



### Company Overview:

Eli Lilly and Company is an American pharmaceutical company headquartered in Indianapolis, Indiana, with offices in 18 countries. Lilly discovers, develops, and markets human pharmaceuticals worldwide.

Name	Ticker	Yield	Growth	D + G
Eli Lilly and Company	LLY	0.78%	17.00%	17.78%

### Highlights:

Lilly and Co., Inc. is a high multiple, fast-growing company that we believe embodies a lot of high-quality characteristics. We think that LLY is a company that can grow revenue by 10% and EPS closer to 20% for the next 7-8 years and there's some upside to those consensus numbers. The main reason that LLY has warranted a higher multiple is that their diabetes drug, which was approved a few years ago, has destroyed expectations (and peers). Moreso, the drug has had one of the highest efficacies ever seen. The company also has a weight loss drug that has a lot of strong initial success.

Fundamentally, the company has margins around the 50% level, which can ultimately spit off a lot of free cash flow. We believe that this type of stock has a lot of juice.

### Bull Case:

- **It's all About Certain Drugs** – Most discussions around LLY are focused on a few drugs: diabetes, obesity and Alzheimer's given the breadth of the commercial opportunities. At a high level, we are confident in LLY's differentiated growth profile based on the robust impact of ongoing and near-term launches. These drugs have a very large total addressable market, which creates a long runway of growth into the future. Given the scale of these opportunities, we don't think Lilly gets credit for the rest of its late-stage pipeline, which could lead to increasing sell-side estimates throughout the year.
- **More Growth Than Peers** – Lilly's young product cycle offers a growth profile that should remain differentiated versus peers on both revenue and non-GAAP EPS.
- **Blue Sky Opportunity** – We never fans of tossing around the term, "Blue Sky", but given the aforementioned drugs, each one of them has the opportunity to generate over \$500M in revenue at very hefty margins. Understanding this type of analysis allows investors to own this higher-valued security as we believe that it has a lot of juice.

### Bear Case:

- **Valuation** – LLY is not cheap by any standards, yet it has a lot of things (long runways of growth) going for it. Yet, LLY is currently trading at one of the highest P/E multiples of any large cap US pharma stock. Though, it's well below its historical valuations.
- **Setbacks in Lilly's Pipeline could be a Headwind to the Company's Future Growth Prospects** – Lilly competes with a large number of multinational pharmaceutical companies, biotechnology companies, and generic pharmaceutical companies. To compete successfully, Lilly must continue to deliver to the market innovative, cost-effective products that meet important medical needs.
- **Other Major Risks** – Risks to our thesis are 1) better-than-expected launches of competing products, 2) emerging clinical data for pipeline assets that does not confirm prior observations, 3) failure to effectively commercialize approved products, 4) potential drug pricing system restructuring in the US.

### Overview:

We're bullish on LLY for several reasons: 1) The company has an attractive growth profile in a recessionary environment. 2) We're bullish on GLP-1 and see it as one of the biggest drug classes of all time. We think Mounjaro could show strong T2DM outcomes data, and strong SELECT data opens the door for broader adoption and potential CMS coverage for the GLP-1 class in obesity. 3) We like LLY's next-gen oral GLP-1 and think it could come close to Mounjaro-like efficacy LT. 4) We think there is potential near-term upside for LLY on revenue and EPS growth.



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