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Eli Lilly & Co. | North America

Interesting observational evidence for GLP-1 benefit in schizophrenia

A recent observational study in US patients with schizophrenia and T2D published in *The Lancet Psychiatry* found that use of GLP-1 agonists was associated with lower risk of psychiatric hospitalization vs. non-initiation, DPP-4 use, and SGLT2 use. We view this as a positive signal suggesting the potential benefits of GLP-1 therapy beyond obesity/T2D and currently established comorbidities (e.g., CV outcomes, OSA, knee OA, CKD, MASH), though acknowledge the caveats of the observational study design. To this end, we note that LLY is running a series of studies for brenipatide (Breni; GLP-1/GIP dual agonist) in neuropsychiatric conditions, with data readouts beginning in 2027; see Exhibit 1 and our prior work HERE. The program includes a Ph2 trial evaluating Breni vs. pbo in schizophrenia (RENEW-Scz-1) with a primary endpoint of weight loss in patients with BMI 25+ and secondary endpoints, including PANSS and CGI-S-Schizophrenia at 52 weeks, but does not appear to evaluate hospitalizations. Success of Breni represents a potential source of upside to our estimates and the GLP-1 TAM.

The published observational study included ~70k patients, of whom ~9.1k initiated GLP-1 therapy, and found a 24% lower risk of psychiatric hospitalization vs. non-initiation (adjusted HR 0.76), with similar reductions vs. DPP-4 inhibitors (HR 0.82) and SGLT2 inhibitors (HR 0.83). Notably, the observed benefits were particularly pronounced among patients receiving background antipsychotic therapy. While encouraging, we acknowledge the limitations of the retrospective, non-randomized design, including potential confounding and the inability to establish whether reduced hospitalizations reflect direct improvements in psychiatric symptoms versus indirect metabolic benefits.

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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	**$1,430.00**
Shr price, close (Oct 14, 2026)	$1,208.74
Mkt cap, curr (mm)	$1,080,216
52-Week Range	$1,292.60-786.02

investors should be aware that the firm may have a conflict of

Research as only a single factor i
decision.

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Exhibit 1: LLY Breni Ph2/3 neuro trial summary

Drug	Trial	Phase	Indication	n	Key participation criteria	Primary endpoint	Primary completion date
Brenipatide	RENEW-MDD-1	3	Major Depressive Disorder	1,000	· Diagnosed MDD · On stable SOC medication	Time to relapse of MDD	February 2028
Brenipatide	RENEW-MDD-2	3	Major Depressive Disorder	1,000	· Diagnosed MDD · On stable SOC medication	Time to relapse of MDD	February 2029
Brenipatide	RENEW-ALC-1	3	Moderate-to-severe Alcohol Use Disorder	1,100	· Seeking treatment, motivated to stop or cut down on drinking · No history of illicit substance use disorders · No history of adv. liver disease/ALD	Change in drinking patterns in AUD as assessed by timeline followback (TLFB) up to week 56	April 2028
Brenipatide	RENEW-ALC-2	3	Alcohol Use Disorder / hazardous alcohol use	1,100	· Seeking treatment, motivated to stop or cut down on drinking · No history of illicit substance use disorders · No history of adv. liver disease/ALD	Change in drinking patterns in AUD as assessed by timeline followback (TLFB) up to week 56	April 2028
Brenipatide	RENEW-Smk-1	2	Smoking cessation	222	· Recently quit smoking · Motivated to say quit	% of patients achieving CO-confirmed continuous abstenence from cigarette smoking with allowed slips at week 24	February 2027
Brenipatide	RENEW-Bipolar-1	2	Bipolar Disorder	400	· Diagnosed BPD I/II · On stable SOC regimen	Time to relapse of BPD	November 2027
Brenipatide	RENEW-Scz-1	2	Schizophrenia	450	· Diagnosed with schizophrenia · On stable SOC regimen	% weight loss for participants with BMI ≥25 at week 52	November 2027
Brenipatide	RENEW-Op-1	2	Opioid Use Disorder	465	· Have current mild-to-severe OUD · Intermittently using illegal, non-prescribed opioids · Taking buprenorphine treatment		March 2028

Valuation Methodology and Risks

Eli Lilly & Co. (LLY.N)

Our 12-month price target of $1,430 is based on a 27x P/E multiple applied to our 3Q27-2Q28 EPS estimate of $52.97. This multiple is in-line with LLY's 10-year average (24x) 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