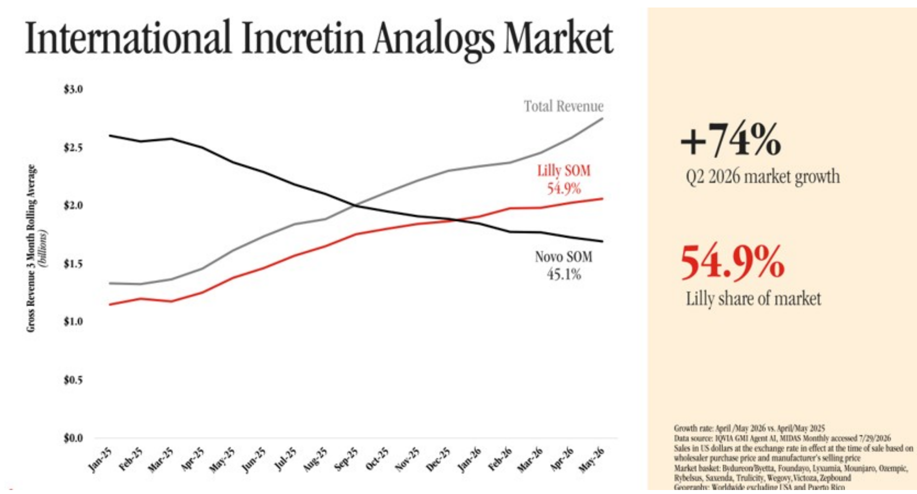
Source: Company presentation

Exhibit 10: US Incretin Analogs Market



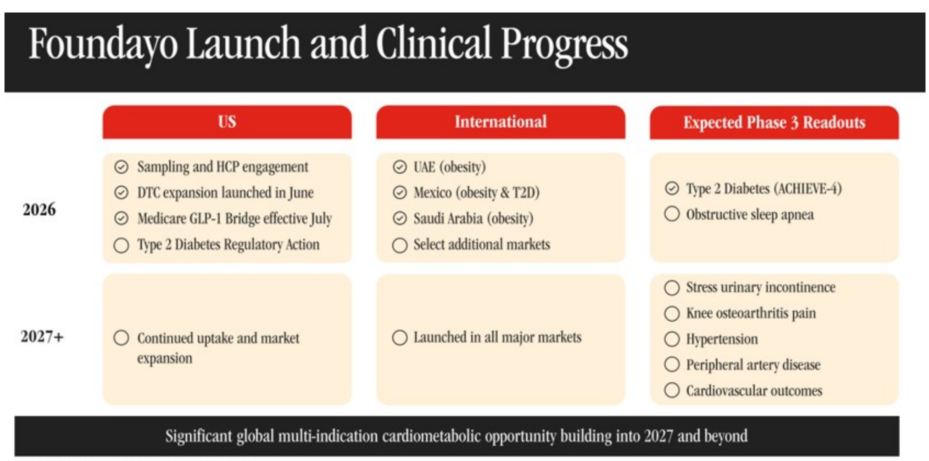
Source: Company presentation

Exhibit 11: International Incretin Analogs Market



Source: Company presentation

Exhibit 12: Foundayo U.S. Launch dynamic



Source: Company presentation

Exhibit 13: Brenipatide (GLP-1/GIP) Select Trials (part 1 of 2)

Study	Indication*	Title	Phase	Patients	Primary Outcome**	Primary Completion	Completion
NCT07412756	Major Depressive Disorder	A Study of Brenipatide in Adult Participants With Major Depressive Disorder (RENEW-MDD-1)	3	1000	Time to Relapse as Measured by Number of Days from Randomization to Date Participant Meets Any Relapse Criterion of MDD	Feb 2028	Feb 2028
NCT07219966	Alcohol Use Disorder	A Study of Brenipatide in Participants With Moderate-to-Severe Alcohol Use Disorder (RENEW-ALC-1)	3	1100	Change in Drinking Patterns in Alcohol Use Disorder (AUD) as Assessed by the Timeline Followback Method (TLFB)	Apr 2028	Apr 2028
NCT07219953	Alcohol Use Disorder	A Study of Brenipatide in Participants With Alcohol Use Disorder (RENEW-ALC-2)	3	1100	Change in Drinking Patterns in Alcohol Use Disorder (AUD) as Assessed by the Timeline Followback Method (TLFB)	Apr 2028	Apr 2028
NCT07420283	Opioid Use Disorder	A Study of Brenipatide in Participants With Opioid Use Disorder (RENEW-Op-1)	2	465	Percentage of weeks abstinence from opioid use defined by both negative urine drug screen (UDS) and no self-report of opioid use based on timeline follow back (TLFB) Achievement of >=80% weeks of abstinence from opioid use defined by both negative UDS and no self-report of opioid use based on TLFB	Mar 2028	Mar 2028
NCT07286175	Bipolar Disorder	A Study of Brenipatide in Adult Participants With Bipolar Disorder (RENEW-Bipolar-1)	2	400	Time to Relapse Defined as Days from Randomization to the Date on Which the Participant Meets Any Relapse Criterion	Nov 2027	Nov 2027
NCT07223840	Tobacco Use Disorder	A Study of Brenipatide in Adults Who Quit Smoking Cigarettes and Want to Avoid Relapse (RENEW-Smk-1)	2	222	Percentage of Participants that Achieve Carbon Monoxide (CO)-Confirmed Continuous Abstinence from Cigarette Smoking with Allowed Slips	Feb 2027	Feb 2027
NCT07410507	Schizophrenia	A Study of Brenipatide in Adult Participants With Schizophrenia (RENEW-Scz-1)	2	450	Percent Change from Baseline in Body Weight in Participants with a Baseline Body Mass Index ≥25.0 Kilograms per Meter Squared (kg/m^2)	Nov 2027	Nov 2027

* Molecule may have multiple indications. ** Trial may have additional primary and other secondary outcomes

Source: Company Presentation

Exhibit 14: Brenipatide (GLP-1/GIP) Select Trials (part 2 of 2)

Study	Indication*	Title	Phase	Patients	Primary Outcome**	Primary Completion	Completion
NCT07219173	Asthma	A Study to Evaluate Brenipatide Compared With Placebo in Adult Participants With Uncontrolled Moderate to Severe Asthma (RENEW-Asthma)	2	531	Annualized Asthma Exacerbation Rate Over 52 Weeks of Treatment	Apr 2028	Jun 2028
NCT07545759	Irritable Bowel Syndrome / Diarrhea	A Study of Brenipatide (LY3537031) in Participants With Irritable Bowel Syndrome-Diarrhea (IBS-D) (RENEW-IBS-D)	2	531	Percentage of Participants Who Had a Daily Composite Response for at Least 50 Percent (%) of Days	Sep 2027	Nov 2027
NCT07545772	Irritable Bowel Syndrome / Constipation	A Study of Brenipatide (LY3537031) in Participants With Irritable Bowel Syndrome-Constipation (IBS-C) (RENEW-IBS-C)	2	342	Percentage of Participants with a Weekly Composite Clinical Response for at Least 50 Percent (%) of Weeks	Jul 2027	Sep 2027

* Molecule may have multiple indications. ** Trial may have additional primary and other secondary outcomes

Source: Company Presentation

Valuation Methodology and Risks

Eli Lilly & Co. (LLY.N)

Our 12-month price target of $1,347 is based on a 27x P/E multiple applied to our 2Q27-1Q28 EPS estimate of $49.90. This multiple is in-line with LLY's 10-year average (28x) and the industry (~15x) but deserved in our view, given the company's growth profile and pipeline optionality.

Risks to Upside

- Foundayo/orfor launch outperforms expectations commercially
- Elora/Reta outperform expectations in clinical trials/commercially
- LLY gains share of the gvmt obesity channel quicker than our expectations

Risks to Downside

- Foundayo/orfor approval is delayed or its launch underperforms commercially
- Eloralintide and Retatrutide discontinued prior to reaching the market
- Competitor data from diabesity pipeline drugs