

Eli Lilly and Company (LLY)

NYSE: LLY | Pharmaceuticals: obesity, diabetes, immunology, oncology, neuroscience | Equity research update | 16 October 2026

Last close (15 October 2026)	\$1,251.61	Recommendation	WATCHLIST, from fundamentals (unchanged)
Previous report (29 Sep)	\$1,184.78 close of 28 Sep	Investment score	73.8 / 100 (prior 75.8)
Move since then	+5.6%	Weighted fair value	\$1,233.02; -1.5%
P/E, 2026 guide / 2027E	34.8x / 26.6x	Price of interest	About \$1,058
Market value (approx.)	\$1.12 trillion	Technical read (chart only)	Conflicts: uptrend
2027 EPS consensus	\$47.54 (27 analysts)	Next results	Q3 2026: 29 Oct, 10am ET

A European Recommendation, Not Yet an Approval

On 16 October the European Medicines Agency's human medicines committee (CHMP), at its 12-15 October meeting, adopted a positive opinion recommending EU marketing authorisation for Foundayo (orforglipron), Lilly's once-daily GLP-1 tablet. The recommendation covers weight management in adults with obesity, or with overweight and at least one weight-related health problem, and type 2 diabetes in adults. It is not yet an approval: the European Commission takes the binding decision, and has not announced a date. Headlines describing an EU approval overstate where the process stands. The Commission rarely departs from a CHMP opinion, so the remaining regulatory risk is small, and the commercial question is what Europe is worth.

The answer is: not much, and not soon. National pricing and reimbursement decisions follow authorisation country by country, most European health systems restrict obesity coverage, and Novo Nordisk's Wegovy pill has held EU approval since July. Our estimate puts European Foundayo sales at about \$0.4bn in 2027, worth roughly \$0.23 of EPS, or 0.5% of the base case. A strong uptake would add about \$0.28 a share of earnings, about \$7 on the share price at the base multiple; a weak one would subtract about \$0.17. The opinion de-risks a timeline that consensus already assumed. It does not change the case.

The shares have risen 5.6% since the last report, to \$1,251.61, mostly on 14-15 October as investors rotated into large pharmaceutical stocks. 2027 consensus EPS edged up to \$47.54 from \$47.23 a month ago. The base case is worth \$1,245.50 a share, on 2027 EPS of \$47.00 at 26.5 times, and the probability-weighted value is \$1,233.02, 1.5% below the price. The published levels still hold: the last report's interest level of \$1,050 sat just under the 200-day average, and it still does, with that average now at \$1,079.02.

Verdict: Watchlist, from fundamentals. Technical read (chart only): Conflicts. The chart is in an uptrend, above a rising 50-day average, so the stock is moving away from the level of interest rather than toward it; watch closely but the rating does not change. The name becomes interesting at **about \$1,058**, 22.5 times our 2027 EPS and about 2% below the 200-day average, where the weighted value would offer about 17% upside.

1. What has changed since the last report

Item	29 September report	16 October	Read
Price	\$1,184.78 (28 Sep)	\$1,251.61 (15 Oct)	+5.6%; 52-week high \$1,292.65
2027 EPS used (base)	\$47.00	\$47.00	Consensus \$47.54, up from \$47.23; base trimmed for price erosion
Base / bull / bear multiple	26x / 30x / 21x	26.5x / 30x / 21x	Base up half a turn as the oral franchise is de-risked
Scenario weights	25 / 50 / 25	25 / 52 / 23	Bear case lighter after CV safety data and EU opinion
Weighted fair value	\$1,213.00	\$1,233.02	Up 1.6%; price up more

Item	29 September report	16 October	Read
Foundayo in Europe	Under review	CHMP positive opinion, EC decision pending	Sized below 1% of 2027 EPS
Price of interest	\$1,050	About \$1,058	22.5x base EPS; still just below the 200-day
Investment score	75.8 (restated)	73.8	Management and Risk down 1

The prior score is restated on the seven-factor basis, without the former chart-based factor, for comparability. The prior Risk score was already on the 10 = lowest risk scale.

2. Do the published levels still hold?

Level	Anchor then	Anchor now	Status
\$1,050 level of interest	About 22x base 2027 EPS; just below the 200-day average	22.3x base EPS of \$47.00; 2.7% below the 200-day of \$1,079.02	Holds; refined to \$1,058
New: \$1,058	-	22.5x base EPS; 1.9% below the 200-day; 35% above the 52-week low of \$783.85	Weighted value 17% higher
Cut-loss / targets	None (Watchlist)	None (Watchlist)	No position is recommended

Averages computed in code from daily closing prices to 15 Oct 2026.

The stock is 19% above the level of interest, so no level has been reached and none has been broken. The 200-day average that anchored the old level has risen and still sits just above it, which keeps the description accurate. The refinement to \$1,058 reflects a 22.5 times multiple on unchanged base earnings, not a change in the case.

3. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Foundayo EU opinion	CHMP positive opinion, 12-15 Oct meeting, published 16 Oct; EC decision pending	Recommended for weight management and type 2 diabetes in adults; once-daily tablet, any time of day, with or without food	EC decision expected, date not announced; our estimate: EU sales \$0.1-0.9bn in 2027	High (Foundayo franchise)
Foundayo data at EASD	29-30 Sep, 1 Oct	ACHIEVE-4: MACE-4 hazard ratio 0.84 vs insulin glargine, non-inferior; indirect comparison: 17.2 mg 1.5% more weight loss than oral semaglutide 25 mg	Management: type 2 diabetes filing in the US under a priority voucher; decision pending	High (same item)
Foundayo uptake	21-22 Sep	CEO said about one-third of new oral GLP-1 patients start on Foundayo (reported); Houston ingredient plant broke ground 22 Sep	Q3 sales on 29 Oct are the first hard read	High (same item)
US pricing	No new action in the window	Medicare GLP-1 bridge at \$50 a month live since 1 Jul; underlying US price -9% in Q2	Q3 results show whether erosion is narrowing	High (pending)
Retatrutide	80-week data 30 Sep; filing early 2027	Phase 3 weight loss confirmed at EASD	Management: submission early 2027	High (pending, no change)
Acquisitions and licensing	Merida (up to \$2.875bn) closes Q4; small deals 23 Sep-15 Oct	AtaiBeckley closed 11 Sep; InnoCare and Noah Health licences; Adlai Nortye trial collaboration	Further deals signalled by management (reported)	Medium
Jaypirca first-line CLL	FDA approval, 2 Oct	Untreated CLL/SLL without 17p deletion	-	Low

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Onswik weekly insulin	FDA approval 24 Sep; launch in coming months	First once-weekly basal insulin in the US	-	Medium
Immunology data	Omvoh 15 Oct; Taltz with Zepbound 9 Oct	One-year steroid-free control in UC and Crohn's; Phase 3b psoriasis data	-	Low
Q3 2026 results	29 Oct, 10am ET (confirmed 15 Oct)	-	2026 guide \$85-87bn revenue, \$35.50-36.50 non-GAAP EPS	Dated catalyst

Status as at 16 Oct 2026. Our estimates are labelled; all other items are company or regulator statements unless marked reported.

3a. Foundayo: Europe, the data and what the price assumes

What is known. The CHMP recommended authorisation on the basis of two weight-management studies in more than 4,740 adults, with weight loss of about 5% to 11% at 72 weeks depending on dose against 2% to 2.5% on placebo, and four diabetes studies in 3,765 adults, with HbA1c falling 1.2 to 1.9 points against 0.8 points for dapagliflozin and 1.2 to 1.5 points for oral semaglutide 7 mg and 14 mg. In the US, Foundayo was approved for obesity on 1 April and sold \$98m in Q2. ACHIEVE-4, the longest Phase 3 study, met cardiovascular non-inferiority against insulin glargine, with an 8.8% weight reduction against a 1.7% gain.

Why it matters here. Tirzepatide (Mounjaro and Zepbound) produced \$14.9bn of Q2's \$23.0bn revenue. Foundayo is the oral extension of that franchise and the answer to Novo's Wegovy pill, which launched earlier and outsold it in Q2. Its importance is strategic rather than near-term: it widens the addressable market to patients who will not inject, and it can be made at scale as a small molecule. That is why it is rated High even though its 2027 earnings weight is small.

What success and failure look like. Success is quarterly sales rising steeply from \$98m, a rising share of new oral starts, a US type 2 diabetes label, and EU launches in the larger markets through 2027. Failure is sales flattening below \$500m a quarter through 2027 while the Wegovy pill keeps the lead. The first hard data arrive with Q3 results on 29 October, then the Commission decision and first EU price listings.

Economics. As a pill, Foundayo needs no device and less cold-chain handling, and its ingredient capacity is being built in Indiana, Houston and Ireland. Prices are lower than injectables in self-pay channels, so some substitution from Zepbound is likely; the sizing below treats each dollar as incremental, which flatters the upside. In Europe, uptake depends on national reimbursement, which for obesity is narrow; diabetes reimbursement is broader but competes with a mature oral semaglutide franchise.

Input	Value	Basis
Base 2027 EPS	\$47.00	Consensus \$47.54, trimmed (our estimate)
Diluted shares	894m	2026 guidance basis
Operating margin on Foundayo sales	60%	Our assumption; non-GAAP gross margin 86.3%, less launch costs
Tax rate	16%	Our assumption
Global Foundayo 2027 sales: failure / base / success	\$1.2bn / \$2.5bn / \$4.5bn	Our estimate, includes Europe
of which Europe	\$0.1bn / \$0.4bn / \$0.9bn	Our estimate

Outcome	Global EPS vs base	per share at 26.5x	Europe EPS vs base	per share at 26.5x
Success	+1.13	+30	+0.28	+7
Base	+0.00	+0	+0.00	+0
Failure	-0.73	-19	-0.17	-4

Our calculation: sales x operating margin x (1 - tax rate) / diluted shares. Measured against this report's base case.

Precedent and competitors. Novo's Wegovy pill reached the US and Europe first, and the Rybelsus oral diabetes franchise has been sold in Europe since 2020. First-mover advantage in a self-pay market is real but not decisive; Zepbound overtook Wegovy despite launching later. Lilly's own indirect comparison claims more weight loss than oral semaglutide 25 mg, but an indirect analysis is weaker evidence than a randomised trial.

What the price already assumes. The opinion was expected, and at 26.3 times consensus 2027 EPS the price already embeds a successful oral franchise. A Foundayo failure would cost about \$0.73 of EPS, roughly \$19 a share at the base multiple, but the larger effect would be on the multiple, because the orals underpin the case for growth beyond tirzepatide's patent life. The rise in the shares since the last report coincides with a sector-wide rotation into pharmaceuticals on 14-15 October; it cannot be attributed to Foundayo. Without the European contribution the weighted value would be about \$1,225.83 rather than \$1,233.02, so the verdict and the level of interest are the same with or without it.

What is still unknown. Q3 Foundayo sales and the self-pay mix, the timing and labels of the Commission decision, European list prices and reimbursement, and the timing of the US diabetes decision.

4. Business, industry and financials

Lilly earns most of its profit from incretin medicines for diabetes and obesity: Mounjaro (\$9.9bn in Q2, up 91%) and Zepbound (\$4.9bn, up 46%), now joined by Foundayo. The rest of the portfolio, in oncology (Verzenio, Jaypirca), immunology (Taltz, Omvoh, Ebglyss), neuroscience (Kisunla) and diabetes, provides diversification but not growth of the same order. The obesity market is a two-company race with Novo Nordisk, with more entrants years away; the binding constraints are US net price, payer coverage and manufacturing capacity.

Measure	Value	What it means here
Revenue, Q2 2026	\$23.0bn, +48% y/y	Volume +60% globally; price -13%
US price, Q2	Reported -3%; underlying about -9%	The largest single input to 2027 earnings
Non-GAAP gross margin, Q2	86.3%	Room to absorb price erosion
Non-GAAP EPS, Q2	\$8.38, incl. \$3.03 acquired IPR&D;	Underlying earnings stronger than the headline
2026 guidance	Revenue \$85-87bn; EPS \$35.50-36.50	Revenue raised by \$2.5bn at the midpoint in August
Trailing free cash flow / net debt	About \$18.2bn / about \$45bn (end-June)	Deal spend this year exceeds a year of free cash flow

Company Q2 2026 release (5 Aug 2026) and Q2 filing.

Management has a strong record of meeting and raising guidance, and twice raised 2026 revenue guidance this year. The concern is capital allocation: Centessa, AtaiBeckley and Merida, together with smaller deals, put acquisition commitments above a year of free cash flow, and management has signalled more. That is why the Management score slips by one point; the operating record is unchanged.

5. Growth drivers and risks

Driver	Status and date	Likelihood	Impact
Tirzepatide volume growth	Shipped; Q3 on 29 Oct	High	High
Foundayo ramp, US and Europe	US launched Apr; EU opinion 16 Oct, EC pending	Medium	Medium in 2027, High beyond
Retatrutide	Filing early 2027 (management)	Medium-High	High from 2028
Onswik, Jaypirca first-line, Kisunla	Approved; launching	High	Low-Medium
International Mounjaro	Shipped; ex-US +172% in Q2	High	Medium
Risk	Probability	Severity	Comment
US drug pricing policy	Medium	High	Government pricing reaching commercial channels would hit the core franchise

Risk	Probability	Severity	Comment
US net price erosion	High	Medium	Underlying -9% in Q2; Q3 is the first full quarter of the \$50 Medicare bridge
Revenue concentration	Structural	High	Tirzepatide is about two-thirds of revenue
Oral competition	Medium	Medium	Wegovy pill launched first in the US and EU
Retatrutide setback	Low-Medium	High	Delay or safety signal removes the next growth leg
Acquisition size	Medium	Medium	Commitments exceed trailing free cash flow; more signalled
Multiple compression	Medium	High	At 26.6x 2027 EPS, a move to 21x costs about \$265 a share before any earnings change
Compounded and grey-market supply	Medium	Medium	Caps self-pay pricing

Risk 5/10 means elevated risk for a company of this quality; the risk table describes a business with one dominant molecule, falling US prices and a valuation that leaves little room for error; these agree.

6. Valuation and macro drivers

Lilly trades at 34.8 times the 2026 guidance midpoint and 26.6 times our 2027 base EPS of \$47.00 (26.3 times the \$47.54 consensus). Price-to-earnings on the year ahead is the right basis: earnings are large, positive and growing about 15% in revenue terms in 2027, and acquired IPR&D; charges distort trailing figures. A 26.5 times base multiple allows for growth well above large-cap pharmaceuticals, which trade in the mid-teens, while recognising that much of tirzepatide's growth is now in consensus and that US price is falling. On these inputs the stock is fairly valued, not cheap.

Two macro variables matter. The first is the long-term discount rate: with the Federal Reserve having raised its target range to 3.75%-4.00% in September and September consumer prices up 3.7% on the year, the 10-year Treasury yield stood at about 5.10% on 15 October. For a stock whose value sits in earnings well beyond 2027, a higher discount rate compresses the multiple even if earnings hold. The second is not cyclical: demand for obesity drugs is largely insensitive to the economy, but the self-pay share of Zepbound and Foundayo scripts makes some volume sensitive to household budgets, with September retail sales up 0.8% showing no strain yet.

7. Sentiment

Analysts remain overwhelmingly positive: of 31 ratings, 26 are Buy or Strong Buy, with an average target of \$1,328. In the past week Wells Fargo held \$1,330, RBC \$1,500, Citi \$1,600, Barclays \$1,400, Morgan Stanley \$1,430, JPMorgan \$1,500 and BofA \$1,341. Consensus 2027 EPS has risen from \$44.48 to \$47.54 over 90 days. Lilly Endowment filed notice on 15 October of a proposed sale of 305,000 shares, about \$369m, consistent with its regular selling cadence.

Institutional positioning reads Mixed (moderate confidence), as of 30 June 2026, filings through 19 August 2026. Active managers made a net reduction of about 2.3% of reported shares over four quarters, with adding and cutting evenly split, so the selling comes from a few large active holders rather than broad liquidation. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure.

8. Scorecard

Criterion	Score	Weight	Change	Basis	
Business Quality		9/10	16%	unchanged	Unchanged. Tirzepatide franchise with an 86.3% non-GAAP gross margin in Q2; no new results since the last report.
Financial Strength		8/10	16%	unchanged	Unchanged. Trailing free cash flow about \$18.2bn and net debt about \$45bn at end-June; no new balance sheet until 29 Oct.
Competitive Advantage		9/10	16%	unchanged	Unchanged. The EU recommendation puts Foundayo on track to be the second oral GLP-1 for weight in Europe; Novo's pill still leads in orals.
Management		8/10	10%	-1	Down 1. Deal flow continues (Merida closing this quarter, more licensing) while this year's acquisition spend already exceeds trailing free cash flow.
Growth Potential		8/10	16%	unchanged	Unchanged. 2027 revenue consensus \$102.1bn, about 15% growth; EU Foundayo adds little before 2028.
Valuation		4/10	16%	unchanged	Unchanged. 26.6x our 2027 EPS of \$47.00; the weighted value sits 1.5% below the price.
Risk (10 = lowest risk)		5/10	10%	-1	Down 1. Q3 results on 29 Oct are the first full quarter of the \$50 Medicare bridge, with tirzepatide near two-thirds of revenue and a Fed that is still raising rates.
Investment Score	73.8 / 100	100%	-2.0	Weighted sum of the seven factors	

Scored 1-10, where 10 is always best, including Risk. Default weights 16/16/16/10/16/16/10.

9. Recommendation

Watchlist, unchanged. Lilly is the strongest franchise in the fastest-growing large drug class, and the European opinion moves its oral product a step forward. None of that is in doubt; the price is the obstacle. At \$1,251.61 the base case is worth 0.5% less than the price and the weighted value 1.5% less, so a new buyer is paying for the bull case. The verdict is the same with or without the Foundayo item. The reasoning has shifted slightly: valuation, not oral competition, is now the main reason to wait, because the oral franchise looks more secure than a month ago while the shares have risen faster than fair value.

The name becomes interesting at **about \$1,058**, 22.5 times our base 2027 EPS, where the weighted value would offer about 17% upside. The level is intended to be used after the 29 October results, which will show whether US price erosion is narrowing. No cut-loss or take-profit is published for a Watchlist rating.

What would change the view	Direction
Price near \$1,058, about 22.5x base 2027 EPS, with Q3 results holding the guide	Toward Buy
Q3 results (29 Oct) show US price erosion narrowing from the underlying 9% pace	Toward Buy
Foundayo Q3 sales accelerate clearly from \$98m, and the EC confirms the EU authorisation	Toward Buy
Retatrutide submitted on the early-2027 schedule	Toward Buy
Government pricing extended into the commercial channel, or deeper US price cuts	Toward Avoid
A large acquisition that lifts net debt materially without near-term revenue	Toward Avoid
A further sustained rise in long-term yields alongside more Fed tightening	Toward Avoid

10. Scenarios

Case	Probability	Outlook	2027 EPS x multiple	Fair value
Bull	25%	2027 revenue about \$110bn; US price erosion narrows; Foundayo succeeds (about \$4.5bn including about \$0.9bn in Europe); retatrutide files on time	\$51.00 x 30	\$1,530.00
Base	52%	2027 revenue about \$102bn; erosion near the current pace; Foundayo base case (about \$2.5bn, \$0.4bn Europe); retatrutide files early 2027	\$47.00 x 26.5	\$1,245.50
Bear	23%	2027 revenue about \$95bn; five more points of US price erosion; Foundayo fails (about \$1.2bn); retatrutide delayed	\$42.00 x 21	\$882.00
Weighted	100%			\$1,233.02

Fair value = scenario EPS x multiple; weighted by probability. Bull +22%, base -0.5%, bear -30% from \$1,251.61.

The bull case needs Q3 to show price stabilising and Foundayo accelerating; rising estimates support it but the share price already discounts part of it. The base case is the consensus path, slightly trimmed. The bear case carries a little less weight than a month ago because Foundayo's safety and regulatory path is clearer, but US pricing policy remains the largest single threat.

11. Technical read

Chart as of 15 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Conflicts.** The chart is in an uptrend: price is above a rising 50-day average and has not closed under the 200-day in the last ten sessions. On a Watchlist name that means the chart is turning up before the valuation case has; watch closely without changing the rating. A pullback toward the 200-day average near \$1,079 would bring the price into the area of interest.

Indicator	Value	Price vs indicator
20-day SMA / EMA	\$1,173.56 / \$1,178.30	+6.7% / +6.2%
50-day SMA / EMA	\$1,179.04 / \$1,169.65	+6.2% / +7.0%
100-day SMA / EMA	\$1,166.00 / \$1,142.82	+7.3% / +9.5%
200-day SMA / EMA	\$1,079.02 / \$1,081.00	+16.0% / +15.8%
RSI (14)	67.8	Firm, not overbought
MACD (12,26,9)	10.61 vs signal 2.48	Histogram +8.13, positive
ATR (14)	\$36.76	2.9% of price
Volume, 20 / 50-day average	2.4m / 2.4m	Steady participation
Support	\$1,131.21 (20-session low); \$1,115.68 (60-session closing low)	Then the 200-day
Resistance	\$1,292.65 (52-week high); \$1,275.88 (15 Oct intraday)	
100-session / 52-week range	\$1,052.15-\$1,292.65 / \$783.85-\$1,292.65	

Daily OHLCV to 15 Oct 2026, raw closes; distances measured against the 15 Oct closing price.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and only guides entry timing.

12. Final verdict

Would a disciplined investor buy Lilly with their own money today? Not at \$1,251.61. The business is excellent and the European recommendation for Foundayo is a genuine, if small, step forward, but the price already pays for a smooth 2027. The single biggest concern is that the valuation leaves no margin for the one input that matters most, US net price, which

Q3 results will test on 29 October. What must change is the price: near \$1,058, with the results intact, the base case would pay. A High development (Foundayo) was analysed in full and did not change the verdict.

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