Eli Lilly & Company

3Q Takeaways – Obesity Portfolio Continues to Meaningfully Outperform

Overweight

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

Pharmaceuticals — Major & Specialty

Chris Schott, CFA [AC]
(1-212) 622-5676
christopher.t.schott@jpmorgan.com

Hardik Parikh, CFA
(1 212) 622-2875
hardik.k.parikh@jpmorgan.com

Ethan Brown
(1-212) 622-4928
ethan.brown@jpmchase.com

Taylor Hanley
(1-212) 622-0790
taylor.hanley@jpmchase.com

Ekaterina V Knyazkova, CFA
(1-212) 622-9576
ekaterina.v.knyazkova@jpmchase.com
J.P. Morgan Securities LLC

Exiting 3Q results, LLY's incretin portfolio continues to outperform, and we see further upside to Street estimates from here driven by a range of opportunities (OUS, Medicare, new pipeline assets, etc). On the qtr, sales came in +$1.8bn vs cons (+$900mm ex 1x benefits), and LLY raised top-line guidance by +$5.5bn at the mid pt based on both a better-than-expected Medicare ramp and strong OUS Mounjaro trends – benefits we see playing out into 2027+ as well. More broadly on the story, LLY remains our top pick with upside risk to Street numbers over the next several years as LLY extends its leadership position in the $200bn+ incretin market, as well as several readouts that could derisk several large non-obesity opportunities as well. Reiterate OW.

- **International Mounjaro again meaningfully beat expectations, and we see further upside in 2027+.** Mounjaro OUS sales grew ~$575mm sequentially and are now annualizing at ~$23bn, up 93% YoY while the broader market grew 53%. LLY is also continuing to gain share (300bps+ sequentially, now approaching 60%). And here, Mounjaro reached $1bn in sales during its first full year in China (despite being put on NRDL). Overall, we continue to see significant room for further market expansion given the still early stage of launch (LLY estimates penetration at only 2% OUS).
- **Zepbound continues to perform well in the Medicare BRIDGE program.** On volumes, LLY is seeing strong trends in the Medicare channel with 1) now over 500K patients, ~80% of whom are are GLP-1 treatment naïve, 2) LLY winning ~70% share among new Bridge patients (not surprising to us given Zepbound's best-in-class profile), and 3) overall TRx increasing meaningfully MoM in 3Q.
- Our estimated ASP for Zepbound came in at $540/Rx based on 3Q sales, above our forecast of $510. This continues a trend of slightly better pricing than anticipated in 2026.
- **We anticipate a continued ramp for Foundayo in 4Q, with an inflection in 2027 driven by a full-scale international launch.** As expected, Foundayo had a modest contribution in 3Q, but LLY estimates ~40% of new oral obesity patient starts are going to Foundayo exiting 3Q. We expect continued US momentum in 4Q as promotional efforts continue to gain traction and a further acceleration in 2027 with a T2D approval expected in the qtr. Internationally (which we see as the bigger opportunity for the asset), LLY highlighted that Foundayo has already launched in 4 countries (UAE in late-2Q, UK / Mexico / Saudi Arabia in the second half of 3Q) with 40+ additional countries under regulatory review. Along these lines, we continue to expect a more significant ramp/ upside to estimates in 2027+ as Foundayo broadly launches across geographies without volume restrictions.
- **LLY raising 2026 top-line guidance on continued Zepbound / Mounjaro strength and some 1x benefits.** Overall, LLY now anticipates sales of $91-92bn (+$5.5bn at the midpt vs prior $85-87bn), representing ~40% YoY growth. This upside is driven by 1) strong growth for the international incretin business and 2) continued ramp in the Medicare channel for obesity. There was also some 1x benefit in 3Q, including a $410mm Jardiance milestone and ~

See page 3 for analyst certification and important disclosures.

$500mm from a favorable adjustment to rebates / discounts spread across the portfolio (we think largely Jardiance and Humalog). Additionally, this top-line upside continues to broadly flow through to the bottom line, with LLY raising OpM guidance (+250bps) leading to EPS of $35-$36 (+~$4 from prior and ~$43-44 ex-IPR&D).

