

Eli Lilly & Company (LLY)

\$140.38 (As of 03/04/20)

Price Target (6-12 Months): **\$148.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/31/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: C

Value: C

Growth: C

Momentum: C

Summary

Lilly's presence across a wide range of therapeutic areas and a strong diabetes portfolio provide support in the face of generic competition. In 2020, Lilly's revenue growth is expected to be driven by higher demand for newer drugs like Trulicity, Jardiance, Taltz, Verzenio, Basaglar, Emgality as well as newly launched Baqsimi and Reyvow. Lilly is making significant pipeline progress with several positive late-stage data readouts scheduled for 2020. Lilly is also regularly adding promising new pipeline assets through business development deals. However, generic competition for several drugs including the expected generic entry of Forteo, rising pricing pressure in the United States and price cuts in some international markets are some top-line headwinds expected in 2020. The stock has outperformed the industry in the past one year.

Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$147.87 - \$101.36
20 Day Average Volume (sh)	4,017,004
Market Cap	\$134.3 B
YTD Price Change	6.8%
Beta	0.34
Dividend / Div Yld	\$2.96 / 2.1%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 31% (78 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	13.8%
Last Sales Surprise	0.7%
EPS F1 Est- 4 week change	0.2%
Expected Report Date	04/23/2020
Earnings ESP	0.8%
P/E TTM	23.2
P/E F1	20.7
PEG F1	2.0
P/S TTM	6.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					25,441 E
2020	5,488 E	6,036 E	5,943 E	6,632 E	24,092 E
2019	5,092 A	5,637 A	5,477 A	6,114 A	22,320 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$7.93 E
2020	\$1.50 E	\$1.71 E	\$1.77 E	\$1.80 E	\$6.77 E
2019	\$1.33 A	\$1.50 A	\$1.48 A	\$1.73 A	\$6.04 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/04/2020. The reports text is as of 03/05/2020.

Overview

Indianapolis, IN based Eli Lilly and Company, one of the world's largest pharmaceutical companies, boasts a diversified product profile including a solid lineup of new successful drugs. It also has a dependable pipeline as it navigates through challenges like patent expirations of several drugs and rising pricing pressure on its U.S. diabetes franchise.

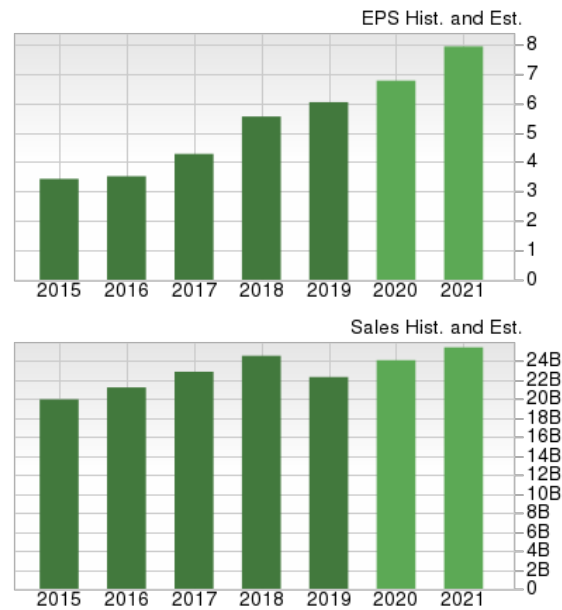
Its pharmaceutical product categories are neuroscience (Zyprexa, Cymbalta, Emgality), diabetes (Humalog, Humulin, Trulicity and others), oncology (Alimta, Cyramza, Verzenio), immunology (Taltz and Olumiant) and others (Cialis).

Over the past few years, Lilly has been actively seeking acquisitions and in-licensing deals to boost its product portfolio and pipeline. The \$6.5 billion purchase of ImClone Systems in November 2008 brought with it blockbuster cancer compound, Erbitux. The January 2007 acquisition of ICOS Corporation gave Lilly full control over erectile dysfunction drug, Cialis. Its other acquisitions include Hypnion, Inc. (a neuroscience drug discovery company focused on sleep disorders), CoLucid Pharmaceuticals (which added lasmiditan for acute migraine) and Loxo Oncology (added selpercatinib for RET-altered lung and thyroid cancers).

Lilly has collaboration agreements with several companies including Pfizer (tanezumab), Incyte (Olumiant), Boehringer Ingelheim (diabetes), among others.

Lilly divested its Elanco animal health unit as an independent publicly traded company - Elanco Animal Health Incorporated - via an initial public offering (IPO) of a minority stake in 2018. Elanco Animal Health started trading with the ticker symbol ELAN on NYSE from Sep 20. Lilly divested the remaining 80.2% stake in the new company through a "tax-efficient transaction" in March 2019.

Lilly's 2019 revenues increased 4% to \$22.3 billion. Among the key drugs, Trulicity accounted for 18% of Lilly's 2019 revenues, Humalog accounted for around 13%, Alimta accounted for 9% and Taltz accounted for 6% of the top line.



Reasons To Buy:

▲ **Shares Outperforming Industry:** Lilly's share price has risen 10.8% in the past one year, outperforming the industry's flat growth.

▲ **Key Products Target a Wide Range of Therapeutic Areas:** Lilly boasts of a wide range of products that serve a vast number of therapeutic areas. The company focuses primarily on central nervous system disorders, metabolic diseases, autoimmune diseases, cardiovascular diseases and cancer, which are all high growth areas and represent significant commercial potential.

▲ **Diabetes Business Going Strong:** Lilly has a strong portfolio of medicines to treat diabetes that includes drugs like Tradjenta, Jardiance, Trulicity, Synjardy, Synjardy XR, Glyxambi (a fixed dose combination of Jardiance/metformin), Basalgar and Humalog U-200 KwikPen. With the inclusion of the cardiovascular indication in Jardiance's label in 2017, there has been a surge in sales. Lilly is also developing an automated insulin delivery system (phase II) to automate insulin dosing in type I diabetes in order to make diabetes management easier. It also launched Insulin Lispro, a lower priced version of Humalog in the United States in May 2019 and will launch lower-priced versions of Humalog Mix75/25 and KwikPen and Humalog Junior KwikPen by mid-April.

▲ **Working on Building Its Pipeline:** Lilly has been working on building its pipeline and has a wide range of compounds in different stages of development. Lilly believes it has the potential to launch 20 new products in a 10-year time frame from 2014 through 2023. The company is also looking to launch an average of two new indications or line extensions for approved products every year during this time period.

Lilly's key areas of focus are diabetes, oncology, immunology and neurodegeneration. Notable pipeline agents include tanezumab (osteoarthritis pain – under review in United States), mirikizumab (psoriasis – phase III, ulcerative colitis – phase III and Crohn's disease – phase III), Ultra-rapid Lispro/ultra-rapid acting insulin (type I and type II diabetes – under review in the U.S. and EU) and an oral RET inhibitor, selpercatinib (RET-altered lung and thyroid cancers - under review in United States and Europe; naive RET fusion-positive NSCLC and RET-mutant medullary thyroid cancer - phase III). A novel diabetes candidate in Lilly's pipeline is tirzepatide, a dual GIP and GLP-1 receptor agonist (GIP/GLP-1 RA), which showed impressive blood sugar reductions and weight loss in type II diabetes patients in October. Phase III studies began in late 2018. The company also plans to initiate a cardiovascular outcome study for tirzepatide in 2020. Tirzepatide is also in phase III studies for obesity and phase II in NASH.

New drugs, Olumiant (in Europe) for rheumatoid arthritis, Verzenio (abemaciclib) for metastatic breast cancer, and Emgality (galcanezumab), its CGRP antibody, for the preventive treatment of migraine are off to strong starts. In July 2019, Lilly gained FDA approval for Baqsimi, its glucagon nasal powder to treat severe hypoglycemia in diabetes patients. Baqsimi is the first and only nasally administered glucagon to be approved by the FDA. In October 2019, the FDA granted approval to Lilly's Reyvow (lasmiditan) oral tablets to treat acute migraine, thus boosting its portfolio of pain medicines. In 2020, Lilly expects to launch two medicines, selpercatinib and Ultra-rapid Lispro.

Meanwhile, relatively newer drugs are also being evaluated for additional indications/label expansions. These include Taltz (ixekizumab) (approved for axial spondyloarthritis in August 2019 and launched for psoriatic arthritis in 2017/2018), Cyramza (under review in United States for first-line EGFR mutation positive NSCLC), and Verzenio (phase III for adjuvant breast cancer). Meanwhile, two phase III EMPEROR studies (outcomes studies) of Jardiance for chronic heart failure and a phase III study for chronic kidney disease are also ongoing. Olumiant is under review in Europe and Japan for atopic dermatitis and will be filed for the same in the United States later in 2020. It is also being studied in phase III studies for systemic lupus erythematosus and alopecia areata.

▲ **Committed to Dividend and Cost Savings:** Even though quite a few of Lilly's drugs are facing generic competition, the company returned to annual dividend hikes in December 2016 and regularly returns excess cash through share repurchases. Cash distribution to shareholders, through dividends and share buybacks, was around \$2.6 billion in 2017, \$1.7 billion in 2018 and \$7 billion in 2019.

Lilly is actively pursuing in-licensing deals and acquisitions to drive near-to-medium term growth. The company is also resorting to cost cutting and headcount reduction to drive the bottom line. Lilly is regularly investing the savings in new drugs and overall growth of the company.

▲ **Emerging Markets and Japan to Drive Long-Term Growth:** Lilly is looking toward Japan and emerging markets to drive growth in the coming years. Cyramza and Verzenio are bringing in robust sales in Japan given high unmet need. The company also launched Trulicity, Taltz, Jardiance and Olumiant in Japan, which are driving sales growth in the country.

In 2020, Lilly's sales should be driven by higher demand for newer drugs including Trulicity, Taltz, Basaglar, Emgality and also newly launched Baqsimi and Reyvow.

Reasons To Sell:

▼ **Generic Threat to Key Products:** We are concerned about the patent expiration faced by several products in Lilly's portfolio. Products like Zyprexa, Cymbalta, Evista, and Gemzar are all facing declining sales due to generic competition. In 2017, Lilly lost patent protection for key drugs like Strattera, Axiron and Effient in the United States, which resulted in generic competition and consequent loss of sales. Lilly lost exclusivity for Cialis in September 2018 and generic versions entered the market in the same month resulting in rapid erosion of sales. Lilly lost exclusivity for Forteo in August 2019, making way for generic competition. Alimta sales outside the United States are being hurt due to loss of exclusivity in several countries. The drug's U.S. sales are also being affected by the entry of immuno-oncology agents in the market. The compound patent for Alimta expired in the United States in January 2017 and in major European countries and Japan in December 2015. Many generic manufacturers are looking for approval of generic versions of Alimta prior to the expiration of the vitamin regimen patent (expiring in June 2021 in Japan and European countries and in the United States in May 2022). Generic competition for Alimta following the loss of effective patent protection will cause a rapid decline in revenues from the product.

Generic competition for several drugs including the expected generic entry of Forteo, rising pricing pressure in the United States and price cuts in some international markets are some top-line headwinds expected in 2020.

Pipeline Setbacks: Lilly has had its share of development and regulatory setbacks. In October 2015, Lilly announced the termination of the development of its late-stage CETP inhibitor, evacetrapib. Lilly's decision was based on the recommendation of an independent data monitoring committee, which suggested that chances of meeting the primary endpoint were low.

In November 2016, Lilly's key candidate solanezumab failed to meet the primary endpoint in a late-stage study that was conducted in patients with mild dementia due to AD. Lilly decided to drop the development of solanezumab. In June 2018, Lilly discontinued two late-stage studies on Alzheimer's disease lanabecestat on recommendation of the independent data monitoring committee (IDMC).

In early 2018, Lartruvo, which had won conditional approval in 2016, failed to improve survival in patients with advanced soft tissue sarcoma in a late-stage confirmatory study, ANNOUNCE. With ANNOUNCE failing to confirm clinical benefit, Lilly stopped promoting Lartruvo, which is sharply hurting sales of the drug.

▼ **Intense Competition:** In addition to generic threats, Lilly's products already face intense competition in the market from both large pharma companies as well as small and mid-sized companies. Competition for Lilly's diabetes care products has increased with the entry of Novo Nordisk's Victoza. Novo Nordisk's Ozempic/semaglutide, which was launched in 2018, is posing strong competition to Lilly's key growth driver, Trulicity. In fact, Lilly is seeing pricing pressure across all its diabetes products, which creates uncertainty around the franchise's long-term growth prospects. A number of competitors are entering the diabetes space. For example, with the approval of Merck/Pfizer's, Steglatro and its combinations, competition in the SGLT2 inhibitors class has increased.

Meanwhile, cancer drugs like Alimta and Cyramza are being impacted by competition from immuno-oncology agents in the United States. Meanwhile, Sanofi's biosimilar version of Humalog - Admelog – can create pricing pressure on Lilly's branded drug and erode its market share. Admelog was launched in 2018.

▼ **Global Pricing Pressure:** Global efforts toward health care cost containment are creating pricing pressure on drugs and market access. While many of the company's drugs face pricing pressures in the United States, in many markets outside the U.S., government-mandated pricing actions have led to lowering of generic and patented drug prices. All these factors are creating pressure on sales and profits of pharma companies. Also, changes in the U.S. healthcare system as part of the health care reforms could further create pricing pressure.

This pricing pressure is expected to continue and hurt the top line in the future quarters.

Last Earnings Report

Lilly Q4 Earnings and Sales Top Estimates

Lilly reported fourth-quarter 2019 adjusted earnings per share of \$1.73, which comprehensively beat the Zacks Consensus Estimate of \$1.52. Earnings rose 31% year over year as higher R&D costs were offset by higher revenues, lower tax rate and reduction in shares outstanding due to buybacks.

Revenues in Detail

Revenues of \$6.11 billion beat the Zacks Consensus Estimate of \$6.07 billion. Sales grew 8% year over year, backed by strong volume trends for its newer drugs, namely Trulicity, Taltz, Jardiance, Basaglar, Emgality and Verzenio, which compensated for lower sales of older products like Cialis and Forteo and the impact of Lartruvo's product withdrawal.

Foreign exchange hurt sales growth by 1% in the quarter. Lower realized prices had a negative impact of 1% on sales due to rebates and legislated increases in Medicare Part D cost sharing in the United States and price cuts in some international markets. Volumes rose 10%. Excluding Cialis' loss of exclusivity and the impact of Lartruvo, volume grew nearly 15%.

New pharma products (products launched since 2014) generated \$2.8 billion in revenues and contributed 14% of revenue growth and represented nearly 46% total revenues, up from 44% in the previous quarter. The loss of exclusivity hurt volumes by 400 basis points, primarily attributed to Cialis.

U.S. revenues rose 7% to \$3.52 billion while ex-U.S. revenues rose 10% to \$2.6 billion.

Among the established products, Forteo sales declined 18% to \$360.2 million. Alimta declined 5% to \$530.7 million. Humalog sales dropped 1% to \$763.4 million. Humulin sales rose 3% to \$348.0 million.

Cialis sales declined 44% to \$197.8 million as U.S. sales were hurt by entry of generic products. Outside U.S. sales were hurt by currency headwinds, which offset the impact of higher realized prices.

Among the new products, Trulicity generated revenues of \$1.21 billion, up 31% year over year driven by higher demand in the United States and higher volumes in ex-U.S. markets, which offset the impact of lower realized prices and changes in segment mix. The prices were lower mainly in the United States due to higher contracted rebates, changes in segment mix and increased coverage gap funding requirements in Medicare Part D.

Cyramza revenues were \$245.1 million, up 11% year over year driven by higher sales in both U.S. and international markets.

Jardiance sales rose 39% to \$268.0 million, driven by increased demand trends within the SGLT2 class of diabetes medicines in the United States and increased volume outside the United States, which offset the negative impact of currency.

Basaglar recorded revenues of \$307.2 million, up 32% year over year. In the United States, sales rose 34%, benefiting from higher demand and the impact of higher realized prices. Outside U.S. sales growth of 28% was driven by increased volume, partially offset by lower realized prices and currency headwinds.

Taltz brought in sales of \$420.1 million, up 37% year over year as U.S. sales gained from higher demand, which offset the impact of lower realized prices due to unfavorable segment mix. Ex-U.S. sales were driven by increased volume from launches in new countries.

Olumiant generated sales of \$127.8 million in the quarter compared with \$114.6 million in the previous quarter backed by increased demand in international markets. In the United States, Olumiant recorded sales of \$13.0 million compared with \$12.1 million in the previous quarter. Revenues outside the United States were \$114.9 million compared with \$102.5 million in the previous quarter.

Verzenio generated sales of \$179.1 million in the quarter, up from \$157.2 million in the previous quarter driven by increased demand in the United States.

Emgality generated revenues of \$66.3 million in the quarter compared with \$47.7 million in the previous quarter. In the United States, Emgality sales were \$63.1 million compared with \$45.8 million in the previous quarter. Emgality sales outside the United States were \$3.2 million in the fourth quarter.

Emgality captured 47% share of the market for new prescriptions in the United States, compared with 46% from the end of third quarter.

Gross Margin & Operating Income

Adjusted gross margin of 79.9% in the quarter was down 70 basis points due to unfavorable effect of foreign exchange rates on international inventories sold, unfavorable product mix and negative impact of price on revenues.

Operating income rose 10% year over year to \$1.61 billion. Operating margin was 26.3% in the quarter, up 40 bps year over year.

Total operating expenses (including research and development and marketing, selling and administrative expenses) rose 6% in the quarter. Marketing, selling and administrative expenses were flat due to cost control, partially offset by increased investment behind recent launches. R&D expense rose 14% in the quarter due to higher development expenses for late-stage assets.

Adjusted effective tax rate was 12.6%, lower than 15.6% in the year-ago quarter.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	0.69%
EPS Surprise	13.82%
Quarterly EPS	1.73
Annual EPS (TTM)	6.04

2019 Results

Full-year 2019 sales rose 4% to \$22.32 billion, beating the Zacks Consensus Estimate of \$22.29 billion by a slight margin. However, sales were within the guided range of \$22.0 billion - \$22.5 billion.

Adjusted earnings of \$6.04 per share beat the Zacks Consensus Estimate of \$5.80 and came ahead of the guided range of \$5.75 to \$5.85. Earnings rose 11% year over year.

2020 Guidance

Lilly re-affirmed its 2020 adjusted earnings guidance in the range of \$6.70-\$6.80 per share, which it had issued in December last year. The earnings guidance represents growth in the range of 11%-13%. However, the company slightly raised its 2020 revenue guidance from a range of \$23.6 billion-\$24.1 billion to \$23.7 billion-\$24.2 billion to include Qbrexza, which will be added from the pending Dermira acquisition. Lilly expects new products to help it achieve the sales growth target as the headwind from Cialis LOE and Lartruvo will abate in 2020.

Gross margin guidance was maintained at approximately 81%. Adjusted tax rate is expected to be approximately 15%. Adjusted operating margin is expected to be 31% in 2020 (maintained).

Marketing, selling and administrative expense is expected to be in the range of \$6.2 to \$6.4 billion compared with \$6.1 billion to \$6.3 billion previously. Research and development expense is still expected to be in the range of \$5.6 billion to \$5.9 billion.

Going forward, Lilly's revenue growth is expected to be driven by higher demand for its newer drugs including Trulicity, Jardiance, Taltz, Verzenio, Basaglar, Emgality as well as newly launched glucagon nasal powder, Baqsimi and potential launch of newly approved oral tablets to treat acute migraine, Reyvow. However, generic competition for several drugs including the expected generic entry of Forteo, rising pricing pressure in the United States due to rebates and legislated increases in Medicare Part D cost sharing, and price cuts in some international markets like China, Japan and Europe are some top-line headwinds expected in 2020. In the United States, prices are expected to decline in a low-single digit range.

Recent News

Expects No Drug Supply Shortages Due to Coronavirus – Mar 3

Lilly announced that it does not expect shortage in supply of its medicines, including all forms of insulin, due to the novel coronavirus, as it does not source APIs of any of its marketed drugs from China. Meanwhile, they informed that their insulin manufacturing sites in the United States and Europe have not been impacted by coronavirus.

FDA Accepts BLA for Tanezumab – Mar 2

Lilly and Pfizer announced that the FDA has accepted for review their biologics license application (BLA) seeking approval for tanezumab, which has been developed to treat chronic pain due to moderate-to-severe osteoarthritis (OA). The FDA is expected to give its decision in December.

FDA Committee Votes in Favor of Cyramza for First-Line EGFR-Mutated NSCLC – Feb 26

Lilly announced that the FDA's Oncologic Drugs Advisory Committee (ODAC) voted 6-5 for approving Lilly's Cyramza (ramucirumab) in first-line metastatic non-small cell lung cancer ("NSCLC") with EGFR mutation. Lilly filed a supplemental biologics license application (sBLA) seeking approval of Cyramza in combination with Roche's Tarceva (erlotinib) in this indication based on data from the phase III RELAY study. Cyramza was approved for the same patient population in Europe in January.

Gets FDA Nod to Add Heart Indication to Trulicity Label – Feb 21

Lilly announced that the FDA has granted approval to include data from the cardiovascular (CV) outcomes study (REWIND) on the label of Trulicity. With the approval, Trulicity can now be prescribed to reduce major adverse cardiovascular events (MACE) in adults with type II diabetes who have established CV disease or multiple CV risk factors. The REWIND study evaluated the effect of Trulicity 1.5 mg compared to placebo, both added to standard of care on CV events in type II diabetes patients. The drug may be able to cater to a much broader patient population with REWIND data now approved to be included on the label.

Completes Dermira Acquisition — Feb 20

Lilly announced completion of its previously announced acquisition of dermatology company, Dermira for \$18.75 per share. The deal adds Dermira's promising interleukin inhibitor for atopic dermatitis/eczema, lebrikizumab, thereby expanding Lilly's immunology pipeline.

Investigator-led Alzheimer's Study on Solanezumab Fails – Feb 10

Lilly announced that a phase II/III Alzheimer's disease study sponsored by the Washington University School of Medicine, and conducted on solanezumab failed to meet the primary endpoint.

The phase II/III study, DIAN-TU-001, tested solanezumab compared to placebo to determine if it could slow down the rate of cognitive decline in patients with dominantly inherited Alzheimer's disease, which is caused by rare gene mutations. The study failed as solanezumab failed to slow down the rate of cognitive decline in such patients. Meanwhile, additional analyses of secondary endpoints and biomarkers are ongoing to understand the totality of the data.

Launches Reyvow Tablets – Jan 31

Lilly announced launch of Reyvow (lasmiditan) C-V 50 mg and 100 mg tablets to treat acute migraine, with or without aura, in adults. Reyvow, which was approved by the FDA in October 2019, is now available for prescription and will be available in pharmacies in the next few days. Reyvow will be available in 50 mg, 100 mg and 200 mg doses for patients.

CHMP Nod to Ultra-Rapid-Acting Lispro – Jan 31

Lilly announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) has given a positive opinion recommending approval of its ultra-rapid-acting lispro (URLi), a new fast-acting formulation of insulin lispro to improve glycemic control in adults with type 1 and type 2 diabetes. URLi is also under review in the United States.

Phase III BREEZE-AD5 Study on Olumiant in Eczema Succeeds – Jan 30

Lilly & Incyte's phase III study evaluating Olumiant, in patients with moderate-to-severe atopic dermatitis (AD), met the primary endpoint. Top-line data from the BREEZE-AD5 study showed that 16-week treatment with 2mg dose of Olumiant met the primary endpoint of at least 75% improvement in skin inflammation, measured by Eczema Area and Severity Index ("EASI"), from baseline. BREEZE-AD5, conducted in North America, evaluated 1-mg and 2-mg doses of Olumiant as a monotherapy in AD patients.

The higher dose of the drug also met a key secondary endpoint of another measure of skin inflammation defined by clear or almost clear skin and at least 2 points improvement in the validated Investigator's Global Assessment for AD. This marks the fifth successful completion of a late-stage study evaluating Olumiant in AD patients.

Detailed data from the study will be presented at future scientific conferences and published in peer-reviewed journals. The company completed successfully four other phase III AD studies – BREEZE-AD1, BREEZE-AD2, BREEZE-AD4 and BREEZE-AD7.

Olumiant is under review in Europe as a treatment for patients with moderate-to-severe atopic dermatitis. Lilly also plans to submit regulatory application in the United States for the atopic dermatitis indication this year. The data from the BREEZE-AD5 study will support the U.S. filing.

Valuation

Lilly's shares are up 6.9% in the year-to-date period and 10.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 7.4% and 6.5%, respectively in the year-to-date period. Over the past year, stocks in the sub-industry are flat while those in the sector are down 5.1%.

The S&P 500 Index is down 7% in the year-to-date period but up 7% in the past year.

The stock is currently trading at 20.13X forward 12-month earnings per share which compares to 13.64X for the Zacks sub-industry, 19.4X for the Zacks sector and 17.15X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 26.36X and as low as 14.86X, with a 5-year median of 19.51X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$148 price target reflects 21.2X forward 12-month earnings per share.

The table below shows summary valuation data for LLY.

Valuation Multiples - LLY					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.13	13.64	19.4	17.15
	5-Year High	26.36	18.1	21.09	19.34
	5-Year Low	14.86	13.64	15.82	15.18
	5-Year Median	19.51	15.49	18.87	17.44
P/S F12M	Current	5.52	4.29	2.62	3.16
	5-Year High	5.88	4.84	3.84	3.43
	5-Year Low	3.33	3.93	2.45	2.54
	5-Year Median	4.17	4.42	2.97	3.01
P/B TTM	Current	49.94	4.96	4.29	4.01
	5-Year High	54.42	7.26	5.05	4.54
	5-Year Low	4.66	3.78	3.44	2.85
	5-Year Median	6.38	5.2	4.32	3.62

As of 3/04/2020

Industry Analysis Zacks Industry Rank: Top 31% (78 out of 255)



Top Peers

AbbVie Inc. (ABBV)	Neutral
AstraZeneca PLC (AZN)	Neutral
Bristol-Myers Squibb Company (BMY)	Neutral
GlaxoSmithKline plc (GSK)	Neutral
Merck & Co., Inc. (MRK)	Neutral
Novo Nordisk A/S (NVO)	Neutral
Novartis AG (NVS)	Neutral
Sanofi (SNY)	Neutral

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	LLY Neutral	X Industry	S&P 500	AZN Neutral	BMY Neutral	NVO Neutral
VGM Score	C	-	-	D	A	C
Market Cap	134.26 B	137.25 B	21.37 B	127.54 B	138.79 B	153.40 B
# of Analysts	6	3	13	5	5	3
Dividend Yield	2.11%	2.91%	2.04%	3.83%	2.93%	0.98%
Value Score	C	-	-	C	B	C
Cash/Price	0.02	0.06	0.05	0.05	0.12	0.02
EV/EBITDA	22.49	13.59	12.65	20.40	24.82	17.36
PEG Ratio	1.95	2.00	1.87	1.46	1.19	2.42
Price/Book (P/B)	49.94	4.61	2.96	8.74	2.65	17.77
Price/Cash Flow (P/CF)	19.82	12.12	11.68	15.34	14.00	22.93
P/E (F1)	20.74	14.90	16.98	24.08	10.02	23.47
Price/Sales (P/S)	6.02	4.23	2.44	5.23	5.31	8.39
Earnings Yield	4.82%	6.72%	5.87%	4.16%	9.97%	4.26%
Debt/Equity	5.30	0.51	0.70	1.11	0.84	0.05
Cash Flow (\$/share)	7.08	4.33	7.01	3.17	4.39	2.82
Growth Score	C	-	-	D	B	C
Hist. EPS Growth (3-5 yrs)	16.64%	8.34%	10.85%	-2.79%	20.53%	8.20%
Proj. EPS Growth (F1/F0)	12.09%	9.68%	6.36%	15.31%	30.79%	12.20%
Curr. Cash Flow Growth	-7.51%	4.90%	6.07%	2.12%	36.74%	-0.50%
Hist. Cash Flow Growth (3-5 yrs)	9.27%	7.37%	8.52%	-0.86%	22.46%	7.63%
Current Ratio	1.16	1.25	1.23	0.86	1.60	1.06
Debt/Capital	84.13%	36.17%	42.57%	52.63%	45.63%	4.97%
Net Margin	37.27%	21.01%	11.57%	5.38%	13.15%	31.95%
Return on Equity	192.27%	31.85%	16.66%	32.24%	31.85%	73.70%
Sales/Assets	0.58	0.51	0.54	0.40	0.38	1.02
Proj. Sales Growth (F1/F0)	7.94%	6.88%	4.01%	9.61%	59.81%	8.28%
Momentum Score	C	-	-	D	A	D
Daily Price Chg	7.73%	5.15%	-2.60%	6.77%	3.85%	5.33%
1 Week Price Chg	-11.20%	-9.88%	-12.06%	-12.70%	-10.01%	-8.96%
4 Week Price Chg	-4.73%	-4.23%	-10.01%	-2.27%	-6.27%	0.57%
12 Week Price Chg	16.23%	1.17%	-7.46%	0.85%	-1.49%	13.93%
52 Week Price Chg	10.81%	9.34%	2.54%	15.63%	16.24%	31.77%
20 Day Average Volume	4,017,004	3,779,376	2,406,738	3,541,749	13,358,196	1,526,610
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.20%	-0.04%	-0.06%	-3.45%	1.30%	-2.24%
(F1) EPS Est 12 week change	2.94%	0.93%	-0.39%	-2.51%	2.76%	-3.72%
(Q1) EPS Est Mthly Chg	-0.61%	3.21%	-0.45%	NA	-2.33%	NA

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	C
Momentum Score	A
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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