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Eli Lilly (LLY.N)

Initial thoughts on 3Q26: Solid volume-led quarter with guidance raise

CITI'S TAKE

Lilly reported 3Q26 total revenues of $24.4B (+$1.8B vs. VA cons) and non-GAAP diluted EPS of $7.48/sh (+$1.23/sh). Mounjaro ($10.7B; +$682M) and Zepbound ($5.4B; +$324M) remained the clearest growth engines, supported by OUS and US volume, respectively, and broader access. Foundayo ($184M; -$46M) continued to build oral share, though fell short of expectations. Meanwhile Jardiance ($1.6B; +$714M) benefitted from a $410M milestone (its last), and Trulicity ($904M; +$58M) provided additional cardiometabolic breadth. Outside cardiometabolic disease, Verzenio ($1.5B; -$5M), Taltz ($856M; -$46M), and Ebglyss ($202M; -$22M) supported broader portfolio growth. A raised top (+$5.5B at midpoint) and bottom (+$4.07/sh underlying) line guide for the full-year highlights continued runway for the incretins-led growth. Overall, the quarter reinforces Lilly's volume-led earnings trajectory, with Medicare BRIDGE, CVS formulary access, Foundayo, and international demand broadening the incretin opportunity. Maintain Buy and $1,600 TP.

Buy	
Price (28 Oct 26 16:00)	US$1,288.30
Target price	US$1,600.00
Expected share price return	24.2%
Expected dividend yield	0.5%
Expected total return	24.7%
Market Cap	US$1,212,750M

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Lilly is hosting its 3Q26 EPS call on Thursday, October 29th at 10am ET. (dial-in: 877-209-6992; conference ID: 938904; webcast here).

Incretin volume and expanding access continue to drive the earnings trajectory — Lilly now expects 2026 revenues of $91.0B-$92.0B (+$5.5B at midpoint) and non-GAAP diluted EPS of $35.00/sh-$36.00/sh (+$4.07/sh underlying). We expect key themes on the call to include: 1) Mounjaro and Zepbound volume, price, and access; 2) Medicare Bridge conversion, including what have persistene and product mix shown; 3) Foundayo launch execution, including new-to-brand prescriptions, dose titration, cash-pay demand, LillyDirect activity, international stocking, and timing of US approval in type 2 diabetes; and 4) cardiometabolic portfolio positioning to best capture distinct patients without materially cannibalizing one another.

Top 3 takeaways

1. Mounjaro and Zepbound volume growth remain impressive , with overall total revenues +39% y/y driven by +53% y/y volume growth despite a -15% y/y decline in realized price

2. Full-year 2026 guidance is strong and raised +$5.5B at midpoint, although 3Q included ~$900M of milestone and rebate-related benefits

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

3. Cardiometabolic continues to generate differentiated data from retatrutide and eloraTZP, meanwhile Foundayo launch is scaling.

Figure 1. Lilly's 3Q26 variance table

	3Q26 Performance				3Q26 Growth		3Q26 Variance	
$ in millions	**3Q26**		**Citi**	**Cons**	**Q/Q**	**Y/Y**	**Citi**	**Cons**
Mounjaro	10,723	HIGHER	10,384	10,041	8 %	65 %	339	682
Zepbound	5,352	HIGHER	5,224	5,028	9 %	49 %	128	324
Foundayo	184	LOWER	280	230	88 %	N/A	(96)	(46)
Verzenio	1,511	IN-LINE	1,494	1,516	3 %	3 %	17	(5)
Trulicity	904	HIGHER	823	846	(26)%	(14)%	81	58
Jardiance	1,578	HIGHER	844	864	28 %	65 %	734	714
Taltz	856	LOWER	903	902	0 %	(5)%	(47)	(46)
Ebglyss	202	LOWER	221	224	0 %	59 %	(19)	(22)
Total Revenue	24,397	HIGHER	23,811	22,606	6 %	39 %	586	1,791
COGS (non-GAAP)	3,805	HIGHER	3,710	3,724	21 %	32 %	95	81
SG&A (non-GAAP)	3,125	LOWER	3,618	3,580	(9)%	14 %	(493)	(455)
R&D (non-GAAP)	4,247	HIGHER	4,297	4,197	11 %	23 %	(50)	50
Net Income (non-GAAP)	6,679	HIGHER	6,522	5,588	(11)%	6 %	157	1,091
Non-GAAP EPS	$7.48	HIGHER	$7.27	$6.25	(11)%	7 %	$0.21	$1.23
	2026 Guidance				**Midpoint Growth**		**2026E**	
	Low	**High**	**Midpoint**		**Q/Q**	**Y/Y**	**Citi**	**Cons**
Revenues ($ in billions)	91.0	92.0	91.5	RAISED	6.4%	40%	91.2	88.8
Prior	85.0	87.0	86.0					
Adjusted Diluted EPS	$35.00	$36.00	$35.50	RAISED	12.9%	47%	$34.34	$33.55
*Prior	$30.93	$31.93	$31.43					

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Source: Citi Research, Visible Alpha, Company Reports

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Valuation

We set our DCF derived valuation at $1,600. We project free cash flows for an explicit forecast period to 2035 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 ficticious 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.

