Eli Lilly & Company

3Q26 First Take: Meaningful Beat and Raise

Overweight

LLY, LLY US
Price (28 Oct 26):$1,288.30

Pharmaceuticals — Major & Specialty

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This morning, LLY reported a meaningful beat/raise on the qtr (driven yet again by Mounjaro/Zepbound, as well as a 1x benefit of $410mm to Jardiance and what appears to be ~$500mm in gross to net benefits) and importantly raised guidance by $5.5bn at the midpoint. 3Q sales were $24.4bn (+$1.8bn vs cons) and EPS of $7.48 (+$1.80 vs cons). The top-line beat was driven by Mounjaro, where intl sales came in $415mm higher than cons and grew over $570mm sequentially, and the US business also came in ahead. Zepbound also beat as Medicare continues to ramp nicely (+$262mm), while Foundayo sales of $184mm were slightly below the Street (-$45mm). And below the top line, gross margins were ~100 bps above expectations.

On 2026 guidance, LLY now anticipates sales of $91-92bn (+$5.5bn at the midpt vs prior $85-87bn) and implies 4Q sales of $24.3bn (~flat with the better-than-expected 3Q). We see the growth driven by the continued strong Int'l ramp for Mounjaro, ongoing Zepbound trends and with the continued uptake of Zepbound in Medicare. Below the top line, LLY anticipates an OpM of 52.0-52.5% (+250bps vs prior), which translates to EPS of $35-$36 (+$4.07 vs prior ex-IPR&D, underling EPS of ~$43-$44 ex IPRD). Overall, we see today's results and guidance as reinforcing the strong momentum in LLY's portfolio.

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. Reiterate OW.

Figure 1: 3Q26 Variance Of Actual Results Vs. Estimates

Eli Lilly	Reported 3Q26A	JPMe 3Q26	Variance	Consensus	Diff Vs. Street
Total Sales	**$24,397**	**$22,159**	**$2,238**	**$22,580**	**$1,817**
Mounjaro	$10,723	$9,950	$773	$10,100	$623
Mounjaro - US	$4,998	*$4,600*	$398	*$4,790*	$208
Mounjaro - Intl	$5,725	*$5,350*	$375	*$5,310*	$415
Zepbound	$5,352	$5,025	$327	$5,090	$262
Trulicity	$904	$813	$91	$836	$68
Foundayo	$184	$170	$14	$229	-$45
Taltz	$856	$874	($18)	$898	-$42
Humalog	$593	$411	$182	$451	$142
Verzenio	$1,511	$1,467	$44	$1,500	$11
Jardiance	$1,578	$793	$785	$880	$698
Cost of Revenues	$3,805	$3,700	$105		
Gross Profit	$20,592	$18,458	$2,134		
Gross Margin	**84.4%**	**83.3%**	110 bps	**83.7%**	70 bps
SG&A	$3,125	$3,316	($191)	$3,520	-$395
R&D	$4,247	$4,159	$88	$4,200	$47
IPR&D	$4,181	$4,150	$31		
Operating Income	**$9,039**	**$6,833**	$2,206		
Operating Margin	**37.0%**	**30.8%**	621 bps		
Other Income	-$249	-$175	($74)		
Tax Rate	24.0%	17.8%	617 bps		
Net Income	$6,679	$4,729	$1,950		
EPS	**$7.48**	**$5.30**	$2.18	**$5.68**	$1.80
Shares	893	893	1		

Source: Company reports, J.P. Morgan estimates, Street Account Consensus Estimates

See page 3 for analyst certification and important disclosures.

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Figure 2: Summary Of Changes To 2026 Guidance

	Prior Guidance			Change			New Guidance		
$ in millions except EPS	Low	Midpoint	High	Low	Midpoint	High	Low	Midpoint	High
2026 Guidance									
Sales	85,000	86,000	87,000	6,000	5,500	5,000	91,000	91,500	92,000
% Change in Guidance				7.1%	6.4%	5.7%			
Operating Margin	49.0%	49.8%	50.5%	3.0%	2.5%	2.0%	52.0%	52.3%	52.5%
Tax Rate	18.0%	18.5%	19.0%	1.0%	1.0%	1.0%	19.0%	19.5%	20.0%
Adjusted EPS (incl. IPR&D)	$30.93	$31.43	$31.93	$4.07	$4.07	$4.07	$35.00	$35.50	$36.00
% Change in Guidance				13.2%	12.9%	12.7%			

Note: Prior EPS guide adjusted for ~$4.57 of IPR&D charge in 3Q26

Source: Company reports.

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