



## Eli Lilly (Nasdaq: LLY)

## Healthcare

**Stock Rating: HOLD**

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### Company Overview

Eli Lilly (LLY) is a category leader in top-of-the-line pharmaceutical products. Eli Lilly's primary products cover a myriad of medical needs, including diabetes, weight loss, weight control, anti-depressants, anti-psychotics, cancer, bone muscle joint and cardiovascular. Eli Lilly is diversified into four major pharmaceutical businesses: Diabetes/Obesity, Oncology, Immunology, and neuroscience. For the fiscal year ended 12/31/2024, total revenues rose 32% to \$45.043 billion.

## Financial Snapshot

### Valuation Metrics

DCF: \$798.15

DDM: \$848.37

Relative Multiple: \$148.63

### Stock Performance Highlights

52 week Range	\$677.09 - \$972.53
Beta Value	0.69
Market Cap	754.275B

### Share Highlights

Market Capitalization	\$774.968B
Shares Outstanding	948.170 m
P/E Ratio	70.12
Dividend Yield	0.64%
Dividend Payout Ratio	44.20%

### Company Performance Highlights

ROA	13.45%
ROE	74.20%
Sales	\$45.04 b

### Financial Ratios

Current Ratio	1.15
Debt to Equity	2.00

**Stock Price: \$817.33**

**Target Range: \$799 – \$850**

### Investment Thesis:

- We recommend a HOLD rating for Eli Lilly with a target price range of \$799 – \$850.

### Drivers of Investment Thesis:

- **Weight-Loss Drug Growth:** Eli Lilly has established a strong market position with Mounjaro and Zepbound. Due to this, we expect a 45% year-over-year growth from 2026-2032 in this category for Eli Lilly.
- **Technology Integration:** Eli Lilly is an industry leader in integrating AI and machine learning into manufacturing. With this, Eli Lilly can streamline manufacturing and increase margins, contributing to a projected 195% growth of revenue between 2025-2032.
- **Safeguarding Against Supply Chain Instability:** Eli Lilly recently announced a \$27 billion investment into four new manufacturing plants to fortify against supply chain flux.

### Risks to Investment Thesis:

- **High R&D costs:** Risks of high R&D spending with little to no short-term results could hurt the profitability of Eli Lilly.
- **Patent Expirations:** Eli Lilly has key-profit drug patents expiring soon. If their late-stage trial drugs do not meet expectations, we believe it will hurt their revenues.
- **Regulation Risks:** Price caps, tariffs, and increased regulation on advertising and drug development could raise costs and shrink profit margins.



Source: Factset

# Company Analysis

## Company Description:

Eli Lilly is a global leader in drug manufacturing. They combine the worlds of biotechnology, chemistry and genetic medicine to tackle some of the world's most significant health problems. Through their efforts, Eli Lilly is focusing on improving the lives of those affected by: Alzheimer's, Cancer, Diabetes, Obesity, and general pain<sup>3</sup>. Headquartered in Indianapolis in Indiana, Eli Lilly was founded by Colonel Eli Lilly in 1876. As of April 16, 2025, Eli Lilly is the most valuable pharmaceutical company with a \$659 billion market cap.

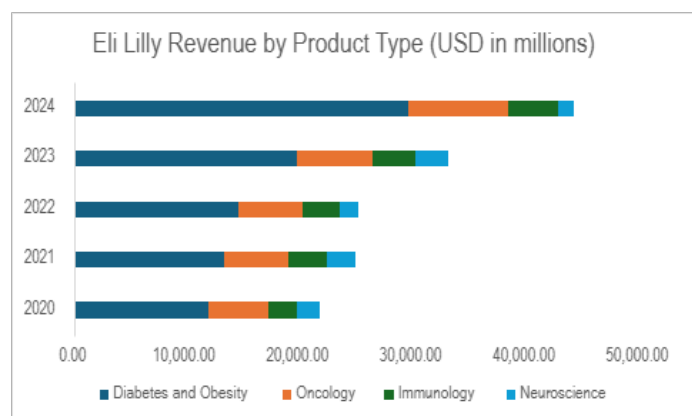
In February 2025 Eli Lilly announced a \$27 billion investment into four new manufacturing in the United States as demand for weight loss and diabetes injections have exploded over the past four years<sup>8</sup>. Eli Lilly has top of the line diabetes and weight loss drugs allowing them to tap into this new high level of demand for these types of drugs. This in hand with a strong market presence and reputation amongst pharmaceutical manufacturers we believe they have ample room to grow.

## Corporate Strategy:

### Revenue Decomposition

#### Pharmaceutical Product Revenue:

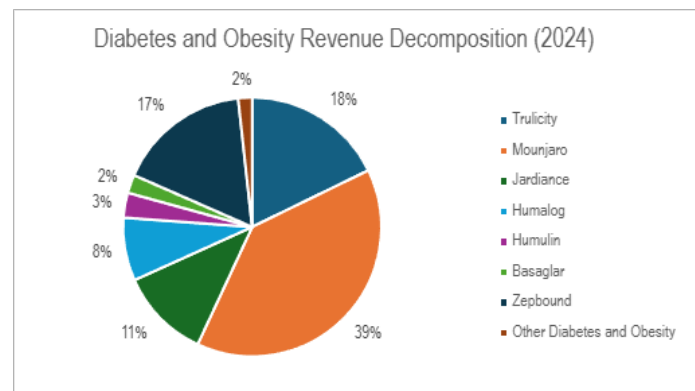
Eli Lilly currently has four main categories of products that it sells: Diabetes/Obesity (66% of revenues), Oncology (20%), Immunology (11%), and Neuroscience (3%)<sup>3</sup>. Below we display Eli Lilly's total yearly revenue compared to each category's contribution. Over the past five years Eli Lilly's revenues from their diabetes and obesity products have greatly increased. And with their billion-dollar investment to meet the new demand levels we believe this will continue to propel their overall revenues going forward.



Source: LLY 10K

### Diabetes and Obesity

The Diabetes/Obesity segment provides products that are designed to help a consumer control/reduce their weight and improve their overall physical health. While Eli Lilly does provide their products through retailers, wholesalers, and pharmacies, they have recently launched Lilly Direct. Lilly Direct was launched in 2024 as Eli Lilly's direct-to-consumer digital health care platform. Lilly Direct is designed to help provide increased access to their products through independent healthcare providers and direct to home delivery<sup>3</sup>. Key products within their Diabetes/Obesity category are as follows: Mounjaro, Jardiance, and Zepbound.



Source: LLY 10K

Eli Lilly has invested billions of dollars into their next generation Diabetes and Obesity drugs, effectively taking a majority market share in this category<sup>11</sup>. Their flagship medication in this category is called Zepbound (Tirzepatide). Zepbound is a similar weight loss drug to their top competitor Novo Nordisk's Wegovy (Semaglutide). However, Wegovy only activates one receptor in the body that controls functions like hunger, satiety, and the metabolism called glucagon-like peptide-1 (GLP-1). Whereas Eli Lilly's Zepbound includes not only the GLP-1 it also has a second receptor glucose-dependent insulinotropic polypeptide (GIP). Because of this it is considered a dual GIP/GLP-1 receptor agonist. There are many benefits due to Zepbound containing the second receptor including in a head-to-head study with Wegovy, Zepbound resulted in greater weight loss compared to Wegovy by more than 5% on average at 72 weeks. Zepbound has also been the first weight loss drug to be approved by the FDA to treat severe obstructive sleep apnea<sup>14</sup>.

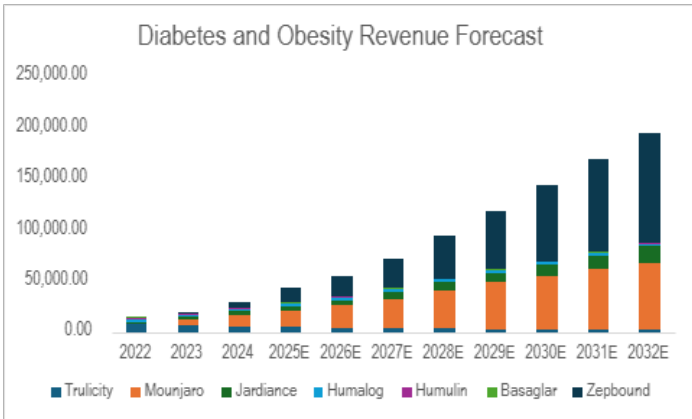
In more exciting news for their Diabetes and Obesity sector, Eli Lilly announced April 17, 2025 that they are close to developing a successful pill of their popular GLP-1 weight loss medication, called Orforglipron. Clinical trials have returned positive results with an average of nearly 8% body fat loss over 40 weeks. This new form of their weight loss drug would open a whole new market as many people who try their injectable forms of the weight loss drug eventually stop because of the side effects and high cost. Lilly is confident that they will submit for approval by the end of the year following positive clinical trials and also apply for its use in treatment of type 2 diabetes in 2026.

While their drugs Zepbound, Mounjaro, and in trial drug Orforglipron contain 1-2 receptors. Eli Lilly announced earlier this year that they are releasing results from a late-stage trial of its new weight loss drug called Retatrutide months earlier than expected. Retatrutide is dubbed the “triple G” drug because it not only has the GLP-1 and GIP receptors like Zepbound it also has a third glucagon receptor<sup>15</sup>. In earlier stages Retatrutide conducted a weight reduction trial across 48 weeks. The trial returned weight reduction results of 5% or more, 10% or more, and 15% or more had occurred in 100%, 91%, and 75% of those who received 8 mg; and 100%, 93%, and 83% of those who received 12 mg. Retatrutide helped patients lose 24.2% of their body weight, or 58 pounds, on average after 48 weeks in a midstage trial<sup>16</sup>.

When Eli Lilly can finish their clinical trials on both their daily weight loss pill and their next generation version of Zepbound they will have not only the best injectable weight loss drug on the market, but also a daily weight loss pill that is as effective as Novo Nordisks best injectable weight loss drug. With all this in mind we believe that this sector will carry Eli Lilly into the future and the growth will allow them to continue researching and developing more next generation weight loss drugs.

Our forecasts for the Diabetes and Obesity segment take into account various patent expiration dates. The key products impacted by patent expirations are listed below in the “Patent Expiration Schedule” section, along with our forecasted revenue declines.

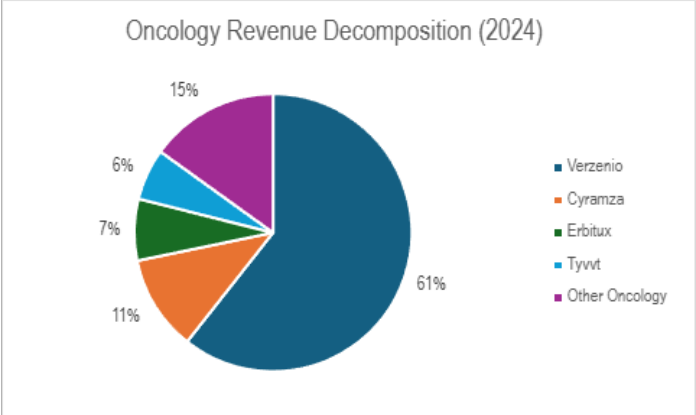
In this category, we expect Zepbound, Mounjaro, and Jardiance to be the key products going forward. Our revenue forecast for Diabetes/Obesity is portrayed below. We expand further into our Diabetes and Obesity revenue forecasts on page 16.



Source: LLY 10K

### Oncology

Since 1961 Eli Lilly has been pushing the boundary of what we know about cancer (oncology) treatments as well as developing new life changing medicines<sup>9</sup>. Their key offerings in the oncology category include: Verzenio, Cyramza, and Erbitux.

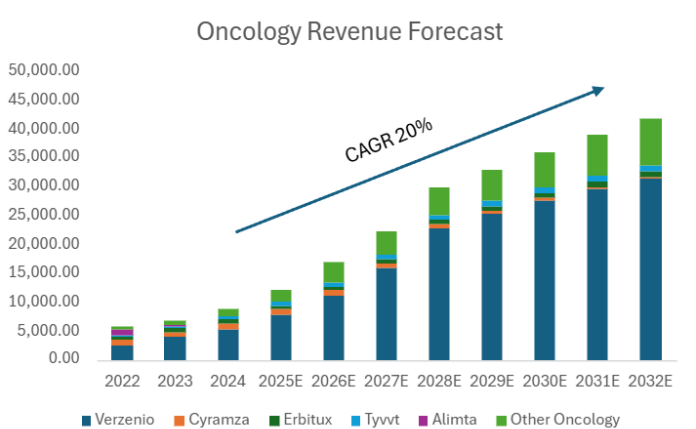


Source: LLY 10K

More recently, they have been looking outside their company for advancements in oncology treatment. In 2019 they purchased Loxo oncology for 8 billion and in 2023 they acquired Point Biopharma Global for 1.4 billion dollars mainly for their take om a revolutionary treatment called radiogland therapy. Radiogland therapy is a cancer treatment that delivers radiation directly to cancer cells while trying to avoid as much damage as possible to healthy tissue<sup>5</sup>.

Our forecasts for the Oncology segment take into account various patent expiration dates. The key products impacted by patent expirations are listed below in the “Patent Expiration Schedule” section, along with our forecasted revenue declines.

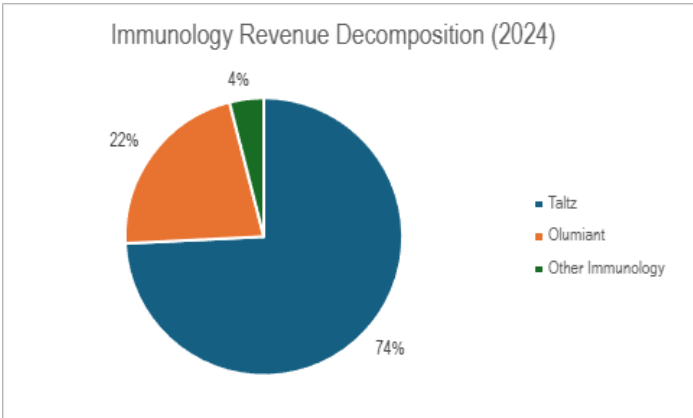
While Oncology is not the biggest portion attributable to Eli Lilly’s portfolio, it is still a big part of their philosophy to help those afflicted by different types of cancer. Also, we do expect this sector to continue to grow because while cancer fatalities rates continue to decline, cancer diagnoses have reached 2 million a year in the United States for the first time in history<sup>10</sup>. In Oncology we expect Verzenio and their Other Oncology category to be the key products going forward, with eight- year average growth rates of 19% and 17% respectively. Our revenue forecast for Oncology is displayed below. We expand further into our Oncology revenue forecasts on page 16.



Source: LLY 10K

### Immunology

Eli Lilly’s Immunology product offerings are designed to help consumers that lives are affected by one of more than 80 autoimmune disorders/diseases. Even with the products that are currently available there are some diseases that needs are unmet. That is why Eli Lilly continually pushes to break the barriers and develop newer and more effective treatments<sup>6</sup>. Current key products in this category for Eli Lilly include: Taltz and Olumiant<sup>2</sup>.



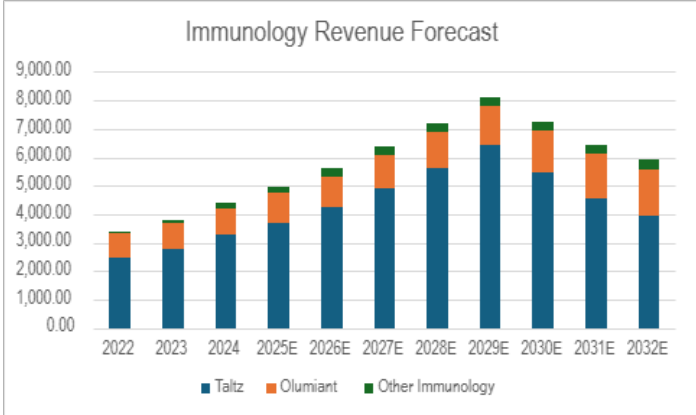
Source: LLY 10K

Eli Lilly has recently been acquiring different companies to expand their Immunology offerings. Just this past year they acquired Morpich, a Massachusetts-based biotech company for \$ 3.2 billion. Eli Lilly made the decision to acquire Morpich in particular because of their next generation drug geared toward benefiting patients affected by inflammatory bowel disease (IBD)<sup>7</sup>.

Another avenue they are testing into is utilizing their already in circulation Diabetes/Obesity drugs Zepbound and Mounjaro for immunology uses. They believe that these drugs could help patients by lowering inflammation and pain onset by different auto-immune disorders/diseases<sup>11</sup>.

Eli Lilly’s Immunology offerings are the smallest in terms of products they have on the market. However, they still continually invest in it. Previously mentioned they spent \$3.2 billion to acquire Morpich in 2024. And the year before they went on a spending spree acquiring DICE Therapeutics, Versanis, and Point BioPharma for a combined \$4.73 billion<sup>7</sup>. In Eli Lilly’s Immunology category, we expect Taltz and Olumiant to be the key revenue gaining products, with eight-year average growth rates of 6.4% and 6.9% respectively. Our revenue forecast for oncology is displayed below.

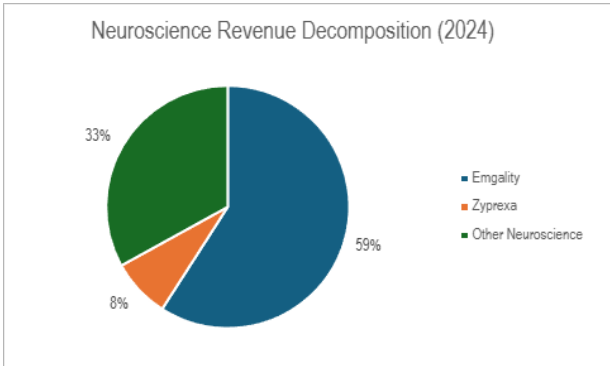
Our forecasts for the Immunology segment take into account various patent expiration dates. The key products impacted by patent expirations are listed below in the “Patent Expiration Schedule” section, along with our forecasted revenue declines. We expand further into our Immunology revenue forecasts on page 16.



Source: LLY 10K

### Neuroscience

Their final category of pharmaceutical products is neuroscience. This is their smallest category by revenue, but it is still a large part of their overall business. Including a newer product, Emgality. This product helps treat migraines and prevent cluster headaches in adults. The other key products in this sector Eli Lilly compiles into their “Other Neuroscience” category<sup>2</sup>.



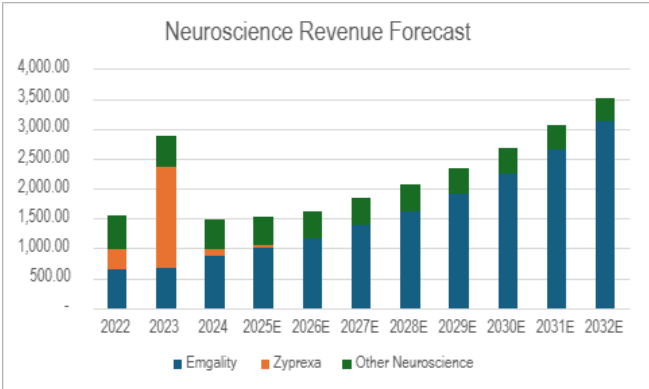
Source: LLY 10K

Eli Lilly’s focus in their neuroscience division is like their immunology development. They are in the process of testing their next generation incretin-based drugs Zepbound and Mounjaro for cross-application indications into neurology. They believe that improving brain health, substance use disorder and neuropsychiatry could be a few of the benefits of using these products in neurology<sup>11</sup>.

Our forecasts for the Neuroscience segment take into account various patent expiration dates. The key products impacted by patent expirations are listed below in the “Patent Expiration Schedule” section, along with our forecasted revenue declines.

While their investments have been heavily focused into their Diabetes/Obesity division, Eli Lilly still finds ways to invest into their other divisions. Like previously stated they are bringing their market leading Diabetes/Obesity drugs into the neuroscience sphere and if they can cross apply them to this

category, we believe that it will be monumental for them<sup>11</sup>. In Eli Lilly’s Neuroscience category, we expect Emgality to be the key revenue gaining product, with an eight-year average growth rate of 17.3% respectively. Our revenue forecast for neuroscience is displayed below. We expand further into our Neuroscience revenue forecasts on page 16.

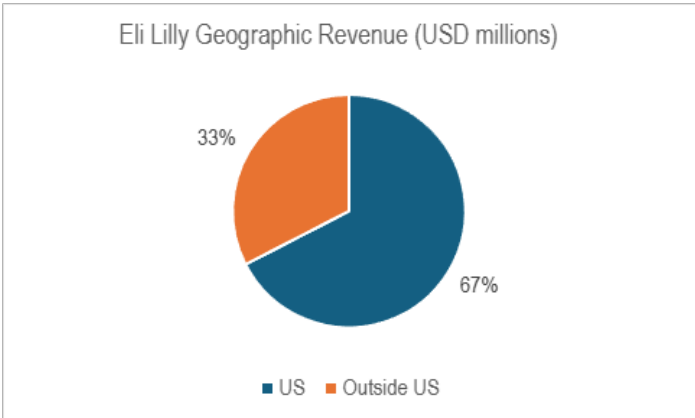


Source: LLY 10-K

### Geography Segmentation

Eli Lilly divides its geographical markets into two distinct categories the United States and outside the United States. While Eli Lilly sells and operates in many countries other than the United States. The United States regularly contributes to more than 50% of Eli Lilly’s total revenue. In 2024, the United States made up 67% of total revenue while international had 33%. Below is a pie chart showing this distribution:

While Eli Lilly’s current distribution of revenue is skewed toward the United States, they are moving toward growing globally. They started construction on a plant in Germany with an investment of \$2.8 billion and reinvested \$1.8 billion in expanding two manufacturing plants in Ireland.<sup>26</sup> Additionally, they are beginning to gain approval to market their most popular drugs internationally. Most recently, they began selling their weight loss drug Mounjaro in India, beating key competitor Novo Nordisk to the market.<sup>45</sup>



Source: LLY 10K

### Cost Structure Analysis:

Historically Eli Lilly has had consistent profit margins. However, recently these margins have seen an increase due to the success of their weight-loss drugs and across their R&D department. The table below displays the historic margins for Eli Lilly:

Eli Lilly Historical Margins				
Year	2021	2022	2023	2024
GPM	74.18%	76.77%	79.25%	81.31%
NPM	19.71%	21.88%	15.36%	23.51%
OPM	18.58%	20.95%	15.01%	26.99%

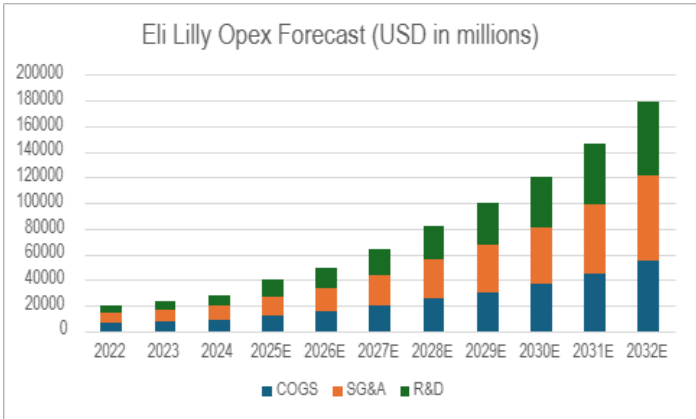
Source: LLY 10K

As a result of recent success in their weight loss sector we expect that Eli Lilly will continue to deliver on par or higher margins compared to their most recent historical years. We believe that they may be higher due to their continued investment into next-generation weight loss drugs. Our margin forecasts through the year 2028 are displayed below:

Eli Lilly Forecasted Margins				
Year	2025E	2026E	2027E	2028E
GPM	79.11%	79.89%	80.10%	79.70%
NPM	22.50%	24.65%	25.85%	26.18%
OPM	26.69%	27.94%	28.58%	28.53%

Source: LLY 10K

Our forecasts for Eli Lilly’s COGS, SG&A, and R&D take into consideration that Eli Lilly recently has been reinvesting heavily into their R&D for new pharmaceutical products and we expect that to continue going forward with them having many drugs across the various stages of development



Source: LLY 10K

### Patent Expiration Schedule:



Pharmaceutical companies' revenues can be dramatically affected when patents for their products expire. Currently the term life of a new patent is 20 years from filing date in the United States<sup>37</sup>. When the patent expires, generic knockoffs are allowed to enter the market, just like if there are shortages in the market.

The table below outlines Eli Lilly's key drugs facing patent expiration during our forecast, along with their respective revenue CAGR's post expiration date:

Drug Name	Patent Expiration Year	Recent FYE Sales (USD millions)	Revenue CAGR
Jardiance Compound	2029 ('30 Japan)	3,340.90	-8%
Trulicity Compound	2027 ('29 EU & Japan)	5,253.50	-12%
Cyramza Compound	2026 ('28 EU)	973.3	-13%
Taltz Compound	2030 ('31 EU)	3,260.40	-10%

Source: LLY 10K

Eli Lilly faces many drug patent expirations in the near future; however, we remain confident in their current portfolio of drugs as well as the potential of their drugs currently in development. Our hold recommendation is centered around how quickly Eli Lilly can get their drugs that are in late-stage development to market. As well as how these late-stage development drugs will perform when they do get to the market.

#### **Debt Maturity Analysis:**

We believe that Eli Lilly has maintained a conservative approach to their increased use of debt recently. As of Q4 2024 Eli Lilly has \$31.12 billion in short and long-term debt. The companies use of debt is mainly invested in growth projects like their expansive R&D efforts towards new drugs but also for acquisitions to expand their current offerings. Despite Eli Lilly's use of debt to fund certain areas of their business they continue to steadily repay their debt when it reaches maturity. This has allowed them to earn an A+ debt quality rating from S&P Global<sup>25</sup>.

Firm	S&P Global Rating
Eli Lilly (LLY)	A+
Johnson and Johnson (JNJ)	AAA
Novo Nordisk (NVO)	AA-
Pfizer (PFE)	A+

Source: S&P Global

Looking ahead we believe that Eli Lilly will continue its use of debt to finance certain areas of its business. We also believe that they will increase their yearly average use of debt as they expand their R&D efforts in creating next-generation pharmaceutical products. Below, we provide a five-year debt maturity schedule for Eli Lilly:

Eli Lilly 5 Year Debt Maturity Schedule	
Fiscal Year	Payment (\$M)
2025	780.9
2026	1,529.10
2027	2,515.80
2028	441.6
2029	3,076.10
Total Debt Principal	5827.7

Source: LLY 10K

#### **Capital Expenditure:**

Eli Lilly has been increasing their capital expenditure recently. More specifically they have been increasing their capital expenditure in the United States. In February of this year Eli Lilly announced that it will be beginning construction on four new production facilities in the United States for a total of a \$27 billion investment. This investment now more than doubles their total promise to the U.S. market since 2020<sup>26</sup>.

According to Eli Lilly's CEO David Ricks, these investments are a continuation of Eli Lilly seeing a need to protect itself from potential supply-chain instability as well as high demand for their products. They are also trying to avoid losing market share to compounding pharmacies, who are allowed to manufacture cheaper generic versions of their products in times of shortages<sup>26</sup>.

While not at the same level as their U.S. investments, Eli Lilly has been increasing their capital expenditure in their overseas markets. They recently announced a \$1.8 billion commitment to expand the production capacity at two of their plants in Ireland. They also have a plant under construction in Germany for a total of \$2.5 billion<sup>26</sup>.

Eli Lilly is the fastest growing company in the pharmaceutical industry. It also has the largest market cap at \$754 billion, more than twice that of any other pharmaceutical company<sup>26</sup>. While not in the same capacity they have recently, we do believe that Eli Lilly will continue their capital expenditures. We believe that they will mainly be focusing on protecting themselves from potential supply chain issues and shortages.

#### **Payout Policy – Dividends and Repurchases:**

Eli Lilly pays regular dividends to their shareholders each year. Their dividends have been increasing at an average of \$0.70 per

year for the last 5 years<sup>2</sup>. Eli Lilly's CFO, Lucas Montarce, stated that with Eli Lilly having a strong growth profile they plan to increase the amount of capital they plan to return to shareholders. They expect to execute this program over the next three years<sup>34</sup>. With Eli Lilly in a period of rapid growth and planning to return portions of this growth to their shareholders we see this as an attractive feature going forward. This plan for increased capital return to shareholders follows our forecast of dividend growth.

Eli Lilly recently announced that it had fully completed their previous share repurchase program in the fourth quarter of 2024, totaling \$5 billion. Following this announcement, they approved a new share repurchase program totaling \$15 billion<sup>34</sup>.

### **Recent Earnings Discussion:**

Eli Lilly reported their Q4 earnings on February 6, 2025. David Rick's Chairman and CEO, noted 2024 was a highly successful year for Eli Lilly, mentioning positive investments and launching of key balanced growth outlook drugs. Important comments and results within the transcript include:

- Revenue in Q4 2024 increased 45% to \$13.53 billion driven by volume growth from Mounjaro and Zepbound. Non-incretin revenue<sup>(i)</sup> grew by 20% compared to Q4 2023<sup>35</sup>.
- Pipeline progress included the approval of Zepbound in the U.S. for moderate-to-severe obstructive sleep apnea in adults with obesity and the approval of Omvoh in the U.S. for moderately to severely active Crohn's disease<sup>35</sup>.
- Investing billions more in expanding manufacturing capacity<sup>35</sup>.
- Launching Kisunla and Ebglyss; Approval of Kisunla in China for treatment of early symptomatic Alzheimer's disease<sup>35</sup>.
- The announcement of an agreement to acquire Scorpion Therapeutics' mutant-selective PI3K $\alpha$  inhibitor program<sup>35</sup>.

Below, we expand on Eli Lilly's P&L guidance for the full year:

- 2025 guidance issued with revenue in the range of \$58.0 billion to \$61.0 billion<sup>35</sup>.
- EPS in the range of \$22.05 to \$23.55 and non-GAAP EPS in the range of \$22.50 to \$24.00<sup>35</sup>.

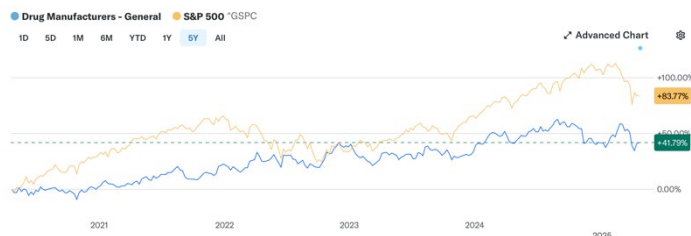
## **Industry Trends**

### **Pharmaceutical Manufacturing Industry:**

The pharmaceutical manufacturing industry is a subset of the healthcare sector that focuses on manufacturing, designing, developing, and producing chemical-based products to treat illnesses, disabilities, and other conditions. Pharmaceutical companies are a key cog in the treatment process, producing the drugs necessary for care. This industry is highly competitive, highly regulated, and relies heavily on patent protection. Operationally, the pharmaceutical industry invests heavily in

research and development, and mergers and acquisitions for growth.

Pharmaceutical manufacturing, like most of the healthcare sector, is less elastic than the market overall. In the last 5 years, the industry has grown 41.79%, and has reached an estimated market cap of 2.1 trillion. As previously mentioned, growth is driven by investment in research and development of extensive portfolios of drugs.<sup>31</sup>



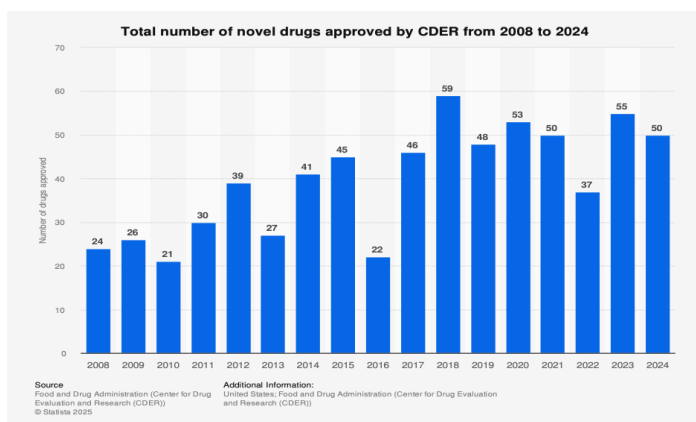
Source: Yahoo Finance

### **Drug Approvals:**

A significant step in the drug development process is FDA, EMA (European Medicines Agency), or other government organizations' approval to begin marketing drugs to consumers. This process can have a major impact on the time frame of the drug's introduction to the market. Depending on regulatory policy, administration change, and drug type, considered drugs can either be approved or denied at various speeds. Drug companies prefer a less regulated environment, which generally leads to faster drug approvals.

In recent years, on average, the FDA has increased the number of drugs approved each year. From 2020-2024, the average novel drugs approved was 49, which increased compared to the previous 5 years (2015-19), which averaged 44 novel drugs approved per year. This trend is similar outside of the United States. China's NMPA from 2022-2023 increased drug approvals by 35%, approving 104 new drugs in 2023.<sup>28</sup> This move toward more approvals is a positive sign for the economics of the healthcare industry, especially pharmaceuticals.

Eli Lilly has multiple drugs in the trial and approval process with the FDA. Mirikizumab (Crohn's Disease) and Tirzepatide (Sleep Apnea) have both been FDA approved, while there are a multitude of others in review or in development.<sup>30</sup> One notable drug currently in the trial phase is a GLP-1 in pill form, which, if approved, would be the first of its kind and a competitive advantage for Lilly over its competitors.



Source: Statista (27)

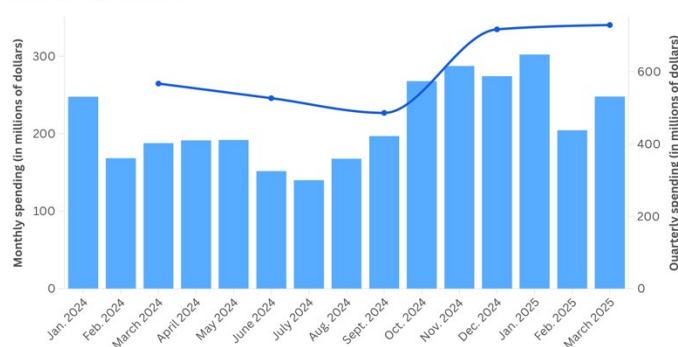
### Government Policy and Advertising:

Drug advertising is a primary way pharma companies can market and differentiate their products from competitors. In Q1 of 2025, the top ten pharmaceutical advertising spenders increased advertising spending by 30% compared to Q1 last year. Additionally, the difference from Q4 2024 to Q1 2025 was a 2% increase in spending from \$717.4 million to \$729.4 million.<sup>29</sup>

#### **TV drug ad spending, Q1 '24-Q1 '25**

The top 10 spenders for each period, combined.

Quarterly total Monthly total



Source: Fierce Pharma (29)

While advertising spending is growing, there is a possibility of further regulations that could limit pharmaceutical companies' ability to market their products. Drug advertising is already heavily regulated, but with the new Trump administration, both President Trump and Health and Human Services Secretary Robert F. Kennedy Jr. promised to ban pharmaceutical advertising on TV. While it will likely be too difficult to completely ban drug advertising, the administration will likely propose stricter regulations. Eli Lilly, who spend millions on advertising both Jardiance (\$50.6 million) and Zepbound (\$41 million),<sup>29</sup> could see revenue loss with the advent of further advertising restrictions.

### Technological change and AI:

Like many other industries, the pharmaceutical manufacturing industry is using artificial intelligence (AI) and machine learning to make its production cheaper and faster. One cost-cutting use is running simulations on potential drugs to optimize drug trials before they begin. Additionally, many companies are using AI to analyze large swathes of data that are difficult to analyze manually.<sup>32</sup> Eli Lilly recently renovated their plant in Limerick, Ireland, to fully integrate with machine learning, AI, and automated robotics systems to optimize manufacturing.<sup>33</sup> Similar systems across the industry will reduce manufacturing costs and increase margins for pharmaceutical manufacturing companies.

### Peer Comparison:

Eli Lilly's primary competitors include Pfizer, Johnson & Johnson, Merck & Co., Inc., and Novo Nordisk A/S.

### **Financial Metrics**

(In Billions)	Eli Lilly	Pfizer	Johnson & Johnson	Merck & Co., Inc.	Novo Nordisk A/S
Market Cap	755.389	125.467	379.128	197.312	285.369
Sales	45.043	63.627	88.821	64.168	290.403
Net income	10.590	8.031	14.066	17.117	100.988

Sources: 2, 37, 38, 39, 40

Amongst its peers, Eli Lilly has the highest market capitalization but only the third highest profit margin, and fourth highest net income. While this seems to be a discrepancy, Eli Lilly is a leader in one of the fastest-growing drug markets: diabetes and obesity drugs. This position has led to optimism about the company's future outlook, increasing stock price, and market cap.

	Eli Lilly	Pfizer	Johnson & Johnson	Merck & Co., Inc.	Novo Nordisk A/S
Profit Margin	23.51%	12.6%	15.84%	26.68%	34.78%
LT- Debt Ratio	.360	.269	.170	.294	.181
Return on Equity	74.20%	9.02%	20.45%	45.48%	70.38%
P/E Ratio	53	8.33	15.07	9.68	2.48

Sources: 2, 37, 38, 39, 40

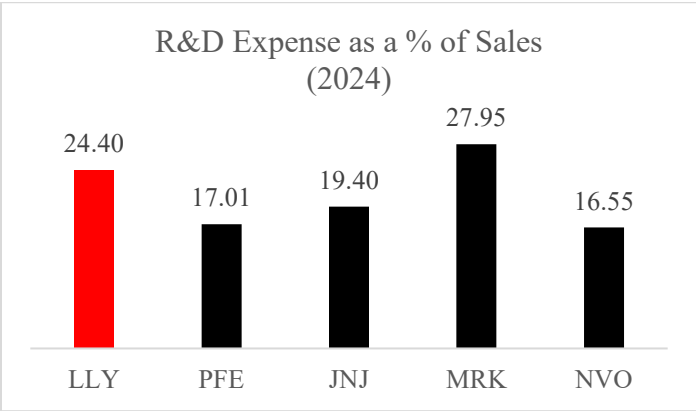
According to the table above, Eli Lilly has the highest return on equity but also the highest long-term debt ratio. With a 74.20% ROE, they are efficient in using their equity to generate value for investors. Additionally, their LT-Debt ratio shows increased debt levels compared to their competitors, but growth in diabetes and obesity markets could limit risk. Eli Lilly's ability to drive returns for investors is a strong reason for further investment, but if growth in the weight-loss market misses projections, they could be subject to higher risk compared to competitors.

### **Operating Metrics**



Research and Development

Research and development is key in driving growth for pharmaceutical manufacturing companies. A company's ability to reinvest in R&D is key to driving future growth. Companies with larger R&D programs are committed to growing through organic growth and finding market advantages. The graph below shows the percentage of R&D expense as a function of total sales for Eli Lilly and its competitors.

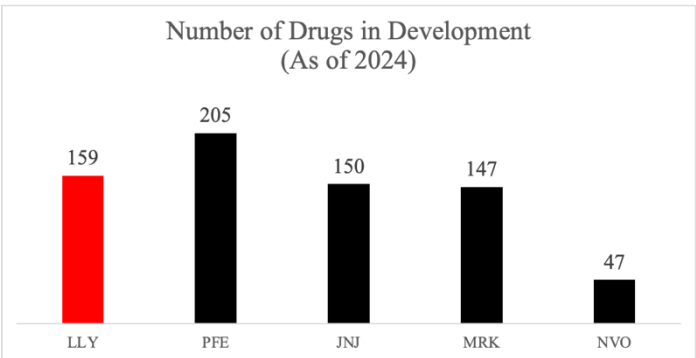


Sources: 2, 37, 38, 39, 40

Eli Lilly’s commitment to organic growth is shown through their high end in R&D. Most of this R&D is currently in researching new obesity and diabetes drugs, but there are also high levels of investment in oncology.<sup>2</sup> This is a strategic decision by Eli Lilly to increase their foothold in the diabetes and obesity markets but also increase share in a less developed oncology market.

Drugs in Development

Another key operating metric for companies is the number of drugs currently in development. Developing and patenting drugs is the primary avenue pharmaceutical companies can generate return on investment from R&D expense. Consequently, the number of drugs in development can signal the amount of opportunity a company has to develop a successful drug. Below is the number of drugs in development for Eli Lilly and its competitors.

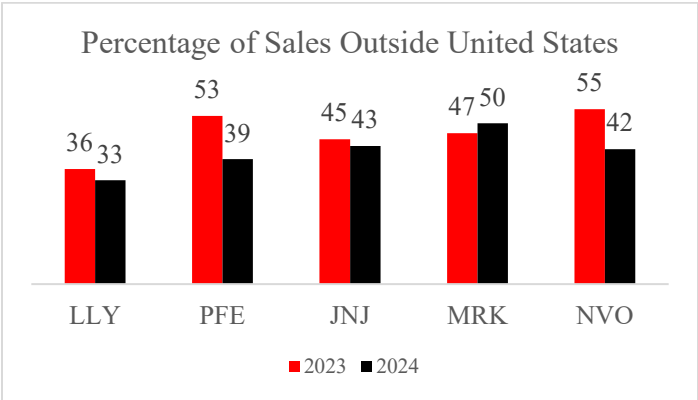


Source: 42, 43

Pfizer is the leader in this category among the competitors we examined, but Eli Lilly has a strong developmental program with 159 drugs. Eli Lilly’s focus on new drug development is connected with their strategy of driving growth by developing new drugs and technology.

International Sales

A key demographic for pharmaceutical companies is revenue outside the United States. Growing sales in countries other than the United States is key to driving growth and growing market share. The chart below details the percentage of revenue outside of the United States in 2023 and 2024, for Eli Lilly and its competitors.



Sources: 2, 37, 38, 39, 40

Eli Lilly is behind its competitors in terms of expanding outside of the United States. As they develop more advanced diabetes and obesity drugs, they could leverage their advantage in that market to expand their market share in non-US markets. Contrarily, if Eli Lilly fails to expand its operations, it could stagnate growth.

Future Outlook

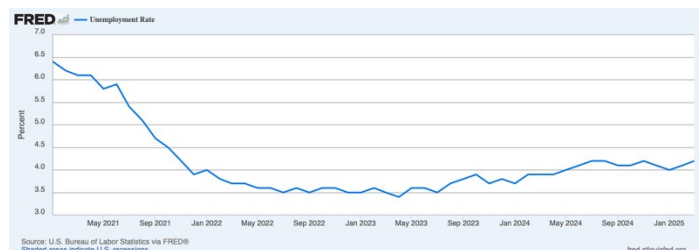
There is a high threat of other drug makers developing drugs that could hurt Eli Lilly’s market share. The diabetes and obesity drug market is highly competitive and fast-growing, leaving opportunities for other pharma companies to develop new innovative drugs. Additionally, the oncology market is projected to grow at an 11.1% CAGR and continue being highly competitive.<sup>44</sup>

While the industry is highly competitive, the pharmaceutical market is less volatile than the market as a whole. As a result, true value comes in high margins and competitive advantage through patents. One factor that can push the industry forward is the development of new technology. Eli Lilly and its competitors have the opportunity to cut costs and expand margins through the use of new technologies like machine learning and AI. Additionally, they can use these products to aid in developing new drugs and gain a competitive advantage.

Economic Outlook

## **Unemployment and GDP:**

We weighed the unemployment rate more than GDP in our assumptions, as most of Eli Lilly's product offerings are largely too expensive for consumers to pay for without insurance. The unemployment rate has been consistently near 4% since COVID, and we project unemployment will stay near that mark long term. In the short term, in accordance with Fed Chair Powell, we expect raising unemployment rates.<sup>13</sup> While it is difficult to predict unemployment rate, the range we expect short term is 4.5-5% by the end of 2025.

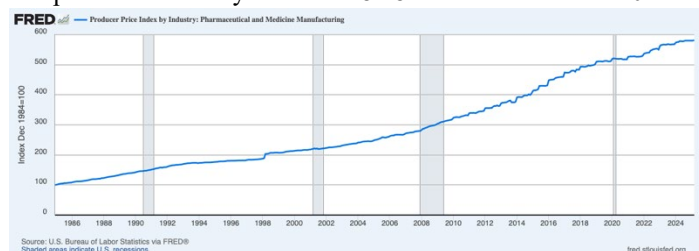


Source: FRED

While unemployment is a significant influence, real GDP still has an impact on the pharmaceutical industry. In Q3 and Q4 of 2024, the US saw a 3.0% and 2.4% increase in real GDP, respectively.<sup>12</sup> We believe that, barring a tariff-related recession, real GDP growth will continue and positively influence the pharmaceutical industry, and grow near 2%.

## **Inflation (CPI) and Producer Price Index (PPI):**

Cost of drug production and inflation play a large role in costs that get passed on to the consumer. The Pharmaceutical and Medicine Manufacturing PPI is a strong measure of how input costs have increased for drug companies and how said costs could be passed on to consumers. The Pharmaceutical and Medicine Manufacturing PPI has consistently increased since its inception and recently increased 8.18% since the start of 2022.<sup>17</sup>



Source: FRED (17)

In conjunction, an important component of CPI is medical care. As of March 2025, the medical care sector has increased 2.7% year over year and 7.42% since 2022.<sup>18,19</sup> Eli Lilly remains firm in its goal to cut costs for consumers, recently cutting insulin out-of-pocket costs by 70% in 2023<sup>20</sup>, but also highlights strong ability to drive margin expansion. As mentioned in their Q4 2024 investor call, due to newly approved drugs and new indications for Zepbound, they believe strong growth and margin

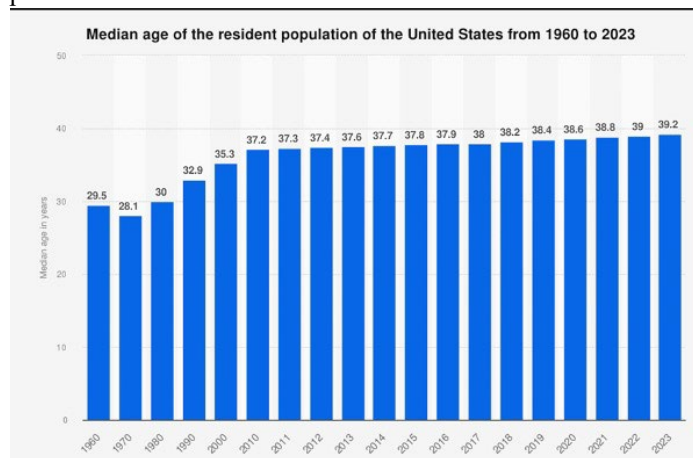
expansion can counteract any costs that may be passed to the consumer.<sup>21</sup> We anticipate the medical care sector to continue to increase at around 2% year over year, and the overall CPI to rise 3% year over year long term. We expect Pharmaceutical and Medicine Manufacturing PPI to continue increasing at 1.5% in the short term and 2% long term.

## **Population Demographics:**

As people age, it is generally known that they need more healthcare services. With the United States' ever-increasing ageing population, the healthcare sector can grow its products, especially for seniors. According to the 2020 US Census, 16.8% of the population is above the age of 65, and the total population of Americans over 65 has grown 38.6% since 2010.<sup>21</sup> With this increase, pharmaceutical companies can utilize diverse product portfolios to provide drugs for anything from insulin to over-the-counter medications.

For Eli Lilly specifically, a large portion of their revenue is tied to diabetes and weight loss-related drugs. In 2021, 29.2% of people over 65 in the United States had diabetes, and 18.9% of Americans 45-64 had diabetes.<sup>23</sup> Older populations are a large demographic for Eli Lilly, and with the growing older population, it provides a strong opportunity for growth.

The United States' median age has continually increased over the past 60 years, increasing from 29.5 in 1960 to 39.2 in 2023. We project that this trend will continue, with the aging population consistently growing, increasing demand for medical products and services in the future.



Source: Statista

## **Risk Free Rate, R&D, and M&A:**

In the pharmaceutical industry, Research and Development and Mergers and Acquisitions are a substantial portion of operations. The Risk-Free Rate (10-year treasury yield) influences interest rates on borrowing that can be used for Mergers and Acquisitions or Research and Development, especially in

pharmaceuticals, where bolt-on acquisitions are common and research and development is a necessity for growth.

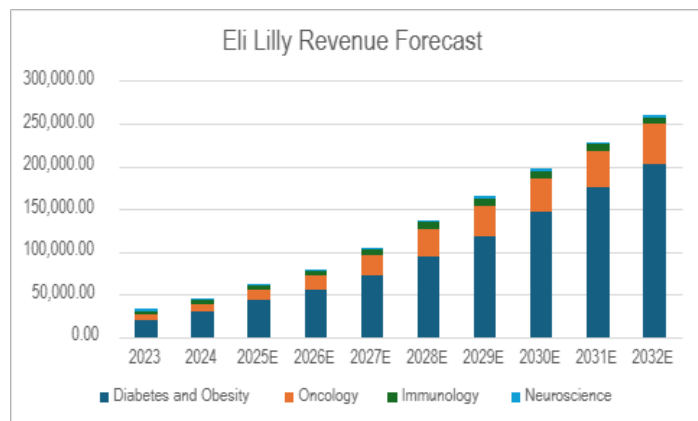
The 10-year treasury yield is a strong representation of consumers' long-term sentiment and will influence the cost of borrowing for the pharmaceutical and biotechnology industry. If investor sentiment is low and rates increase, R&D/M&A will be less stimulated, hurting growth. If the Risk-Free rate drops, there would likely be an increase in R&D spending and M&A transactions, due to the cheaper cost of capital.

We predict that in the short term, the 10-year treasury yield will increase in the range of 4.5-4.7%, increasing the cost of capital and negatively affecting drug development and acquisitions. In the long term, we expect the rate to level out and eventually land near 3.9%.

## Valuation

### Revenue Assumptions:

As we discussed earlier in the company description section of the report, we forecasted Eli Lilly's revenues by drug type within each category in their respective sector. Given the large number of products, we invite you to explore our forecasts on page x through x below. Our forecasts for 2025 and 2026 closely resemble average consensus growth estimates<sup>43</sup>. From 2027 onward, we combine our growth expectations for Eli Lilly as well as any expiring patents they have. The following image illustrates both the historical revenues and our forecasted revenues:



Source: LLY 10-K

### Payout Policy Assumptions:

Eli Lilly raised its dividend for the eleventh consecutive year. Also, for the seventh consecutive year they announced a 15% increase in their quarterly dividend. Given that Eli Lilly increases its dividend quarterly, we forecasted Eli Lilly's

dividend per share using the following formula and adjusted the payout to meet the historical increases:

$$\text{Forecasted Dividend} = (\text{Earnings per Share} * \text{Dividend Payout Ratio}) * \text{Adjustment Factor}$$

Using the formula above, we forecast dividends to grow to \$16.65 per share in 2032, representing a eight-year CAGR of 35%.

Our forecast also incorporates the belief that Eli Lilly will continue to implement their share repurchase program that is currently at \$15 billion.

### WACC:

Our discount rate for Eli Lilly is 7.99%. The cost of equity was calculated using the risk-free rate of 4.46% (yield on the 10yr.), a beta of 0.69 (Bloomberg Rating), and an equity risk premium of 5.38%. These inputs resulted in a cost of equity of 8.15%.

The after-tax cost of debt was calculated using a pre-tax cost of debt 4.65% and a tax rate of 8%. These inputs resulted in an after-tax debt cost of 4.28%. The weight of equity and debt were calculated to be 95.52% and 4.08% respectively.

### DCF and EP:

Our discounted cash flow (DCF) and economic profit (EP) models resulted in an intrinsic value per share of \$798.15. The primary inputs used in these models included a CV growth of 2.50% for NOPLAT, a CV ROIC of 46.58%, a cost of equity of 8.15%, and a discount rate of 7.99%.

### DDM:

Our dividend discount model (DDM) returned an intrinsic value per share of \$848.37. The primary inputs in this model included a CV growth of 2.50% for EPS, a CV ROE of 53.39%, and a cost of equity of 8.15%.

We forecasted Eli Lilly's dividends using the formula mentioned in the "Payout Policy" section. For our CV, we leveraged a P/E multiple of 16.88x that was multiplied by our CV EPS estimate.

### Relative Valuation:

Our relative valuation model measured the 2025 and 2026 forecasted P/E multiple of the peer group. We then took the average of the peer group. This resulted in multiples of 9.38x and 8.88x respectively. Our EPS estimates of \$15.85 and \$22.26 were then multiplied by the multiples mentioned above, resulting in the following relative values:

### Implied Relative Value:

P/E (EPS25) \$148.63

P/E (EPS26) \$197.65

Source: Krause Fund Model, LLY 10-K

## Sensitivity Tables

We conducted six sensitivity tests to determine how a multitude of different variables affect Eli Lilly's stock price. Each table will show how some scenarios of the two variables would affect the stock price. Desirable stock prices are represented in green, while undesirable stock prices are represented in red.

### Beta and Equity Risk Premium:

Shown below are the possible fluctuations in stock prices based on changes in Beta and the Equity Risk Premium (ERP). Both the Beta and the ERP were used in our weighted average cost of capital (WACC) calculation, an important component of our model that we wanted to test. Our ERP assumption was an estimate from Kroll, and our Beta assumption was from the Bloomberg Raw Beta. As shown below, the stock price increases as both Beta and ERP decrease, and vice versa. The pharmaceutical market is more inelastic than the market, and as a result, if the market becomes more volatile, the stock price would decrease. The range of stock prices in the scenarios tested was \$641.01 - \$983.89.

Equity Risk Premium	Beta							
	799.24	0.55	0.59	0.64	0.69	0.74	0.79	0.84
	5.08%	983.89	935.91	881.23	836.41	786.54	745.30	707.47
	5.18%	970.51	922.71	868.28	823.71	774.14	733.19	695.64
	5.28%	957.42	909.82	855.65	811.32	762.07	721.39	684.13
	5.38%	944.63	897.23	843.32	799.24	750.29	709.90	672.92
	5.48%	932.12	884.93	831.29	787.45	738.82	698.71	662.01
	5.58%	919.89	872.90	819.53	775.95	727.62	687.80	651.37
	5.68%	907.93	861.14	808.05	764.72	716.70	677.16	641.01

### Marginal Tax Rate and CV Growth of NOPLAT:

Shown below are the possible fluctuations in stock prices based on changes in the Marginal Tax Rate and the continuing value growth of NOPLAT. CV growth of NOPLAT is used as our long-term growth rate, which is a key variable in our DCF and EP models. Marginal tax rate is an important variable when calculating the cost of debt, and in turn, WACC. Our CV growth of NOPLAT assumption comes as we estimate Eli Lilly to act as a mature company past our forecast horizon and have a lower but more stable growth rate. Our Marginal Tax Rate was calculated using Eli Lilly's reported tax provision numbers in their annual 10-K. As shown below, the stock price is much more affected by the CV long-term growth of NOPLAT than the Marginal Tax Rate. Long-term growth is a primary driver of firm value, and the principle is displayed here through possible

growth and tax scenarios. The range of stock prices in the scenarios was \$723.31 - \$899.31.

CV Growth of NOPLAT	Marginal tax rate							
	799.24	6.54%	7.04%	7.54%	8.04%	8.54%	9.04%	9.54%
	1.75%	723.31	723.45	723.59	723.72	723.86	724.00	724.14
	2.00%	746.35	746.50	746.65	746.79	746.94	747.09	747.23
	2.25%	771.40	771.56	771.72	771.87	772.03	772.19	772.35
	2.50%	798.73	798.90	799.07	799.24	799.41	799.58	799.75
	2.75%	828.67	828.85	829.04	829.22	829.40	829.58	829.76
	3.00%	861.61	861.81	862.01	862.20	862.40	862.60	862.79
	3.25%	898.02	898.24	898.45	898.67	898.88	899.10	899.31

### Zepbound and Mounjaro Long-Term Growth Rates

Shown below are the possible fluctuations in stock prices based on changes in Zepbound and Mounjaro long-term growth rates. Zepbound and Mounjaro are Eli Lilly's two highest-selling drugs, and the effects of growth on each are highly important to the company's success. Both drugs are a part of the fast-growing diabetes and obesity market. The diabetes and obesity market is fast growing, but if there is an over projection of growth, Eli Lilly's stock price may be negatively affected. The range of stock prices in the scenarios tested was \$539.93 - \$1,213.55.

Mounjaro Growth Rate (25-32)	Zepbound Long Term Growth Rate (26-32)							
	799.24	30%	35%	40%	45%	50%	55%	60%
	15%	539.93	582.93	633.72	693.43	763.31	844.78	939.37
	20%	569.54	612.55	663.34	723.05	792.93	874.40	969.00
	25%	604.57	647.58	698.37	758.08	827.97	909.43	1,004.03
	30%	645.73	688.74	739.53	799.24	869.13	950.60	1,045.20
	35%	693.79	736.81	787.60	847.31	917.20	998.67	1,093.27
	40%	749.60	792.62	843.41	903.12	973.01	1,054.48	1,149.08
	45%	814.06	857.08	907.87	967.58	1,037.47	1,118.95	1,213.55

### Jardiance and Cyramza Post-Patent Regression:

Shown below are the possible fluctuations in stock prices based on changes in the regression of Jardiance and Cyramza post-patent expiration. Outside of Mounjaro and Zepbound, Jardiance and Cyramza are some of Eli Lilly's biggest revenue drivers. Additionally, they have patent expirations during our forecast horizon. We wanted to examine how the stock price would change based on revenue regression scenarios of these important drugs. The stock price was not strongly affected, but in the scenario where a biosimilar, or competing drug, enters the market, and revenue regression is steeper, Eli Lilly's stock could drop. The range of stock prices in the scenarios tested was \$762.82 - \$844.85.

Cyramza Post-Patent Regression Rate (27-32)	Jardiance Post-Patent Regression Rate (29-32)							
	799.24	0.70	0.75	0.80	0.85	0.90	0.95	1.00
	0.70	762.82	773.84	785.65	798.32	811.90	826.43	841.99
	0.75	763.05	774.07	785.88	798.55	812.12	826.66	842.21
	0.80	763.35	774.36	786.18	798.85	812.42	826.96	842.51
	0.85	763.74	774.75	786.57	799.24	812.81	827.35	842.90
	0.90	764.24	775.26	787.07	799.74	813.32	827.85	843.41
	0.95	764.88	775.90	787.71	800.38	813.96	828.49	844.05
	1.00	765.69	776.71	788.52	801.19	814.77	829.30	844.85

### Risk Free Rate and Pre-Tax Cost of Debt:

Below are the possible fluctuations in stock prices based on changes in the Risk-Free Rate and Pre-Tax Cost of Debt. Both the Risk-Free rate and Pre-Tax Cost of Debt were used in our weighted average cost of capital (WACC) calculation and have an impact on the rate at which Eli Lilly can acquire capital. Our Risk-Free Rate assumption comes from the 10-year treasury bond yield, and our Pre-Tax Cost of Debt was the YTM of an Eli Lilly 5-year corporate bond. As shown below, the stock price increases as both decrease, but the Risk Free Rate has a much larger impact. The range of stock prices in the scenarios tested was **\$701.13 - \$923.71**.

Pre-Tax Cost of Debt	Risk Free Rate							
	799.24	3.86%	4.06%	4.26%	4.46%	4.66%	4.86%	5.06%
	4.05%	923.71	880.69	840.88	803.22	769.55	737.49	707.53
	4.25%	922.02	879.13	839.44	801.89	768.31	736.34	706.46
	4.45%	920.33	877.58	838.00	800.56	767.08	735.19	705.39
	4.65%	918.66	876.04	836.58	799.24	765.85	734.05	704.33
	4.85%	916.97	874.48	835.14	797.91	764.62	732.91	703.26
	5.05%	915.30	872.94	833.72	796.60	763.40	731.77	702.19
	5.25%	913.64	871.41	832.30	795.28	762.18	730.63	701.13

### Cost of Equity and Implied Depreciation Rate:

Shown below are the possible fluctuations in stock prices based on changes in Cost of Equity and Implied Depreciation Rate. Cost of Equity has a significant impact on the rate at which Eli Lilly can acquire capital, and Implied Depreciation Rate is the rate at which assets necessary for operations depreciate. Our Implied Depreciation Rate assumption was calculated using Eli Lilly's average of depreciation rates over the last ten years. The Cost of Equity was calculated using our assumed risk-free rate, Beta, and equity risk premium in the CAPM model. The Cost of Equity has a much larger impact on the scenario analysis compared to the Implied depreciation rate, but as both decrease, the stock price increases. The range of stock prices in the scenarios tested was **\$592.50 - \$1,158.59**.

		Cost of Equity						
		799.24	6.65%	7.15%	7.65%	8.15%	8.65%	9.15%
Implied Depreciation Rate	6.89%	1,158.89	1,013.88	897.10	801.12	720.93	653.00	594.76
	7.39%	1,157.72	1,012.90	896.26	800.41	720.32	652.47	594.31
	7.89%	1,156.62	1,011.98	895.48	799.74	719.75	651.98	593.89
	8.39%	1,155.59	1,011.11	894.75	799.12	719.22	651.53	593.50
	8.89%	1,154.63	1,010.31	894.07	798.55	718.73	651.11	593.14
	9.39%	1,153.73	1,009.56	893.44	798.01	718.27	650.72	592.80
	9.89%	1,152.890	1,008.862	892.855	797.516	717.853	650.360	592.500

## Conclusion

In conclusion, we recommend a **HOLD** position for Eli Lilly. Eli Lilly has a strong foothold in the fast-growing diabetes and obesity market and is an industry leader in technology. However, there are regulatory, R&D expenditure, patent expiration, and competition risks that could shrink Eli Lilly's profit margin. Eli Lilly has various opportunities to grow, but also risks that must

be addressed. Based on our research, analysis, and modeling, we recommend a target price between **\$799 – \$850**.



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## **Important Disclaimer**

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this rep

Eli Lilly  
Revenue Decomposition

<b>Fiscal Years Ending Dec. 31</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
<b>Diabetes and Obesity:</b>											
Trulicity	7439.7	7132.6	5,253.50	4982	4390	3755	3360	2856	2428	2064	1754
Mounjaro	482.5	5163.1	11,540.10	15816	21383	28534	36645	45499	52323	58995	65388
Jardiance	2066	2744.6	3,340.90	4259	5471	7021	8873	9239	11330	13801	16655
Humalog	2,060.60	1,663.30	2,324.80	2286	2247	2209	2172	2135	2099	2063	2028
Humulin	1,019.40	852.1	917.1	888	851	814	776	737	699	661	623
Basaglar	760.4	728.3	676.9	618	577	534	493	457	423	392	363
Zepbound	-	175.8	4,925.70	13792	19998	28998	42047	57183	73652	90621	107325
Trajenta	-	-	-	-	-	-	-	-	-	-	-
Other Diabetes and Obesity	497.1	530.2	512.7	532	552	573	595	618	641	666	691
<b>Total Diabetes and Obesity</b>	<b>14,465.00</b>	<b>19,667.60</b>	<b>29,520.80</b>	<b>43173</b>	<b>55469</b>	<b>72437</b>	<b>94960</b>	<b>118724</b>	<b>143595</b>	<b>169262</b>	<b>194828</b>
Total Diabetes and Obesity Growth Rate	9.68%	35.97%	50.10%	46.25%	28.48%	30.59%	31.09%	25.03%	20.95%	17.87%	15.10%
<b>Oncology:</b>											
Verzenio	2,483.50	3,863.40	5,306.60	7772	11029	15902	22747	25227	27483	29498	31271
Cyramza	971.4	974.7	973.3	959	942	801	681	579	492	418	355
Erbix	566.5	596.5	627.4	656	689	723	758	796	835	876	919
Tyvt	293.3	393.4	526	650	757	845	913	965	1003	1031	1051
Alimta	927.7	217.5	-	-	-	-	-	-	-	-	-
Other Oncology	423.8	612.9	1319.2	2158	3515	4042	4648	5346	6147	7070	8130
<b>Total Oncology</b>	<b>5,666.20</b>	<b>6,658.40</b>	<b>8,752.50</b>	<b>12196</b>	<b>16933</b>	<b>22313</b>	<b>29748</b>	<b>32913</b>	<b>35960</b>	<b>38893</b>	<b>41727</b>
Total Oncology Growth Rate	-1.31%	17.51%	31.45%	39.34%	38.84%	31.78%	33.32%	10.64%	9.26%	8.15%	7.29%
<b>Immunology:</b>											
Taltz	2,482.00	2,759.60	3,260.40	3711	4245	4902	5615	6446	7409	6298	5353
Olumiant	830.5	922.6	957.4	1024	1096	1173	1255	1343	1437	1537	1629
Other Immunology	32.1	115.2	175.1	230	273	303	324	337	345	353	362
<b>Total Immunology</b>	<b>3344.6</b>	<b>3797.4</b>	<b>4,392.90</b>	<b>4,965.54</b>	<b>5,614.26</b>	<b>6,377.79</b>	<b>7,193.95</b>	<b>8,126.00</b>	<b>9,191.16</b>	<b>8,188.72</b>	<b>7,344.08</b>
<b>NeuroScience:</b>											
Strattera	-	-	-	-	-	-	-	-	-	-	-
Cymbalta	-	-	-	-	-	-	-	-	-	-	-
Zyprexa	336.9	1,694.80	116.3	50	-	-	-	-	-	-	-
Emgality	650.9	678.3	870.4	1002	1161	1390	1626	1910	2255	2650	3119
Other Neuroscience	558.4	505.5	486.7	470	456	444	433	424	415	408	401
<b>Total Neuroscience</b>	<b>1,546.20</b>	<b>2,878.60</b>	<b>1,473.40</b>	<b>1522</b>	<b>1617</b>	<b>1834</b>	<b>2059</b>	<b>2334</b>	<b>2671</b>	<b>3058</b>	<b>3520</b>
Total Neuroscience Growth Rate	-37.65%	86.17%	-48.82%	3.28%	6.27%	13.42%	12.23%	13.37%	14.43%	14.50%	15.12%
<b>Other:</b>											
Bamlanivimab	-	-	-	-	-	-	-	-	-	-	-
Effient	-	-	-	-	-	-	-	-	-	-	-
Forteo	613.1	533.2	-	-	-	-	-	-	-	-	-
Cialis	587.3	381.5	-	-	-	-	-	-	-	-	-
COVID-19 antibodies	2,023.50	-	-	-	-	-	-	-	-	-	-
Other	295.5	207.6	903	654.32	469.45	345.42	248.74	180.21	130.56	94.59	68.69
<b>Total Other</b>	<b>3519.7</b>	<b>1122.2</b>	<b>903</b>	<b>748.10</b>	<b>610.87</b>	<b>495.18</b>	<b>405.82</b>	<b>331.98</b>	<b>270.34</b>	<b>220.85</b>	<b>180.55</b>
<b>Revenue</b>	<b>28541.7</b>	<b>34124.2</b>	<b>45,042.60</b>	<b>62,604.27</b>	<b>80,244.29</b>	<b>103,457.13</b>	<b>134,366.60</b>	<b>162,428.53</b>	<b>191,687.99</b>	<b>219,622.29</b>	<b>247,599.12</b>
<b>Revenue Growth Rate</b>	<b>-1.24%</b>	<b>19.56%</b>	<b>32.00%</b>	<b>38.99%</b>	<b>28.18%</b>	<b>28.93%</b>	<b>29.88%</b>	<b>20.88%</b>	<b>18.01%</b>	<b>14.57%</b>	<b>12.74%</b>

Eli Lilly

Income Statement

<b>Fiscal Years Ending Dec. 31</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
Revenue	28541	34124	45043	62604	80244	103457	134367	162429	191688	219622	247599
Cost, Expenses, and Others:											
Cost of sales	6630	7082	8418	13079	16138	20585	27276	32653	38529	44293	49826
Research & development	7191	9313	10991	15275	19580	25244	32785	39633	46772	53588	60414
Marketing, selling & administrative	6440	7403	8594	13466	17261	22254	28902	34938	41232	47241	53259
Acquired in-process research & development	909	3800	3280	2049	2627	3387	4399	5317	6275	7190	8105
Amortization Expense	580	506	553	501	490	488	481	467	467	467	467
Depreciation Expense	817	902	1058	1436	1605	1805	2003	2160	2315	2457	2584
Interest Expense	332	486	781	1438	1063	1292	1581	1798	2195	2488	2765
Asset impairment, restructuring & other special charges	245	68	861	688	551	441	353	282	226	180	144
Interest income	-63	-174	-175	-296	-241	-827	-1569	-2737	-4558	-6254	-8452
Other income (expense) - net	321	97	219	537	689	888	1153	1394	1645	1884	2124
Total costs, expenses & other expenses	21735	27570	32362	47099	58385	73780	95059	113117	131808	149765	166988
Income before income taxes	6806	6555	12680	15505	21860	29677	39308	49311	59880	69857	80611
Income taxes	562	1314	2090	1247	1758	2386	3161	3965	4815	5617	6482
Net income (loss)	6245	5240	10590	14258	20102	27291	36147	45346	55065	64240	74129
Earnings per share:											
Basic	\$ 6.93	\$ 5.82	11.76	\$ 15.85	\$ 22.39	\$ 30.45	\$ 40.40	\$ 50.76	\$ 61.73	\$ 72.12	\$ 83.33
Dividends Declared per share	\$ 3.92	\$ 4.52	5.2	\$ 6.02	\$ 7.08	\$ 9.63	\$ 12.78	\$ 12.85	\$ 15.62	\$ 13.69	\$ 15.82
Shares used in calculation of earnings per share:											
Weighted-average number of shares outstanding - basic	904.35	900.96	900.39	899.69	897.92	896.27	894.74	893.31	891.99	890.75	889.61
Shares Outstanding - Basic	901.74	900.18	900.61	898.77	897.06	895.48	894.00	892.62	891.35	890.16	889.05
Total Dividends	3,534.81	4,068.82	4,683.15	5,407.51	6,353.48	8,626.13	11,426.20	11,467.93	13,926.47	12,185.83	14,062.35

Eli Lilly  
Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Assets</b>											
Cash & cash equivalents	2067	2819	3268	1873	14850	31300	57291	97904	135726	184763	242489
Short-term investments	145	109	155	162	169	176	184	193	201	210	220
Accounts receivable, net of allowances	6912	9105	11006	15030	19265	24839	32259	38997	46022	52728	59445
Other receivables	1663	2246	2270	3534	4530	5841	7586	9170	10822	12399	13978
Inventories	4310	5670	7589	9683	12412	16002	20783	25123	29649	33970	38297
Prepaid expenses & other current assets	2954	5541	8452	9464	12131	15640	20312	24555	28978	33201	37430
Total current assets	18035	25727	32740	39746	63357	93798	138416	195941	251397	317270	391859
Investments	2902	3052	3216	3359	3509	3666	3830	4001	4179	4366	4561
Goodwill	4073	4940	5770	5770	5770	5770	5770	5770	5770	5770	5770
Other intangibles	7207	6907	6166	5666	5176	4688	4206	3739	3272	2805	2338
Deferred tax assets	2793	5477	8001	4772	6727	9133	12097	15175	18428	21498	24808
Property & equipment, net	10144	12914	17102	19120	21501	23862	25728	27575	29274	30780	32191
Operating lease assets	131	237	219	245	275	306	330	353	375	394	412
Other noncurrent assets	4337	4990	5501	6150	6915	7675	8275	8869	9415	9900	10353
Total assets	49490	64006	78715	84828	113232	148898	198652	261424	322111	392783	472292
<b>Liabilities and Equity</b>											
Short-term borrowings & current maturities of long-term de	1501	6905	5117	781	1529	2516	442	3076	3076	3076	3076
Accounts payable	1931	2599	3229	4497	5764	7431	9651	11667	13768	15775	17784
Employee compensation	1060	1650	2094	2708	3472	4476	5813	7027	8293	9502	10712
Sales rebates & discounts	8784	11689	11539	16160	20713	26705	34683	41927	49479	56690	63911
Dividends payable	1017	1169	1346	1352	1588	2157	2857	2867	3482	3046	3516
Other current liabilities	2370	3281	5051	6362	8155	10514	13656	16508	19481	22320	25164
Total current liabilities	17138	27293	28377	31860	41221	53798	67101	83071	97580	110409	124163
Long-term debt	14738	18321	28527	24079	28700	34465	41604	48256	55119	61608	68138
Accrued retirement benefits	1305	1439	1301	1359	1419	1483	1549	1618	1690	1766	1844
Long-term income taxes payable	3710	3849	4061	2170	2719	1251	5710	11845	9881	9034	8039
Other noncurrent liabilities	1737	2241	2178	2239	2302	2366	2433	2501	2571	2643	2717
Total other liabilities	21576	25849	36067	29846	35140	39565	51296	64220	69261	75050	80738
Total Liabilities	38714	53143	64443	61706	76361	93363	118397	147291	166841	185459	204901
<b>Eli Lilly and Company Shareholders' Equity</b>											
Common Equity	7516	7844	8032	8032	8032	8032	8032	8032	8032	8032	8032
Retained earnings (accumulated deficit)	10043	10312	13545	22396	36144	54809	79530	113409	154547	206602	266669
Employee benefit trust	-3013	-3013	-3013	-3013	-3013	-3013	-3013	-3013	-3013	-3013	-3013
Accumulated other comprehensive income (loss)	-3845	-4327	-4322	-4322	-4322	-4322	-4322	-4322	-4322	-4322	-4322
Cost of common stock in treasury	51	44	-50	-51	-53	-55	-56	-57	-59	-60	-61
Total Eli Lilly & Company shareholders' equity	10650	10772	14192	23041	36788	55451	80171	114048	155185	207238	267304
Noncontrolling interests	126	92	80	81	82	83	84	85	85	86	86
Total equity	10775	10864	14272	23122	36870	55534	80255	114132	155271	207324	267391
Total liabilities and equity	49490	64006	78715	84828	113232	148898	198652	261424	322111	392783	472292



## Eli Lilly

## Forecasted Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Cash flows from Operating Activities:</b>								
Net Income	14258	20102	27291	36147	45346	55065	64240	74129
<b>Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:</b>								
Amortization Expense	501	490	488	481	467	467	467	467
Depreciation Expense	1436	1605	1805	2003	2160	2315	2457	2584
Changes in working capital accounts:								
Changes in accounts receivable	-4025	-4235	-5573	-7421	-6737	-7025	-6707	-6717
Change in other accounts receivable	-1265	-996	-1310	-1745	-1584	-1652	-1577	-1579
Changes in inventories	-2094	-2728	-3590	-4781	-4340	-4526	-4321	-4327
Changes in Prepaid Expenses	-1012	-2667	-3509	-4673	-4242	-4423	-4223	-4229
Changes in accounts payable	1268	1267	1667	2220	2016	2102	2006	2009
Changes in accrued retirement benefits	58	61	63	66	69	72	75	79
Changes in other current liabilities	1311	1793	2359	3141	2852	2974	2839	2843
Changes in other noncurrent liabilities	61	63	64	66	68	70	72	74
Changes in employee compensation	615	763	1004	1337	1214	1266	1209	1210
Changes in sales rebates & discounts	4620	4553	5992	7978	7243	7553	7211	7221
Change in Income Taxes Payable	-1891	550	-1469	4459	6135	-1964	-847	-995
Change in Deferred Tax Assets	3229	-1956	-2406	-2964	-3079	-3252	-3071	-3309
<b>Net cash provided by operating activities</b>	<b>17070</b>	<b>18665</b>	<b>22876</b>	<b>36317</b>	<b>47588</b>	<b>49041</b>	<b>59832</b>	<b>69461</b>
<b>Cash Flows From Investing Activities</b>								
Change in Operating Lease Asset	-26	-31	-30	-24	-24	-22	-19	-18
Change in Short Term Investments	-7	-7	-8	-8	-8	-9	-9	-9
Change in Investments	-144	-150	-157	-164	-171	-179	-187	-195
Change in Net PPE (Capital Expenditure)	-3453	-3986	-4166	-3868	-4007	-4014	-3963	-3994
Change in Goodwill	0	0	0	0	0	0	0	0
Change in Other Intangible Assets	0	0	0	0	0	0	0	0
Changes in other assets	-649	-766	-759	-600	-594	-546	-484	-454
<b>Net cash used for investing activities</b>	<b>-4278</b>	<b>-4940</b>	<b>-5120</b>	<b>-4664</b>	<b>-4804</b>	<b>-4769</b>	<b>-4662</b>	<b>-4671</b>
<b>Cash Flows from Financing Activities</b>								
Change in Dividends Payable	6	236	568	700	10	615	-435	469
Change in Short-term borrowings & current maturities of long-term debt	-4336	748	987	-2074	2635	0	0	0
Change in Long-Term Debt	-4449	4621	5766	7139	6652	6863	6488	6530
Changes in Cost of common stock in treasury	-2	-2	-2	-1	-1	-1	-1	-1
Changes in Common Equity	0	0	0	0	0	0	0	0
Total Dividends Paid	-5408	-6353	-8626	-11426	-11468	-13926	-12186	-14062
Changes in Employee Benefit Trust	0	0	0	0	0	0	0	0
Changes in Accumulated other comprehensive income (loss)	0	0	0	0	0	0	0	0
Changes in Noncontrolling interests	1	1	1	1	1	1	1	0
<b>Net Cash Provided by (Used for) Financing Activities</b>	<b>-14187</b>	<b>-748</b>	<b>-1306</b>	<b>-5662</b>	<b>-2172</b>	<b>-6450</b>	<b>-6133</b>	<b>-7064</b>
Net increase (decrease) in cash & cash equivalents	-1396	12977	16451	25991	40613	37822	49036	57726
Cash & cash equivalents at beginning of year	3268	1873	14850	31300	57291	97904	135726	184763
<b>Cash &amp; cash equivalents at end of year</b>	<b>1873</b>	<b>14850</b>	<b>31300</b>	<b>57291</b>	<b>97904</b>	<b>135726</b>	<b>184763</b>	<b>242489</b>

Historical Cash Flow Statement

<b>Fiscal Years Ending Dec. 31</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Net income (loss)	\$ 6,244.80	\$ 5,240.40	10,590.00
<b>Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:</b>			
Gain related to disposition of Elanco	-	-	-
Gain on sale of antibiotic business in China	-	-	-
Depreciation & amortization	1522.5	1527.3	1,766.60
Debt extinguishment loss	-	-	-
Change in deferred income taxes	-2185.2	-2341	-2,683.10
Stock-based compensation expense	371.1	628.5	645.6
Net investment losses (gains)	420	23.5	49.8
Acquired in-process research & development	420.9	3799.8	3,280.40
Net proceeds from (payments for) terminations of interest rate swaps	-	-	-
Other non-cash operating activities, net	304.8	295.5	777.4
Other Changes in operating assets and liabilities, net of acquisitions and divestitures:			
Receivables	-299.6	-2451	-2,155.20
Inventories	-599.7	-1425	-2,507.40
Other assets	-793.5	-3453.4	-3,331.20
Income Taxes Payable	346.6	-	-
Accounts payable & other liabilities	1331.7	4274.4	2,608.80
<b>Net cash flows from operating activities</b>	<b>7084.4</b>	<b>4240.1</b>	<b>8,817.90</b>
<b>Cash Flows from Investing Activities</b>			
Purchases of property & equipment	-1854.3	-3447.6	-5,057.80
Disposals of property and equipment	-	-	-
Cash Restricted for pending acquisition	-	-	-
Proceeds from sales & maturities of short-term investments	121.4	192.2	148.9
Purchases of short-term investments	-107.4	-98.2	-98.5
Proceeds from sales of noncurrent investments	342.2	508.1	373.6
Purchases of noncurrent investments	-600.2	-730.8	-677.3
Proceeds from sale of product rights	95.8	1604.3	601.3
Purchase of product rights	-	-	-
Purchases of in-process research & development	-629.7	-3944.5	-3,345.80
Cash paid for acquisitions, net of cash acquired	-327.2	-1044.3	-947.7
Other investing activities, net	-206.4	-191.9	-298.2
<b>Net cash flows from investing activities</b>	<b>-3261.6</b>	<b>-7152.7</b>	<b>-9,301.50</b>
<b>Cash Flows from Financing Activities</b>			
Dividends paid	-3535.8	-4069.3	-4,680.40
Net change in short-term borrowings	1498	4691.4	-1,851.80
Proceeds from issuance of long-term debt	-	3958.5	11,417.10
Repayments of long-term debt	-1560	-	-664.2
Purchases of common stock	-1500	-750	-2,500.00
Net proceeds from Elanco initial public offering	-	-	-
Other financing activities, net	-308.9	-335	-490.6
<b>Net Cash Provided by (Used for) Financing Activities</b>	<b>-5406.7</b>	<b>3495.6</b>	<b>1,230.10</b>
Effect of exchange rate changes on cash & cash equivalents	-167.6	168.6	-296.7
Net increase (decrease) in cash & cash equivalents	-1751.5	751.6	449.8
Cash & cash equivalents at beginning of year	3818.5	2067	2,818.60
<b>Cash &amp; cash equivalents at end of year</b>	<b>\$ 2,067.00</b>	<b>\$ 2,818.60</b>	<b>3,268.40</b>

**Eli Lilly**
*Common Size Income Statement*

<b>Fiscal Years Ending Dec. 31</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost, Expenses, and Others:											
Cost of sales	23.23%	20.75%	18.69%	20.89%	20.11%	19.90%	20.30%	20.10%	20.10%	20.17%	20.12%
Research & development	25.19%	27.29%	24.40%	24.40%	24.40%	24.40%	24.40%	24.40%	24.40%	24.40%	24.40%
Marketing, selling & administrative	22.57%	21.69%	19.08%	21.51%	21.51%	21.51%	21.51%	21.51%	21.51%	21.51%	21.51%
Acquired in-process research & development	3.18%	11.14%	7.28%	4.55%	5.83%	7.52%	9.77%	11.80%	13.93%	15.96%	17.99%
Amortization Expense	2.03%	1.48%	1.23%	1.11%	1.09%	1.08%	1.07%	1.04%	1.04%	1.04%	1.04%
Depreciation Expense	2.86%	2.64%	2.35%	3.19%	3.56%	4.01%	4.45%	4.79%	5.14%	5.46%	5.74%
Asset impairment, restructuring & other special charges	0.86%	0.20%	1.91%	1.53%	1.22%	0.98%	0.78%	0.63%	0.50%	0.40%	0.32%
Other income (expense) - net	1.12%	0.28%	0.49%	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%
Total costs, expenses & other expenses	76.15%	80.79%	71.85%	104.57%	129.62%	163.80%	211.04%	251.13%	292.63%	332.50%	370.73%
Income (loss) before income taxes	23.85%	19.21%	28.15%	34.42%	48.53%	65.89%	87.27%	109.48%	132.94%	155.09%	178.97%
Income taxes	1.97%	3.85%	4.64%	2.77%	3.90%	5.30%	7.02%	8.80%	10.69%	12.47%	14.39%
Net income (loss)	21.88%	15.36%	23.51%	31.66%	44.63%	60.59%	80.25%	100.67%	122.25%	142.62%	164.58%

## Eli Lilly

## Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Assets</b>											
Cash & cash equivalents	7.24%	8.26%	7.26%	2.99%	18.51%	30.25%	42.64%	60.28%	70.81%	84.13%	97.94%
Short-term investments	0.51%	0.32%	0.34%	0.26%	0.21%	0.17%	0.14%	0.12%	0.10%	0.10%	0.09%
Accounts receivable, net of allowances	24.22%	26.68%	24.43%	24.01%	24.01%	24.01%	24.01%	24.01%	24.01%	24.01%	24.01%
Other receivables	5.83%	6.58%	5.04%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%
Inventories	15.10%	16.62%	16.85%	15.47%	15.47%	15.47%	15.47%	15.47%	15.47%	15.47%	15.47%
Prepaid expenses & other current assets	10.35%	16.24%	18.76%	15.12%	15.12%	15.12%	15.12%	15.12%	15.12%	15.12%	15.12%
<b>Total current assets</b>	<b>63.19%</b>	<b>75.39%</b>	<b>72.69%</b>	<b>63.49%</b>	<b>78.95%</b>	<b>90.66%</b>	<b>103.01%</b>	<b>120.63%</b>	<b>131.15%</b>	<b>144.46%</b>	<b>158.26%</b>
Investments	10.17%	8.94%	7.14%	5.37%	4.37%	3.54%	2.85%	2.46%	2.18%	1.99%	1.84%
Goodwill	14.27%	14.48%	12.81%	9.22%	7.19%	5.58%	4.29%	3.55%	3.01%	2.63%	2.33%
Other intangibles	25.25%	20.24%	13.69%	9.05%	6.45%	4.53%	3.13%	2.30%	1.71%	1.28%	0.94%
Deferred tax assets	9.79%	16.05%	17.76%	7.62%	8.38%	8.83%	9.00%	9.34%	9.61%	9.79%	10.02%
Property & equipment, net	35.54%	37.84%	37.97%	30.54%	26.79%	23.06%	19.15%	16.98%	15.27%	14.01%	13.00%
Other noncurrent assets	15.20%	14.62%	12.21%	9.82%	8.62%	7.42%	6.16%	5.46%	4.91%	4.51%	4.18%
<b>Total assets</b>	<b>173.40%</b>	<b>187.57%</b>	<b>174.76%</b>	<b>135.50%</b>	<b>141.11%</b>	<b>143.92%</b>	<b>147.84%</b>	<b>160.95%</b>	<b>168.04%</b>	<b>178.84%</b>	<b>190.75%</b>
<b>Liabilities and Equity</b>											
Short-term borrowings & current maturities of l	5.26%	20.23%	11.36%	1.25%	1.91%	2.43%	0.33%	1.89%	1.60%	1.40%	1.24%
Accounts payable	6.76%	7.62%	7.17%	7.18%	7.18%	7.18%	7.18%	7.18%	7.18%	7.18%	7.18%
Employee compensation	3.71%	4.84%	4.65%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Sales rebates & discounts	30.78%	34.25%	25.62%	25.81%	25.81%	25.81%	25.81%	25.81%	25.81%	25.81%	25.81%
Dividends payable	3.56%	3.43%	2.99%	2.16%	1.98%	2.08%	2.13%	1.77%	1.82%	1.39%	1.42%
Other current liabilities	8.30%	9.62%	11.21%	10.16%	10.16%	10.16%	10.16%	10.16%	10.16%	10.16%	10.16%
<b>Total current liabilities</b>	<b>60.05%</b>	<b>79.98%</b>	<b>63.00%</b>	<b>50.89%</b>	<b>51.37%</b>	<b>52.00%</b>	<b>49.94%</b>	<b>51.14%</b>	<b>50.91%</b>	<b>50.27%</b>	<b>50.15%</b>
Long-term debt	51.64%	53.69%	63.33%	38.46%	35.77%	33.31%	30.96%	29.71%	28.75%	28.05%	27.52%
Accrued retirement benefits	4.57%	4.22%	2.89%	4.64%	4.64%	4.64%	4.64%	4.64%	4.64%	4.64%	4.64%
Long-term income taxes payable	13.00%	11.28%	9.02%	3.47%	3.39%	1.21%	4.25%	7.29%	5.15%	4.11%	3.25%
Other noncurrent liabilities	6.08%	6.57%	4.84%	3.58%	2.87%	2.29%	1.81%	1.54%	1.34%	1.20%	1.10%
Total other liabilities	75.60%	75.75%	80.07%	47.67%	43.79%	38.24%	38.18%	39.54%	36.13%	34.17%	32.61%
Total Liabilities	135.64%	155.73%	143.07%	98.56%	95.16%	90.24%	88.11%	90.68%	87.04%	84.44%	82.75%
<b>Eli Lilly and Company Shareholders' Equity</b>											
Common Equity	26.33%	22.99%	17.83%	12.83%	10.01%	7.76%	5.98%	4.94%	4.19%	3.66%	3.24%
Retained earnings (accumulated deficit)	35.19%	30.22%	30.07%	35.77%	45.04%	52.98%	59.19%	69.82%	80.62%	94.07%	107.70%
Employee benefit trust	-10.56%	-8.83%	-6.69%	-4.81%	-3.76%	-2.91%	-2.24%	-1.86%	-1.57%	-1.37%	-1.22%
Accumulated other comprehensive income (lo	-13.47%	-12.68%	-9.60%	-6.90%	-5.39%	-4.18%	-3.22%	-2.66%	-2.25%	-1.97%	-1.75%
Cost of common stock in treasury	0.18%	0.13%	-0.11%	-0.08%	-0.07%	-0.05%	-0.04%	-0.04%	-0.03%	-0.03%	-0.02%
Total Eli Lilly & Company shareholders' equity	37.31%	31.57%	31.51%	36.80%	45.85%	53.60%	59.67%	70.21%	80.96%	94.36%	107.96%
Noncontrolling interests	0.44%	0.27%	0.18%	0.13%	0.10%	0.08%	0.06%	0.05%	0.04%	0.04%	0.03%
<b>Total equity</b>	<b>37.75%</b>	<b>31.84%</b>	<b>31.68%</b>	<b>36.93%</b>	<b>45.95%</b>	<b>53.68%</b>	<b>59.73%</b>	<b>70.27%</b>	<b>81.00%</b>	<b>94.40%</b>	<b>107.99%</b>
<b>Total liabilities and equity</b>	<b>173.40%</b>	<b>187.57%</b>	<b>174.76%</b>	<b>135.50%</b>	<b>141.11%</b>	<b>143.92%</b>	<b>147.84%</b>	<b>160.95%</b>	<b>168.04%</b>	<b>178.84%</b>	<b>190.75%</b>

Eli Lilly  
Value Driver Estimation

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>NOPLAT:</b>											
Revenue	28541	34124	45043	62604	80244	103457	134367	162429	191688	219622	247599
Less: COGS	6630	7082	8418	13079	16138	20585	27276	32653	38529	44293	49826
Less: Depreciation	817	902	1058	1436	1605	1805	2003	2160	2315	2457	2584
Less: Amortization	580	506	553	501	490	488	481	467	467	467	467
Less: R&D	7191	9313	10991	15275	19580	25244	32785	39633	46772	53588	60414
Less SG&A	6440	7403	8594	13466	17261	22254	28902	34938	41232	47241	53259
Less: Acquired in process R&D	909	3800	3280	2049	2627	3387	4399	5317	6275	7190	8105
Plus: Implied interest on leases - beg PV operating leases * R	4	4	8	10	11	13	14	15	16	17	18
<b>EBITA</b>	<b>5979</b>	<b>5123</b>	<b>12157</b>	<b>16809</b>	<b>22555</b>	<b>29708</b>	<b>38534</b>	<b>47276</b>	<b>56114</b>	<b>64404</b>	<b>72963</b>
Plus: Provision for income taxes expense	562	1314	2090	1247	1758	2386	3161	3965	4815	5617	6482
Plus: Tax on Asset impairment, restructuring & other special c	42	12	69	55	44	35	28	23	18	15	12
Plus: Tax on Interest Expense	57	89	63	116	85	104	127	145	176	200	222
Less: Tax on Net investment gains (losses) on equity securitie	-71	-4	0	0	0	0	0	0	0	0	0
Less: Tax on Interest income	-11	-32	-14	-24	-19	-67	-126	-220	-366	-503	-680
Less: Tax on Gain on sale of antibiotic business in China	0	0	0	0	0	0	0	0	0	0	0
Plus: Tax on lease interest (m. tax rate * implied interest)	1	1	1	1	1	1	1	1	1	1	1
Total Adjusted Tax	722	1389	2209	1395	1869	2460	3191	3913	4644	5330	6038
Plus: Change in deferred taxes- find on Balance Sheet	-2185	-2341	-2683	3229	-1956	-2406	-2964	-3079	-3252	-3071	-3309
<b>NOPLAT</b>	<b>3072</b>	<b>1393</b>	<b>7265</b>	<b>18643</b>	<b>18731</b>	<b>24842</b>	<b>32379</b>	<b>40284</b>	<b>48217</b>	<b>56004</b>	<b>63616</b>
<b>Invested Capital (IC):</b>											
Plus: Normal Cash (industry specific, look at historical level)	2067	2471	3262	4534	5811	7492	9731	11763	13882	15905	17931
Plus: Accounts receivable	6912	9105	11006	15030	19265	24839	32259	38997	46022	52728	59445
Plus: Inventory	4310	5670	7589	9683	12412	16002	20783	25123	29649	33970	38297
Plus: Prepaid expenses and other operating current assets	2954	5541	8452	9464	12131	15640	20312	24555	28978	33201	37430
Less: Accounts Payable	1931	2599	3229	4497	5764	7431	9651	11667	13768	15775	17784
Less: Accrued Liabilities	1305	1439	1301	1359	1419	1483	1549	1618	1690	1766	1844
Less: Dividends Payable	1017	1169	1346	1352	1588	2157	2857	2867	3482	3046	3516
Less: Employee Compensation	1060	1650	2094	2708	3472	4476	5813	7027	8293	9502	10712
<b>Net Operating Working Capital</b>	<b>10930</b>	<b>15931</b>	<b>22340</b>	<b>28796</b>	<b>37376</b>	<b>48427</b>	<b>63216</b>	<b>77259</b>	<b>91298</b>	<b>105716</b>	<b>119247</b>
Plus: Net PPE	10144	12914	17102	19120	21501	23862	25728	27575	29274	30780	32191
Plus: Net Other Operating Assets	4337	4990	5501	6150	6915	7675	8275	8869	9415	9900	10353
Plus: Intangible Assets, net	7207	6907	6166	5666	5176	4688	4206	3739	3272	2805	2338
Plus: Capitalized PV of Operating Leases	131	237	219	245	275	306	330	353	375	394	412
Less: Other Operating Liabilities	1737	2241	2178	2239	2302	2366	2433	2501	2571	2643	2717
<b>Total IC</b>	<b>31012</b>	<b>38737</b>	<b>49150</b>	<b>57737</b>	<b>68942</b>	<b>82591</b>	<b>99322</b>	<b>115295</b>	<b>131063</b>	<b>146951</b>	<b>161825</b>
<b>Free Cash Flow (FCF):</b>											
NOPLAT	3072	1393	7265	18643	18731	24842	32379	40284	48217	56004	63616
Change in IC	2069	7726	10413	8587	11205	13649	16731	15973	15768	15888	14873
<b>FCF</b>	<b>1003</b>	<b>-6333</b>	<b>-3148</b>	<b>10056</b>	<b>7525</b>	<b>11193</b>	<b>15648</b>	<b>24311</b>	<b>32449</b>	<b>40116</b>	<b>48742</b>
<b>Return on Invested Capital (ROIC):</b>											
NOPLAT	3072	1393	-2683	18643	18731	24842	32379	40284	48217	56004	63616
Beginning IC	28942	31012	38737	49150	57737	68942	82591	99322	115295	131063	146951
<b>ROIC</b>	<b>10.62%</b>	<b>4.49%</b>	<b>-6.93%</b>	<b>37.93%</b>	<b>32.44%</b>	<b>36.03%</b>	<b>39.20%</b>	<b>40.56%</b>	<b>41.82%</b>	<b>42.73%</b>	<b>43.29%</b>
<b>Economic Profit (EP):</b>											
Beginning IC	28942	31012	38737	49150	57737	68942	82591	99322	115295	131063	146951
x (ROIC - WACC)	2.63%	-3.50%	-14.91%	29.94%	24.45%	28.05%	31.22%	32.57%	33.83%	34.74%	35.30%
<b>EP</b>	<b>761</b>	<b>-1084</b>	<b>-5777</b>	<b>14717</b>	<b>14119</b>	<b>19336</b>	<b>25782</b>	<b>32351</b>	<b>39009</b>	<b>45536</b>	<b>51879</b>



**Eli Lilly***Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.46%
Beta	0.69
Equity Risk Premium	5.38%
<b>Cost of Equity</b>	<b>8.15%</b>

**ASSUMPTIONS:***10-year Treasury bond**Bloomberg Rating**Kroll current ERP recommendation***Cost of Debt:**

Risk-Free Rate	4.46%
Implied Default Premium	0.19%
Pre-Tax Cost of Debt	4.65%
Marginal Tax Rate	8%
<b>After-Tax Cost of Debt</b>	<b>4.28%</b>

*10-year Treasury bond**YTM on company's 5-year corporate bond issued Feb-12-25***Market Value of Common Equity:**

Total Shares Outstanding	948,169,999
Current Stock Price	\$817.33
<b>MV of Equity</b>	<b>\$ 774,967,785,282.67</b>

**MV Weights**

95.81%

**Market Value of Debt:**

Short-Term Debt	
Current Portion of LTD	\$5,117,100,000.00
Long-Term Debt	\$28,527,100,000.00
PV of Operating Leases	\$219,100,000.00
<b>MV of Total Debt</b>	<b>\$ 33,863,300,000.00</b>

4.19%

**Market Value of the Firm****808,831,085,282.67**

100.00%

**Estimated WACC****7.99%**

# Eli Lilly

## Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

### Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	43.29%
WACC	7.99%
Cost of Equity	8.15%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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### DCF Model:

Free Cash Flow (FCF)	10056	7525	11193	15648	24311	32449	40116	0		
Continuing Value (CV)								1092415		
PV of FCF	9312	6453	8889	11507	16556	20463	23427	637947		

### Value of Operating Assets:

<b>Non-Operating Adjustments</b>	<b>-31873</b>
<i>Plus: Investments</i>	3216
<i>Plus: Short Term Investments</i>	155
<i>Less: Operating Lease Assets</i>	-219
<i>Less: Non-Controlling Interest</i>	-80
<i>Less: Accrued Retirement Benefits</i>	-1301
<i>Less: Short-term borrowings &amp; current maturities of long-term debt</i>	-5117
<i>Less: Long Term Debt</i>	-28527
<b>Value of Equity</b>	<b>702681</b>
Shares Outstanding	898.8
Intrinsic Value of Last FYE	\$ 781.83
<b>Implied Price as of Today</b>	<b>\$ 799.24</b>

### EP Model:

Economic Profit (EP)	14717	14119	19336	25782	32351	39009	45536	51879		
Continuing Value (CV)								945464		
PV of EP	13629	12108	15355	18960	22031	24600	26592	552130		

Total PV of EP	685404
Invested Capital (last FYE)	49150
<b>Value of Operating Assets:</b>	<b>734554</b>
<b>Non-Operating Adjustments</b>	<b>-31873</b>
<i>Plus: Investments</i>	3216
<i>Plus: Short Term Investments</i>	155
<i>Less: Operating Lease Assets</i>	-219
<i>Less: Non-Controlling Interest</i>	-80
<i>Less: Accrued Retirement Benefits</i>	-1301
<i>Less: Short-term borrowings &amp; current maturities of long-term debt</i>	-5117
<i>Less: Long Term Debt</i>	-28527
<b>Value of Equity</b>	<b>702681</b>
Shares Outstanding	898.8
Intrinsic Value of Last FYE	\$ 781.83
<b>Implied Price as of Today</b>	<b>\$ 799.24</b>

**Eli Lilly***Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<b>Fiscal Years Ending</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
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EPS	\$	15.85	\$	22.39	\$	30.45	\$	40.40	\$	50.76	\$	61.73	\$	72.12	\$	83.33
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**Key Assumptions**

CV growth of EPS	2.50%
CV Year ROE	27.72%
Cost of Equity	8.15%

**Future Cash Flows**

P/E Multiple (CV Year)																16.11
EPS (CV Year)																\$ 83.33
Future Stock Price																\$ 1,342.01
Dividends Per Share	\$	6.02	\$	7.08	\$	9.63	\$	12.78	\$	12.85	\$	15.62	\$	13.69		
Discounted Cash Flows	\$	5.56	\$	6.06	\$	7.62	\$	9.34	\$	8.68	\$	9.76	\$	7.91	\$	775.51

Intrinsic Value as of Last FYE	\$ 830.45
<b>Implied Price as of Today</b>	<b>\$ 848.95</b>

**Eli Lilly***Relative Valuation Models*

Ticker	Company	Price	EPS		P/E	
			2025E	2026E	25	26
PFE	Pfizer Inc.	\$24.57	\$2.95	\$3.05	8.33	8.06
JNJ	Johnson & Johnson	\$159.46	\$10.58	\$11.12	15.07	14.34
MRK	Merck & Co., Inc.	\$86.73	\$8.96	\$9.85	9.68	8.81
NVO	Novo Nordisk A/S	\$67.40	\$27.20	\$32.24	2.48	2.09
ABBV	AbbVie Inc.	\$202.48	\$12.28	\$13.88	16.49	14.59
GSK	GSK plc	\$38.73	\$4.26	\$4.67	9.09	8.29
JAZZ	Jazz Pharmaceuticals plc	\$121.18	\$23.31	\$22.87	5.20	5.30
BMJ	Bristol-Myers Squibb Co	\$58.77	\$6.76	\$6.15	8.69	9.56
Average					9.38	8.88

LLY	Eli Lilly	\$817.33	\$	15.85	\$	22.39	51.6	36.5
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**Implied Relative Value:**

P/E (EPS25)	\$	148.64
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P/E (EPS26)	\$	198.76
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## Eli Lilly

### Key Management Ratios

<b>Fiscal Years Ending Dec. 31</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>
<b>Liquidity Ratios:</b>											
Current Ratio (Current Assets/ Current Liabilities)	1.05	0.94	1.15	1.25	1.54	1.74	2.06	2.36	2.58	2.87	3.16
Quick Ratio ((Current Assets - Inventories) / Current Liabilities))	0.80	0.73	0.89	0.94	1.24	1.45	1.75	2.06	2.27	2.57	2.85
Cash Ratio (Cash and Equivalents/Current Liabilities)	0.12	0.10	0.12	0.06	0.36	0.58	0.85	1.18	1.39	1.67	1.95
<b>Asset-Management Ratios:</b>											
Asset Turnover (Sales/Average Assets)	0.50	0.48	0.55	0.63	0.61	0.60	0.58	0.56	0.54	0.51	-
Inventory Turnover (COGS/Average Inventory)	1.33	1.07	0.97	1.18	1.14	1.12	1.19	1.19	1.21	1.23	-
Days in Inventory Held (365/Inventory Turnover)	274.72	341.68	374.45	308.31	321.31	326.12	307.15	306.13	301.34	297.76	-
Accounts Receivable Turnover (Sales/Average Accounts Receivable)	3.56	3.39	3.46	3.65	3.64	3.62	3.77	3.82	3.88	3.92	-
Days in Accounts Receivable (365/Accounts Receivable)	102.42	107.56	105.49	99.98	100.31	100.72	96.78	95.52	94.02	93.21	-
<b>Financial Leverage Ratios:</b>											
Long-Term Debt to Equity (L-T Debt/Equity)	1.37	1.69	2.00	1.04	0.78	0.62	0.52	0.42	0.35	0.30	0.25
Long-Term Debt to Assets (L-T Debt/ Total Assets)	0.30	0.29	0.36	0.28	0.25	0.23	0.21	0.18	0.17	0.16	0.14
Equity Ratio (Total Equity/ Total Assets)	0.22	0.17	0.18	0.27	0.33	0.37	0.40	0.44	0.48	0.53	0.57
<b>Profitability Ratios:</b>											
Return on Equity (NI/Beg TSE)	57.95%	48.24%	74.20%	61.67%	54.52%	49.14%	45.04%	39.73%	35.46%	30.99%	27.72%
Gross Profit Margin ((Revenue-COGS)/Revenue)	76.77%	79.25%	81.31%	79.11%	79.89%	80.10%	79.70%	79.90%	79.90%	79.83%	79.88%
Net Profit Margin (Net Income/Sales)	21.88%	15.36%	23.51%	22.78%	25.05%	26.38%	26.90%	27.92%	28.73%	29.25%	29.94%
Operating Profit Margin (EBIT/Revenue)	20.95%	15.01%	26.99%	26.85%	28.11%	28.72%	28.68%	29.11%	29.27%	29.33%	29.47%
Return on Assets (Net Income/ Total Assets)	12.62%	8.19%	13.45%	16.81%	17.75%	18.33%	18.20%	17.35%	17.10%	16.36%	15.70%
<b>Payout Policy Ratios:</b>											
Dividend Payout Ratio (Dividend/EPS)	56.57%	77.66%	44.22%	37.96%	31.64%	31.64%	31.64%	25.31%	25.31%	18.98%	18.98%
Total Payout Ratio ((Divs. + Repurchases)/NI)	80.62%	91.96%	67.83%	48.44%	39.07%	37.10%	35.76%	28.60%	28.01%	21.30%	20.99%



Eli Lilly  
Sensitivity Tables

Equity Risk Premium	DCF_DP		Beta					
	799.24	0.55	0.59	0.64	0.69	0.74	0.79	0.84
	5.08%	983.89	935.91	881.23	836.41	786.54	745.30	707.47
	5.18%	970.51	922.71	868.28	823.71	774.14	733.19	695.64
	5.28%	957.42	909.82	855.65	811.32	762.07	721.39	684.13
	5.38%	944.63	897.23	843.32	799.24	750.29	709.90	672.92
	5.48%	932.12	884.93	831.29	787.45	738.82	698.71	662.01
	5.58%	919.89	872.90	819.53	775.95	727.62	687.80	651.37
	5.68%	907.93	861.14	808.05	764.72	716.70	677.16	641.01

CV Growth of NOPLAT	Marginal tax rate							
	799.24	6.54%	7.04%	7.54%	8.04%	8.54%	9.04%	9.54%
	1.75%	723.31	723.45	723.59	723.72	723.86	724.00	724.14
	2.00%	746.35	746.50	746.65	746.79	746.94	747.09	747.23
	2.25%	771.40	771.56	771.72	771.87	772.03	772.19	772.35
	2.50%	798.73	798.90	799.07	799.24	799.41	799.58	799.75
	2.75%	828.67	828.85	829.04	829.22	829.40	829.58	829.76
	3.00%	861.61	861.81	862.01	862.20	862.40	862.60	862.79
	3.25%	898.02	898.24	898.45	898.67	898.88	899.10	899.31

Cymaza Post-Patent Regression Rate ('27-'32)	Jardiance Post-Patent Regression Rate ('29-'32)							
	799.24	0.70	0.75	0.80	0.85	0.90	0.95	1.00
	0.70	762.82	773.84	785.65	798.32	811.90	826.43	841.99
	0.75	763.05	774.07	785.88	798.55	812.12	826.66	842.21
	0.80	763.35	774.36	786.18	798.85	812.42	826.96	842.51
	0.85	763.74	774.75	786.57	799.24	812.81	827.35	842.90
	0.90	764.24	775.26	787.07	799.74	813.32	827.85	843.41
	0.95	764.88	775.90	787.71	800.38	813.96	828.49	844.05
	1.00	765.69	776.71	788.52	801.19	814.77	829.30	844.85

Mounjaro Growth Rate ( '25-'32)	Zepbound Long Term Growth Rate ('26-'32)							
	799.24	30%	35%	40%	45%	50%	55%	60%
	15%	539.93	582.93	633.72	693.43	763.31	844.78	939.37
	20%	569.54	612.55	663.34	723.05	792.93	874.40	969.00
	25%	604.57	647.58	698.37	758.08	827.97	909.43	1,004.03
	30%	645.73	688.74	739.53	799.24	869.13	950.60	1,045.20
	35%	693.79	736.81	787.60	847.31	917.20	998.67	1,093.27
	40%	749.60	792.62	843.41	903.12	973.01	1,054.48	1,149.08
	45%	814.06	857.08	907.87	967.58	1,037.47	1,118.95	1,213.55

Pre-Tax Cost of Debt	Risk Free Rate							
	799.24	3.86%	4.06%	4.26%	4.46%	4.66%	4.86%	5.06%
	4.05%	923.71	880.69	840.88	803.22	769.55	737.49	707.53
	4.25%	922.02	879.13	839.44	801.89	768.31	736.34	706.46
	4.45%	920.33	877.58	838.00	800.56	767.08	735.19	705.39
	4.65%	918.66	876.04	836.58	799.24	765.85	734.05	704.33
	4.85%	916.97	874.48	835.14	797.91	764.62	732.91	703.26
	5.05%	915.30	872.94	833.72	796.60	763.40	731.77	702.19
	5.25%	913.64	871.41	832.30	795.28	762.18	730.63	701.13

Implied Depreciation Rate	Cost of Equity							
	799.24	6.65%	7.15%	7.65%	8.15%	8.65%	9.15%	9.65%
	6.89%	1,158.89	1,013.88	897.10	801.12	720.93	653.00	594.76
	7.39%	1,157.72	1,012.90	896.26	800.41	720.32	652.47	594.31
	7.89%	1,156.62	1,011.98	895.48	799.74	719.75	651.98	593.89
	8.39%	1,155.59	1,011.11	894.75	799.12	719.22	651.53	593.50
	8.89%	1,154.63	1,010.31	894.07	798.55	718.73	651.11	593.14
	9.39%	1,153.73	1,009.56	893.44	798.01	718.27	650.72	592.80
	9.89%	1,152.890	1,008.862	892.855	797.516	717.853	650.360	592.500

**Eli Lilly**
*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares): 0  
Average Time to Maturity (years): 0.00  
Expected Annual Number of Options Exercised: 0

Current Average Strike Price: #DIV/0!  
Cost of Equity: 8.15%  
Current Stock Price: \$817.33

<b>Fiscal Years Ending Dec. 31</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>	<b>2033E</b>	<b>2034E</b>
Increase in Shares Outstanding:	0	0	0	0	0	0	0	0	0	0
Average Strike Price:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Increase in Common Stock Account:</b>	-	-	-	-	-	-	-	-	-	-
Share Repurchases (\$)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500		
Expected Price of Repurchased Shares:	\$ 817.33	\$ 878.74	\$ 944.76	\$ 1,015.74	\$ 1,092.05	\$ 1,174.10	\$ 1,262.31	\$ 1,357.15	\$ 1,459.11	\$ 1,568.73
<b>Number of Shares Repurchased:</b>	<b>1.835</b>	<b>1.707</b>	<b>1.588</b>	<b>1.477</b>	<b>1.374</b>	<b>1.278</b>	<b>1.188</b>	<b>1.105</b>	-	-
Shares Outstanding (beginning of the year)	901	899	897	895	894	893	891	890	889	889
Plus: Shares Issued Through ESOP	0	0	0	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	-	-
<b>Shares Outstanding (end of the year)</b>	<b>899</b>	<b>897</b>	<b>895</b>	<b>894</b>	<b>893</b>	<b>891</b>	<b>890</b>	<b>889</b>	<b>889</b>	<b>889</b>