

Eli Lilly and Company (NYSE: LLY)

Equity research report · Initiation of coverage · Data as of 28 September 2026 close

Item	Summary
Verdict	Watchlist. Level of interest: about \$1,050
Price (28 Sep 2026 close)	\$1,184.78
Probability-weighted fair value	\$1,213 (about 2% above the price)
Investment Score	75 / 100
Market cap / enterprise value	About \$1.06 trillion / about \$1.10 trillion
Valuation	30.4x 2026 EPS excluding acquired IPR&D (our estimate); 25.2x our 2027 base EPS of \$47.00
Next results	Q3 2026, expected late October or early November (date not yet announced; late October is the usual pattern)

Core thesis. Eli Lilly is the best-positioned company in the largest new drug market of the decade. Tirzepatide (Mounjaro and Zepbound) produced \$14.9 billion of second-quarter revenue, 65% of the total, and Lilly writes about six of every ten US obesity prescriptions. Q2 revenue rose 48% to \$23.0 billion against a \$20.6 billion consensus, and full-year revenue guidance rose to \$85-87 billion. The business deserves a premium. The question for a 1-2 year holder is how much of the next leg is already in a \$1.06 trillion valuation, and the answer is most of it: at \$1,184.78 the stock trades at about 25 times what 2027 earnings look likely to be, while US net prices are falling (down 9% on an underlying basis in Q2, per the CFO), the oral launch is starting slower than the market hoped, and the ten-year Treasury sits at its highest level since 2007.

Three developments shape this report. First, the US obesity price reset: Medicare's GLP-1 Bridge began on 1 July at \$50 a month to patients, and self-pay pricing of \$299-449 now anchors the cash market. Second, Foundayo, the oral GLP-1 approved on 1 April, sold \$98 million in Q2, short of a \$104 million consensus and behind Novo Nordisk's Wegovy pill. Third, retatrutide completed its Phase 3 obesity package with a filing planned for Q1 2027, while Lilly litigates whether it is regulated as a biologic. None of them changes the verdict. Together they set the width of the scenario range and the \$1,050 level of interest.

Biggest risk. US pricing. Tirzepatide is two-thirds of revenue, and every further five points of net price erosion on US incretin sales costs roughly \$1.50-1.60 of annual EPS (our estimate). A broadening of government pricing into the commercial channel would hit the one line that carries the whole valuation.

Investment memo

Would this be a purchase with new money today? Not at \$1,184.78. Lilly is the highest-quality large-cap growth story in healthcare: an 83% gross margin, a 42% return on invested capital, revenue compounding near 35% this year, and a pipeline that can extend the obesity franchise into the 2030s. The problem is the entry price. Three cases for 2027, weighted 25/50/25, give a fair value of \$1,213, about 2% above the market. The upside case (\$1,545) needs Foundayo to scale quickly and retatrutide to file on time; the downside case (\$861) needs only a harder US price reset and a lower multiple in a 5% ten-year yield world. That is a symmetric bet on a stock priced for the good outcome.

Why not now: the stock has recovered from \$943 to \$1,185 inside 100 sessions and sits within 1% of its 50-day average, so neither valuation nor timing offers an edge. **What would change the view:** a price near \$1,050, which is about 22 times our 2027 base EPS and offers about 15% upside to the weighted fair value, or Q3 evidence that US price erosion is narrowing while Foundayo volume accelerates. **What would invalidate the positive case entirely:** government pricing moving into the commercial channel, or a retatrutide setback that removes the next growth leg.

1. Business

Lilly sells branded prescription medicines. Revenue in Q2 2026 was \$23.0 billion: \$14.4 billion in the US (up 33%) and \$8.6 billion outside it (up 80%). The cardiometabolic franchise, built on tirzepatide, dominates. Mounjaro (type 2 diabetes, and obesity outside the US) sold \$9.94 billion, up 91%, and Zepbound (US obesity) \$4.93 billion, up 46%. Together they are 65% of revenue. The rest is a broad portfolio: Verzenio and Jaypirca in oncology, Taltz, Ebglyss and Omvoh in immunology, Kisunla in Alzheimer's disease, plus older diabetes lines. New launches in Q2 included Foundayo (\$98 million), Inluriyo (\$75 million) and Ebglyss (\$201 million, up 131%).

The advantages are scale in manufacturing peptides, a lead in clinical data (tirzepatide beat semaglutide head-to-head on weight loss, 20.2% against 13.7%), and a direct-to-patient channel, LillyDirect, that lets Lilly price to self-pay patients without an insurer. The disadvantage is concentration: one molecule carries the income statement, and its price is now set partly by government programmes and a cash market.

2. Industry

The obesity and diabetes incretin market is growing faster than any large drug class in history. Lilly reported US obesity prescription growth of 78% in Q2, with Lilly capturing six of every ten. Growth now comes mostly from volume and access rather than price. Medicare's GLP-1 Bridge opened coverage to roughly 20 million beneficiaries at \$50 a month from 1 July, and both Lilly and Novo sell self-pay product at \$299-449 a month. Competitive intensity is rising: Novo launched the Wegovy pill in January and a higher 7.2 mg Wegovy dose, and Amgen, Pfizer and Roche have obesity programmes in late development. Compounders and an illegal peptide market (Lilly has sued sellers of unapproved retatrutide) cap the price of the cash channel.

The industry outlook is volume up, price down. That favours the lowest-cost, highest-efficacy producer with the most capacity, which is Lilly today.

3. Financials

Quarter	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Revenue	\$15,558m	\$17,601m	\$19,292m	\$19,799m	\$22,974m
Gross profit	\$13,110m	\$14,593m	\$15,920m	\$16,222m	\$19,706m
Operating income	\$7,021m	\$8,500m	\$8,661m	\$9,778m	\$12,457m
Net income	\$5,661m	\$5,583m	\$6,638m	\$7,396m	\$7,095m
Diluted EPS (reported)	\$6.29	\$6.21	\$7.39	\$8.26	\$7.94

Quarterly results. Q2 2026 reported and non-GAAP EPS both include \$3.03 of acquired IPR&D charges.

The Q2 quarter. Revenue of \$22.97 billion beat the \$20.62 billion consensus by 11%, and non-GAAP EPS of \$8.38 beat \$6.58 by 27%, up 33% year on year. US volume rose 37% while realised price fell 3%. The CFO said underlying US price fell 9% excluding one-time rebate estimate revisions, so the reported price figure flatters the trend. Gross margin was 85.8%. Operating margin fell to 39.1% from 44.1% a year earlier, entirely because \$3.03 per share of acquired IPR&D was expensed. Lilly counts those charges in non-GAAP EPS too, which is why non-GAAP EPS guidance moved to \$35.50-36.50 from \$35.50-37.00 even as revenue guidance rose \$2.5 billion at the midpoint and the performance margin guide rose two points to 49.0-50.5%.

Guidance looks conservative on revenue. H1 revenue was \$42.8 billion. The \$85-87 billion guide implies \$42.2-44.2 billion for H2, below twice the Q2 run-rate of \$46.0 billion (our calculation). Price erosion and Q2 rebate one-offs explain part of that gap. The rest is room for a further raise.

Cash, debt and returns. Trailing operating cash flow was \$28.1 billion and capital spending \$9.9 billion, leaving \$18.2 billion of free cash flow. Net debt is \$45.2 billion (\$54.9 billion of debt against \$9.0 billion of cash), about 1.1 times trailing EBITDA of \$41.7 billion. Return on invested capital is 42%. In Q2 Lilly paid \$1.5 billion of dividends (quarterly dividend \$1.73, up 15%) and repurchased \$1.6 billion of stock. Capital spending is heavy by pharma standards because Lilly is building peptide and oral capacity, including a further \$4.5 billion committed to Indiana in Q2. The balance sheet is strong but no longer net-cash, and acquisitions this year have pushed debt up.

4. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
US obesity price reset (Medicare GLP-1 Bridge, self-pay pricing)	In force from 1 Jul 2026	Medicare Bridge: \$50 a month to patients, about 20m eligible. LillyDirect Zepbound \$299-449. Underlying US price down 9% in Q2 (CFO).	Management expects volume to more than offset price. Our estimate: each 5 points of further US incretin price erosion costs \$1.47-1.63 of EPS.	High
Foundayo (orforglipron) oral GLP-1 launch	Approved 1 Apr 2026; US launch Apr; T2D filing submitted	Q2 sales \$98m vs \$104m consensus. Prescribers rose from 8,000 to 36,000; self-pay 45% of scripts. Wegovy pill Q2 sales DKK 3.2bn (about \$494m).	Management says volume nearly doubled month on month by late July. Our base case: about \$3bn of 2027 sales.	High
Retatrutide Phase 3 obesity package	Complete; BLA planned Q1 2027	TRIUMPH-2 (T2D and obesity): up to 20.8% weight loss and up to 1.6% A1C reduction at 80 weeks. Lilly is appealing a ruling on biologic classification.	No 2027 revenue in any case. Filing timing and classification drive the multiple.	High
Acquisitions and capital deployment	Centessa closed 24 Jun; AtaiBeckley closed 11 Sep	Centessa up to \$7.8bn; AtaiBeckley \$3.8bn; smaller deals (Curevo, LimmaTech, others). Q2 IPR&D \$3.03 a share. CEO signalled more, possibly larger deals (reported, Bloomberg interview, 28 Sep).	Reported total above \$20bn this year, more than trailing FCF of \$18.2bn. Our estimate: financing drag about \$0.91 of EPS.	High
Onswik (insulin efsitora alfa) approval	FDA approval 24 Sep 2026; US launch in coming months	First once-weekly basal insulin approved in the US for type 2 diabetes; non-inferior A1C to daily glargine and degludec in four Phase 3 trials.	Small against total revenue; supports the diabetes franchise as patients move to weekly dosing.	Medium
Indiana manufacturing expansion	Announced with Q2 results	\$4.5bn more committed to Indiana sites; Limerick, Ireland, began production.	Raises capex and supply security for incretins and orals.	Medium
Inluriyo full approval with Verzenio	18 Sep 2026	Full FDA approval in ER+, HER2-, ESR1-mutated advanced breast cancer, in combination with Verzenio.	Extends the breast cancer franchise; Q2 Inluriyo sales \$75m.	Low
Zepbound vs Wegovy HD indirect comparison	29 Sep 2026	Indirect comparison: Zepbound 10 mg and 15 mg associated with more weight loss than Wegovy 7.2 mg.	Indirect, company-sponsored data; marketing support rather than new evidence.	Low
Other items	Sep 2026	Olumiant approved for adolescents with severe alopecia areata (25 Sep); licensing deals with InnoCare and Noah Health (23-24 Sep); access programme for lower-income countries (29 Sep); eloraTZP Phase 2: 17% weight loss at 16 weeks vs 10% for tirzepatide 5 mg alone.	Pipeline breadth; no material effect on the 2027 numbers.	Low

4.1 US obesity price reset and the Foundayo launch

These two share economics and are analysed together. **What is known.** The Medicare GLP-1 Bridge started on 1 July, giving eligible beneficiaries GLP-1 treatment for obesity at \$50 a month. Lilly sells Zepbound direct to self-pay patients at \$299-449. In Q2 US realised price fell 3%, and the CFO put the underlying decline at 9% excluding one-time rebate revisions. Foundayo was approved on 1 April and sold \$98 million in Q2 against a \$104 million consensus; Novo's Wegovy pill, launched in January, sold DKK 3.2 billion (about \$494 million) in the same quarter. Foundayo prescribers rose from 8,000 to 36,000 and self-pay made up 45% of prescriptions.

Why it matters here. Tirzepatide is 65% of revenue, so its US net price is the single largest input to earnings. Success looks like US incretin volume growth that keeps outrunning price, Foundayo weekly prescriptions closing the gap with the Wegovy pill, and a Foundayo type 2 diabetes approval. The first hard data arrive with Q3 results, expected late October or early November. **Economics.** The cash and Medicare channels carry lower prices than commercial insurance, so mix shift lowers price per patient while widening the patient pool. Oral small molecules are cheaper to make than injectable peptides

and are not limited by pen capacity, which should protect margins at lower prices.

Input (our estimate)	Value	Basis
US incretin revenue, annualised (our assumption)	\$38-42bn	Not separately disclosed in the sources used; range assumed
Operating drop-through on lost price	85%	Gross margin 85.8% in Q2
Tax rate	18.5%	Midpoint of 18-19% guidance
Diluted shares	895m	891m outstanding plus dilution
EPS effect of 5 points more US price erosion	-\$1.47 to -\$1.63	About 3-3.5% of base 2027 EPS
EPS effect of each \$1.5bn of Foundayo revenue	+/- \$0.82	60% contribution after launch costs (our assumption)

Sized outcomes (our estimates). Success: US price erosion narrows to low single digits and Foundayo reaches \$6 billion in 2027, adding about \$1.6 of EPS to base. Base: erosion continues near current rates and Foundayo reaches about \$3 billion. Failure: another five points of price erosion and Foundayo stuck near \$1.5 billion, costing about \$2.4 of EPS. Precedent is mixed: the Wegovy pill shows oral demand is real, but Rybelsus, Novo's earlier oral, never matched its injectable. **What the price assumes.** Consensus 2026 EPS of \$36.92 sits above the top of guidance, so the market already expects beats. At 25 times earnings a \$2.4 EPS miss is about \$60 a share before any change in multiple; a de-rating to 21 times on top is the bear case. **Unknown:** how much of the Q2 underlying 9% price decline is one-off channel mix, which Q3 will show.

4.2 Retatrutide: filing timing and regulatory classification

Known. Lilly has a complete Phase 3 data package for obesity, sleep apnoea and knee osteoarthritis pain, with a BLA submission planned for Q1 2027. TRIUMPH-2, presented at EASD on 15 September, showed up to 20.8% average weight loss at 80 weeks in people with type 2 diabetes. On the Q2 call analysts pressed on the regulatory route; the CEO said Lilly believes retatrutide is a biologic, and the classification dispute with the FDA is on appeal in federal court. A biologic designation carries 12 years of exclusivity against 5 for a new chemical entity and blocks compounding of the molecule.

Why it matters. Retatrutide is the obvious successor to tirzepatide and the main reason investors pay for growth beyond 2030. It adds nothing to 2027 revenue in any scenario, so it shows up in the multiple. **Sized outcomes (our estimates).** An on-time filing with favourable classification supports the 30 times bull multiple; a delay, a safety signal or a loss on classification supports the 21 times bear multiple. Each two to three turns of multiple on \$47 of 2027 EPS is worth \$94-141 a share. Weight loss above 20% in diabetic patients, who usually lose less, is strong evidence, so the base case assumes an on-time filing. **Unknown:** the appeal outcome and the FDA's filing review timetable.

4.3 Acquisitions and capital commitments

Known. Lilly closed Centessa (up to \$7.8 billion, sleep-wake disorders) on 24 June and AtaiBeckley (\$3.8 billion, psychiatry) on 11 September, plus smaller deals in infectious disease and vaccines. Q2 carried \$3.03 a share of acquired IPR&D. In a Bloomberg interview on 28 September the CEO was reported as saying more deals in untapped areas are coming, possibly larger ones; spending this year has been reported at more than \$20 billion. **Why it matters.** That is more than the \$18.2 billion of trailing free cash flow and has taken net debt to \$45.2 billion. **Economics (our estimate).** Financing \$20 billion at about 5% costs roughly \$0.91 of EPS a year after tax, about 1.9% of base 2027 EPS, until the assets earn revenue, which for most of them is several years away. Acquired IPR&D is expensed on closing, so each deal lands as a one-off EPS hit that Lilly does not forecast in guidance. **Precedent.** Lilly's record on bolt-on deals (Loxo, which produced Jaypirca) is good; the risk is size creep. **Unknown:** the size of the next deal.

Effect on the verdict. Without these developments, base 2027 EPS would be about 5% higher and the base fair value about \$1,283, still only 8% above the price. The verdict would be Watchlist either way. The developments widen the range between the bull and bear cases and set the level of interest.

5. Growth drivers

Driver	Status and date	Likelihood	Impact	Fact or forecast
Tirzepatide volume (US and international)	Shipping; Mounjaro +91% in Q2, OUS volume +113%	High	High	Fact: Q2 sales. Forecast: continued volume growth (management)
Medicare and employer access expansion	Medicare Bridge live from 1 Jul 2026	High	Medium	Fact: programme terms. Forecast: volume offset to price (management)
Foundayo ramp and T2D approval	Launched Apr 2026; T2D filed	Medium	Medium	Forecast: our base \$3bn 2027 sales
Retatrutide approval	BLA planned Q1 2027	Medium-High	High (post-2027)	Forecast: filing date (management)
Onswik weekly insulin	Approved 24 Sep; launch in coming months	High	Low	Fact: approval. Revenue not guided
Kisunla, Ebglyss, Jaypirca, Inluriyo	Shipping	High	Low-Medium	Fact: Q2 sales \$167m, \$201m, \$192m, \$75m
Acquired pipeline (sleep, psychiatry, vaccines)	Pending; clinical stage	Low-Medium	Low before 2028	Forecast: none published

6. Competitors

Company	Products	Position against Lilly
Novo Nordisk	Wegovy, Ozempic, Wegovy pill, Wegovy 7.2 mg	Losing US share to Lilly; 2026 sales guided flat to down 6% at constant currency. Leads in oral obesity: Wegovy pill Q2 sales DKK 3.2bn vs Foundayo \$98m.
Amgen	MariTide (monthly injectable)	Phase 3; potential dosing advantage, not yet approved.
Pfizer	Obesity pipeline acquired with Metsera	Clinical stage; years from market.
Roche	CT-388 and other incretins	Clinical stage.
Compounders and grey market	Compounded and unapproved peptides	Price anchor for the cash channel; Lilly litigating against retatrutide sellers.

Lilly's moat is efficacy plus capacity. Tirzepatide beat semaglutide by 6.5 points of weight loss head-to-head, and Lilly has spent heavily to ensure supply. Novo's answer has been oral convenience and price; its pill outsold Foundayo about five to one in Q2, which is the one place Lilly is behind. The moat looks durable to 2030 on current data, with retatrutide the extension. Valuations differ sharply: Lilly trades at about 25 times our 2027 estimate while Novo trades at a large discount after two years of share loss.

7. Management

CEO Dave Ricks and CFO Lucas Montarce have a strong execution record. Q2 beat consensus revenue by 11% and EPS by 27%, and revenue guidance rose to \$85-87 billion from \$82-85 billion. The guide has repeatedly proved conservative on revenue, and the implied H2 figure suggests it still is. Capital allocation has shifted toward acquisitions this year; the Q2 buyback of \$1.6 billion is modest for a trillion-dollar company. Insider ownership is small (0.17%). Two executives sold 13,500 shares worth about \$16 million in August (EVP Anat Hakim 5,000 shares at \$1,190 on 7 August; EVP Patrik Jonsson 6,500 at \$1,175.10 on 17 August), small against their holdings and against the company's size. Management deflected on retatrutide's regulatory timeline and gave little competitive analysis on Foundayo against the Wegovy pill, which are the two areas to watch.

8. Risks

Risk	Probability	Severity	Comment
US drug pricing policy	Medium	High	Government pricing extending into commercial channels would hit the 65% of revenue that is tirzepatide.
Revenue concentration	Structural	High	One molecule carries the income statement.
US net price erosion	High	Medium	Underlying US price fell 9% in Q2; further cuts to defend share are likely.
Oral obesity competition	Medium	Medium	Wegovy pill leads orals; Foundayo started below consensus.
Retatrutide setback	Low-Medium	High	Delay, safety signal or adverse classification would remove the next growth leg.
Compounding and grey market	Medium	Medium	Caps self-pay pricing; enforcement is uneven.
Acquisition size and IPR&D charges	Medium	Medium	More than \$20bn spent this year (reported); larger deals signalled.
Multiple compression	Medium	High	At 25x 2027 EPS with a 5.17% ten-year yield, a re-rating to 21x costs about \$200 a share.
Manufacturing execution	Low	Medium	Heavy capex programme across Indiana, Ireland and other sites.
Currency	Low	Low	37% of Q2 revenue was outside the US.

9. Valuation

Measure	Value	Note
P/E, trailing reported EPS (\$29.79)	39.8x	Distorted by acquired IPR&D
P/E, 2026 non-GAAP guidance midpoint (\$36.00)	32.9x	Includes \$3.03 of Q2 IPR&D
P/E, 2026 excluding IPR&D (\$39.03, our estimate)	30.4x	Guidance midpoint plus Q2 charges
P/E, 2027 base EPS (\$47.00, our estimate)	25.2x	Erste Group FY2027 estimate \$47.18 for reference
EV/EBITDA, trailing	26.4x	EV about \$1.10tn, EBITDA \$41.7bn
PEG	1.31	Reported by data provider
Dividend yield	0.58%	\$6.92 annualised

P/E on next year's earnings is the right measure: Lilly is a profitable, fast-growing company whose trailing figures are distorted by expensed acquisitions. Trailing EPS understates earnings power, so the 2026 figure excluding IPR&D and the 2027 estimate carry the weight. At 25 times 2027 EPS for roughly 20% growth, the stock is fairly valued. Large pharma trades in the mid-teens; the premium is earned by growth, but it leaves little room if growth slows to the low teens as price erosion catches up with volume. **Conclusion: fairly valued**, with a probability-weighted value of \$1,213.

Macro drivers. Lilly's demand is largely insensitive to interest rates and the economic cycle: people keep taking diabetes and obesity medicines through a slowdown. Two macro variables still matter. The first is the long-term discount rate, which sets the multiple on a stock valued on earnings years out. The ten-year Treasury closed at 5.17% on 25 September, just below the 5.18% high of the day before, the highest since 2007, after the Fed raised rates by 25 basis points to 3.75-4.00% on 16 September. That is a headwind to a 25 times multiple. The second is consumer spending power in the self-pay channel, which carried 45% of Foundayo prescriptions. August retail sales rose 1.2%, but University of Michigan sentiment fell to a four-month low in September on fuel and tariff costs. Self-pay demand at \$299-449 a month is the channel most exposed if household budgets tighten.

10. Sentiment

Indicator	Reading
Analyst consensus	30 analysts: 19 Strong Buy, 6 Buy, 3 Hold, 1 Sell, 1 Strong Sell. Average target \$1,325 (range \$930-1,600).
Recent actions	JPMorgan target raised to \$1,500 from \$1,400, Overweight (28 Sep). Barclays Buy, \$1,400 (28 Sep). Evercore Hold (23 Sep). TD Cowen Buy, \$1,250, and Jefferies Buy, \$1,440 (22 Sep).
News flow	Mostly positive over the past two weeks: the Onswik and Inluriyo approvals, EASD data and target raises, set against the CEO signalling larger acquisitions.
Short interest	7.5m shares, 0.84% of float, 3.1 days to cover. No meaningful bearish positioning.
Insider activity	Two executive sales totalling 13,500 shares (about \$16m) in August; director Form 4 filings on 22 Sep.
Institutional ownership	About 83-90% of shares, depending on the source.

Sentiment is bullish and crowded. The average target implies about 12% upside, and near-unanimous Buy ratings leave little room for further upgrades to move the stock.

11. Technicals

Indicator	Value	Reading
Price (28 Sep close)	\$1,184.78	Within 8% of the \$1,292.65 52-week high
20-day SMA / EMA	\$1,151.32 / \$1,164.52	Price 2.9% / 1.7% above
50-day SMA / EMA	\$1,177.52 / \$1,163.59	Price 0.6% / 1.8% above
100-day SMA / EMA	\$1,143.47 / \$1,133.03	Price 3.6% / 4.6% above
200-day SMA / EMA	\$1,071.11 / \$1,065.84	Price 10.6% / 11.2% above
RSI (14)	56.0	Neutral
MACD (12,26,9)	Line -0.88, signal -7.22, histogram +6.33	Momentum turning up from a pullback
ATR (14)	\$31.71	2.7% of price a day
Volume	20-day 2.3m vs 50-day 2.5m	Participation fading (-7.7%)
Ranges	100-session \$943.26-1,292.65; 52-week \$716.08-1,292.65	

The long-term trend is up: price sits 10.6% above a rising 200-day average. The 20-day average sits below the 50-day after the late-summer pullback, so the shorter-term trend has only just turned. The medium-term picture is a consolidation between about \$1,150 and \$1,290 after the recovery from \$943. Support sits near the 20-day average (\$1,151), then the 200-day (\$1,071). Resistance is the \$1,292.65 high. MACD has crossed above its signal line with the line still just below zero, and RSI is neutral, so there is no stretched reading either way. The \$1,050 level of interest sits just below the 200-day average; a test of it would be a correction of about 11%, well within this stock's range over the past year.

12. Scorecard

Factor	Score	Weight	Basis
Business Quality	 9/10	15%	Dominant franchise, 83% gross margin, 42% ROIC.
Financial Strength	 8/10	15%	\$18.2bn FCF; net debt \$45.2bn, about 1.1x EBITDA.
Competitive Advantage	 9/10	15%	Efficacy lead and capacity; behind only in orals.
Management	 9/10	10%	Consistent beats and raises; M&A size creeping up.
Growth Potential	 8/10	15%	About 20% 2027 growth on our base; retatrutide beyond.
Valuation	 4/10	15%	25x 2027 EPS; weighted fair value 2% above price.
Risk (10 = lowest risk)	 6/10	10%	Pricing policy and concentration; strong balance sheet.
Technical Setup	 6/10	5%	Uptrend intact; consolidating below the high.
Investment Score	75 / 100	100%	Weighted sum of the factor scores.

Scored 1-10, where 10 is always best, including Risk. The Investment Score is the weighted sum of factor scores.

Scores are initial; there is no earlier report to compare against. The company developments moved three factors: the US price reset held Growth Potential at 8 rather than 9, the acquisition spend held Financial Strength at 8, and the retatrutide classification and pricing exposure hold Risk at 6. The Risk score agrees with the risk table: a low-risk balance sheet and demand profile offset by high-severity policy and concentration risks, which is a moderate overall risk.

13. Scenario analysis

Case	Probability	Outlook (our estimates)	Fair value
Bull	25%	2027 revenue about \$110bn. US price erosion narrows; Foundayo reaches about \$6bn; retatrutide files on time with favourable classification. EPS \$51.50, 30x.	\$1,545
Base	50%	2027 revenue about \$103bn (+19%). Price erosion near current pace, Foundayo about \$3bn, retatrutide files Q1 2027. EPS \$47.00, 26x.	\$1,222
Bear	25%	2027 revenue about \$95bn (+10%). Five more points of US price erosion, Foundayo about \$1.5bn, retatrutide delayed. EPS \$41.00, 21x.	\$861
Weighted	100%	Probability-weighted fair value.	\$1,213

The weighted fair value of \$1,213 is 2.4% above the \$1,184.78 price. Each case states its assumption on the three high-impact developments: US pricing and Foundayo drive the EPS range, retatrutide drives the multiple. Net margins run 38.6-41.9% across the cases, in line with the roughly 40.5% implied by 2026 guidance excluding acquired IPR&D.

14. Recommendation

Watchlist. Lilly is a superior business at a fair price, and a fair price does not offer superior risk-adjusted returns over one to two years. The name becomes interesting near **\$1,050**: about 22 times base 2027 EPS, just below the 200-day average, with about 15% upside to the weighted fair value and the bear case about 18% below. No cut-loss or take-profit applies to a Watchlist rating. The verdict is the same with or without the three high-impact developments; they set the scenario range and the level of interest. If Q3 results arrive before the stock reaches \$1,050, the level should be reassessed against what they show on US price and Foundayo volume.

What would change the view	Direction
Price near \$1,050 (about 22x base 2027 EPS)	Toward Buy
Q3 results (expected late October or early November) show US price erosion narrowing from the underlying 9% pace	Toward Buy
Foundayo sales accelerate clearly from \$98m, closing the gap with the Wegovy pill	Toward Buy
Retatrutide BLA submitted on the Q1 2027 schedule, or a favourable classification ruling	Toward Buy

What would change the view	Direction
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	Toward Avoid

Sources

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