Eli Lilly & Company

3Q Preview – Positioned For Further Upside On Zepbound, Mounjaro OUS Growth

Overweight

LLY, LLY US
Price (25 Sep 26):$1,183.46
▲**Price Target (Dec-27):$1,500.00**
Prior (Dec-26):$1,400.00

Heading into 3Q results (Oct 29), we believe LLY is positioned to again raise guidance based on strong incretin trends (both US and OUS). For the qtr, we estimate total sales of $22.2bn (inline) which equates to +25% YoY growth as well as EPS of $9.87 (inline, +40% YoY). For the year, our estimates are slightly above company guidance and we believe LLY is positioned to raise its targets for the third time this year (JPMe $88.5bn in sales, EPS of $36.88). Growth in the business remains driven by the ramp of the intl obesity business (which we expect will be a source of upside in 2H26 and 2027+) as well as strong initial uptake of Zepbound in Medicare, slightly offset by a slower initial ramp for Foundayo in the US.

More broadly on the story, LLY remains our top pick with further upside to Street numbers over the next several years (especially ex-US) as well as a series of upcoming catalysts which we expect will extend LLY's leadership position in the $200bn+ incretin market. We are establishing a December 2027 Price Target of $1,500 and reiterate OW.

- **Looking at the full year, we would not be surprised to see LLY again raise its targets.** We estimate sales of $88.5bn (+$100mm vs cons, guide of $85bn-$87bn) and EPS of $36.88 (guide of $35.50-$36.50). We see LLY's guidance as conservative based on strong core product trends and believe Mounjaro international as well as the ramp of Zepbound in Medicare represent sources of upside to consensus/guidance. And to the extent that we see top-line upside, we would anticipate this to largely fall to the bottom-line given LLY's already healthy ramp in 2026 opex.
- **Mounjaro international sales are again a potential source of upside.** While we model OUS sales increasing +$200mm QoQ to $5.4bn in 3Q, we would note that QoQ growth has averaged $700mm+ over the past 6 qtrs with the development of the OUS obesity market still in its early stages. OUS Mounjaro sales are now annualizing at $21bn with ~75% of demand coming from obesity/cash pay. From here, we see significant room for further uptake with global obesity market penetration still only in the MSDs. As a result, we remain ahead of the Street with 2026 Int'l Mounjaro sales of $20.3bn increasing to $25bn in 2027.
- **Our US Zepbound, our ests are roughly inline with cons as injectable mkt growth remains healthy.** For the qtr, we est sales of $5bn (inline vs cons) driven by market TRx growth of +75% YoY as well as strong injectable share gains for LLY. We expect this volume growth to be partially offset by lower Zepbound pricing QoQ at $510/Rx with ~10% of TRx now coming from the Medicare BRIDGE channel ($245/Rx), another ~40% of volume coming from self-pay and a small price concession on Zepbound to improve Foundayo commercial coverage. This ASP is down from ~$595 in 2Q and could be conservative based on 1H26 results.
- **We do not anticipate major pricing headwinds from CVS formulary inclusion in 4Q.** In 4Q, we conservatively expect Zepbound pricing to decline to $480/Rx driven by additional volume from BRIDGE program and the CVS formulary inclusion. While there has been some concern about 4Q ASP, we see

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 6 for analyst certification and important disclosures.

Pharmaceuticals — Major & Specialty

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 26E ($ mn)	87,960	88,473	0.6%
Revenue - 27E ($ mn)	105,670	104,514	-1.1%
Adj. EPS - 26E ($)	36.49	36.88	1.1%
Adj. EPS - 27E ($)	50.99	50.10	-1.7%

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)	2025A	2026E	2027E
Q1	3.34	8.55A	
Q2	6.31	8.38A	
Q3	7.02	9.87	
Q4	7.54	10.07	
FY	24.20	36.88	50.10

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	57	60	66	70	54
Growth	1	8	51	80	70
Momentum	40	16	58	9	26
Quality	21	18	21	16	4
Low Vol	16	17	15	7	16
ESGQ	43				



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Price Performance



	YTD	1m	3m	12m
Abs	10.1%	-4.1%	5.0%	65.6%
Rel	-3.0%	-4.9%	-0.3%	48.4%

Company Data

Shares O/S (mn)	906
52-week range ($)	1,292.65-712.05
Market cap ($ mn)	1,072,629.00
Exchange rate	1.00
Free float (%)	90.2%
3M ADV (mn)	2.67
3M ADV ($ mn)	3,152.7
Volatility (90 Day)	32
Index	S&P 500
BBG ANR (Buy | Hold | Sell)	30|4|1

Key Metrics (FYE Dec)

$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	65,179	88,473	104,514	118,440
Adj. EBITDA	28,213	43,439	56,839	65,781
Adj. EBIT	27,273	41,329	54,577	63,209
Adj. net income	21,767	32,945	44,743	52,072
Adj. EPS	24.20	36.88	50.10	58.24
BBG EPS	23.36	36.59	47.15	54.49
Cashflow from operations	16,813	37,397	41,822	51,285
FCFF	8,972	30,897	35,322	44,785
Margins and Growth				
Revenue Growth Y/Y (%)	44.7%	35.7%	18.1%	13.3%
EBITDA margin	43.3%	49.1%	54.4%	55.5%
EBITDA Growth Y/Y (%)	78.6%	54.0%	30.8%	15.7%
EBIT margin	41.8%	46.7%	52.2%	53.4%
Net margin	33.4%	37.2%	42.8%	44.0%
Adj. EPS growth	86.3%	52.4%	35.9%	16.3%
Ratios				
Adj. tax rate	18.4%	18.9%	17.0%	17.0%
Interest cover	43.9	40.3	65.3	97.9
Net debt/Equity	1.3	0.4	NM	NM
Net debt/EBITDA	1.2	0.4	NM	NM
ROCE	38.1%	42.1%	41.6%	35.0%
ROE	106.7%	91.9%	71.3%	51.4%
Valuation				
FCFF yield	0.8%	2.9%	3.3%	4.2%
Dividend yield	-	-	-	-
EV/Revenue	17.0	12.3	10.2	8.7
EV/EBITDA	39.3	25.1	18.7	15.6
Adj. P/E	48.9	32.1	23.6	20.3

Summary Investment Thesis and Valuation

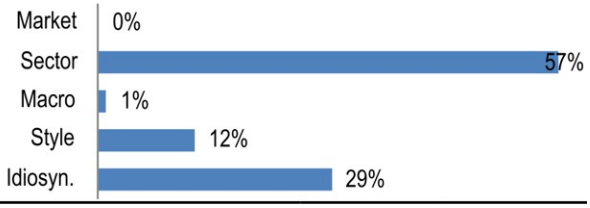
Investment Thesis

LLY remains one of our favorite names in the group, as we see the company positioned for further upside to estimates driven by Zepbound and Mounjaro, while the launch of Foundayo (small molecule oral GLP-1) provides another leg of upside to the story, especially in international markets. Along these lines, we see a highly attractive business generating low-teens top-line / high-teens EPS growth through at least the early 2030s with limited LOE risk over the next 10+ years. Remain OW.

Valuation

We are establishing a December 2027 price target of $1,500 which is based on a DCF methodology, as we believe this best captures the overall value of these businesses. For our Lilly DCF, we take the present value of cash flows within our forecast window and thereafter wind down the existing-products business while including risk-adjusted contributions from pipeline assets. We use a WACC of 8.5%, on par with our other pharma DCF models, and a 2.5% terminal growth rate reflecting our favorable view of LLY's pipeline.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.12	-0.03
Sect: Health Care	0.80	0.75
Ind: Pharma, Bio, Life Sci	0.84	0.83
Macro:		
US 10yr Breakeven	-0.15	-0.28
US 10yr yield	-0.26	-0.23
Crude Oil	-0.20	-0.15
Quant Styles:		
Quality	-0.29	-0.24
DivYld	0.40	0.19
LowVol	0.30	0.15

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

these dynamics as highly manageable for LLY and more than offset by higher volume (strong price elasticity market) resulting in FY26 Zepbound sales of $19.4bn (+43% YoY).

- **In the US T2D market, growth is moderating but offset by Mounjaro share gains.** We est that US Mounjaro's share grew to ~58% in 2Q (+330 bps QoQ) while the market overall grew +8.5% YoY (vs ~19% in 2025). Together with the OUS obesity business, we forecast WW Mounjaro sales of $10bn in 3Q and $39bn for FY26. Additionally, we are raising our 2027 US Mounjaro ests as we now assume more moderate pricing headwinds in Medicare (CMS's BRIDGE program for Zepbound will now run to end of 2027, potentially delaying lower price dynamics for Mounjaro with Part D Plan sponsors to 2028).
- **We expect a modest contribution from Foundayo in 3Q with a greater ramp heading into 4Q.** For the qtr, we est US sales of $100mm and will look for additional color on the launch (e.g., the number of patients on drug inclusive of samples - not captured in Iqvia TRx) as well on promotional efforts. Overall, we expect Foundayo will steadily ramp throughout the year and we see a more significant ramp/ upside to ests in 2027+ with a full-scale launch in 40+ international markets.

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Investment Thesis, Valuation and Risks

Eli Lilly & Company *(Overweight; Price Target: $1,500.00)*

Investment Thesis
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Risks to Rating and Price Target
Downside risks to our Overweight rating and price target include lower-than-expected growth for LLY's diabetes and obesity franchise, competitive pressures, federal regulation including more-severe-than-expected pricing pressure from the Inflation Reduction Act, and major pipeline failures.

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Eli Lilly & Company: Summary of Financials

Income Statement - Annual	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**45,043**	**65,179**	**88,473**	**104,514**	**118,440**
COGS	(7,865)	(10,564)	(14,294)	(17,767)	(20,135)
Gross profit	**37,178**	**54,615**	**74,178**	**86,746**	**98,305**
SG&A	(8,594)	(11,095)	(13,439)	(14,514)	(15,675)
Adj. EBITDA	**15,796**	**28,213**	**43,439**	**56,839**	**65,781**
D&A	(1,483)	(940)	(2,109)	(2,261)	(2,572)
Adj. EBIT	**14,313**	**27,273**	**41,329**	**54,577**	**63,209**
Net Interest	(605)	(642)	(1,077)	(871)	(672)
Adj. PBT	**14,133**	**26,668**	**40,634**	**53,907**	**62,738**
Tax	(2,386)	(4,902)	(7,690)	(9,164)	(10,665)
Minority Interest	0	0	0	0	0
Adj. Net Income	**11,747**	**21,767**	**32,945**	**44,743**	**52,072**
Reported EPS	12.99	24.20	36.88	50.10	58.24
Adj. EPS	**12.99**	**24.20**	**36.88**	**50.10**	**58.24**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	904	899	893	893	894

Balance Sheet & Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	3,268	7,268	27,409	56,747	94,891
Accounts receivable	13,275	20,155	21,233	24,038	26,057
Inventories	7,589	13,744	14,156	15,677	16,582
Other current assets	8,607	14,462	15,040	16,722	17,766
Current assets	**32,740**	**55,629**	**77,838**	**113,184**	**155,296**
PP&E	17,102	24,675	29,448	33,886	38,014
LT investments	3,216	2,802	2,802	2,802	2,802
Other non current assets	25,657	29,370	24,940	23,895	22,875
Total assets	**78,715**	**112,476**	**135,028**	**173,768**	**218,987**
Short term borrowings	5,117	1,635	1,635	1,635	1,635
Payables	3,229	5,379	6,812	7,839	8,646
Other short term liabilities	20,031	28,214	28,214	28,214	28,214
Current liabilities	**28,377**	**35,228**	**36,661**	**37,688**	**38,495**
Long-term debt	28,527	40,868	43,368	45,868	48,368
Other long term liabilities	7,540	9,845	9,845	9,845	9,845
Total liabilities	**64,443**	**85,941**	**89,874**	**93,401**	**96,708**
Shareholders' equity	14,272	26,535	45,153	80,367	122,279
Minority interests	-	-	-	-	-
Total liabilities & equity	**78,715**	**112,476**	**135,028**	**173,767**	**218,987**
BVPS	**15.79**	**29.51**	**50.54**	**89.98**	**136.76**
y/y Growth	*31.3%*	*86.9%*	*71.3%*	*78.0%*	*52.0%*
Net debt/(cash)	30,376	35,235	17,594	(9,244)	(44,888)
Cash flow from operating activities	**8,818**	**16,813**	**37,397**	**41,822**	**51,285**
o/w Depreciation & amortization	1,767	1,997	1,727	2,061	2,372
o/w Changes in working capital	(5,385)	(8,093)	(635)	(4,982)	(3,159)
Cash flow from investing activities	**(9,302)**	**(10,972)**	**(9,860)**	**(6,500)**	**(6,500)**
o/w Capital expenditure	(5,058)	(7,841)	(6,500)	(6,500)	(6,500)
as % of sales	*11.2%*	*12.0%*	*7.3%*	*6.2%*	*5.5%*
Cash flow from financing activities	**1,230**	**(2,213)**	**(7,396)**	**(5,984)**	**(6,640)**
o/w Dividends paid	(4,680)	(5,384)	(5,896)	(6,484)	(7,140)
o/w Net debt issued/(repaid)	8,901	8,051	2,500	2,500	2,500
Net change in cash	**450**	**4,000**	**20,140**	**29,338**	**38,145**
Adj. Free cash flow to firm	**3,760**	**8,972**	**30,897**	**35,322**	**44,785**
y/y Growth	*374.5%*	*138.6%*	*244.4%*	*14.3%*	*26.8%*

Income Statement - Quarterly	1Q26A	2Q26A	3Q26E	4Q26E
Revenue	**19,799A**	**22,974A**	**22,159**	**23,541**
COGS	(3,449)A	(3,143)A	(3,700)	(4,002)
Gross profit	**16,350A**	**19,831A**	**18,458**	**19,539**
SG&A	(2,934)A	(3,430)A	(3,316)	(3,758)
Adj. EBITDA	**10,333A**	**10,806A**	**11,985**	**12,195**
D&A	(1,011)A	(1,000)A	(1,002)	(977)
Adj. EBIT	**9,322A**	**9,806A**	**10,983**	**11,218**
Net Interest	(253)A	(274)A	(275)	(275)
Adj. PBT	**9,178A**	**9,630A**	**10,808**	**11,018**
Tax	(1,515)A	(2,137)A	(1,999)	(2,038)
Minority Interest	0A	0A	0	0
Adj. Net Income	**7,663A**	**7,493A**	**8,809**	**8,980**
Reported EPS	8.55A	8.38A	9.87	10.07
Adj. EPS	**8.55A**	**8.38A**	**9.87**	**10.07**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	896A	894A	893	892

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	82.5%	83.8%	83.8%	83.0%	83.0%
EBITDA margin	35.1%	43.3%	49.1%	54.4%	55.5%
EBIT margin	31.8%	41.8%	46.7%	52.2%	53.4%
Net profit margin	26.1%	33.4%	37.2%	42.8%	44.0%
ROE	93.5%	106.7%	91.9%	71.3%	51.4%
ROA	16.5%	22.8%	26.6%	29.0%	26.5%
ROCE	28.3%	38.1%	42.1%	41.6%	35.0%
SG&A/Sales	19.1%	17.0%	15.2%	13.9%	13.2%
Net debt/equity	2.1	1.3	0.4	NM	NM
P/E (x)	91.1	48.9	32.1	23.6	20.3
P/BV (x)	75.0	40.1	23.4	13.2	8.7
EV/EBITDA (x)	69.8	39.3	25.1	18.7	15.6
Dividend Yield	-	-	-	-	-
Sales/Assets (x)	0.6	0.7	0.7	0.7	0.6
Interest cover (x)	26.1	43.9	40.3	65.3	97.9
Operating leverage	323.6%	202.5%	144.2%	176.8%	118.7%
Revenue y/y Growth	32.0%	44.7%	35.7%	18.1%	13.3%
EBITDA y/y Growth	88.8%	78.6%	54.0%	30.8%	15.7%
Tax rate	16.9%	18.4%	18.9%	17.0%	17.0%
Adj. Net Income y/y Growth	105.6%	85.3%	51.4%	35.8%	16.4%
EPS y/y Growth	105.5%	86.3%	52.4%	35.9%	16.3%
DPS y/y Growth	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which