

NYSE: LLY

Nov 30, 2021

Lilly

Our Team

Lilly

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Lilly

Agenda

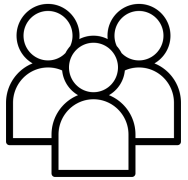


- I.** Company Overview
- II.** Business Overview
- III.** Investment Thesis
- IV.** Valuation
- V.** Risk & Considerations
- VI.** Conclusion

Company Introduction



"Lilly unites caring with discovery to create medicines that make life better for people around the world" - Lilly's Purpose



R&D as % of Sales: 25%



35,000+ Employees



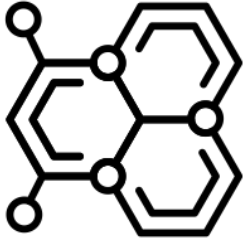
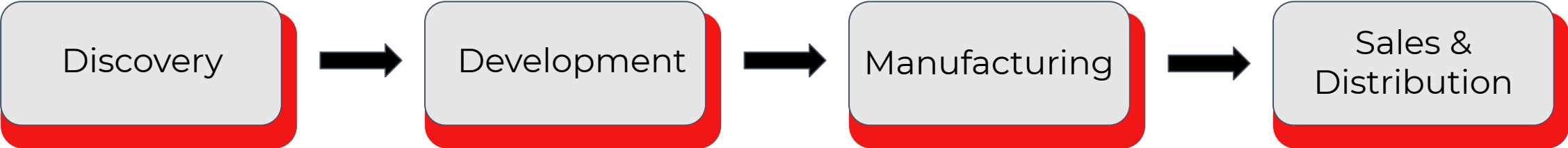
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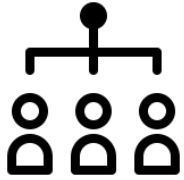
5th Largest Pharmaceutical Company

Eli Lilly discovers, develops, manufactures & sells human pharmaceuticals worldwide

Pharmaceutical Business Model



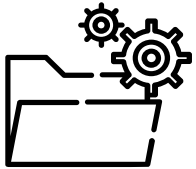
Industry Trends & Drivers



Growing senior population (aged 65 and above) + increased chronic illnesses within this population

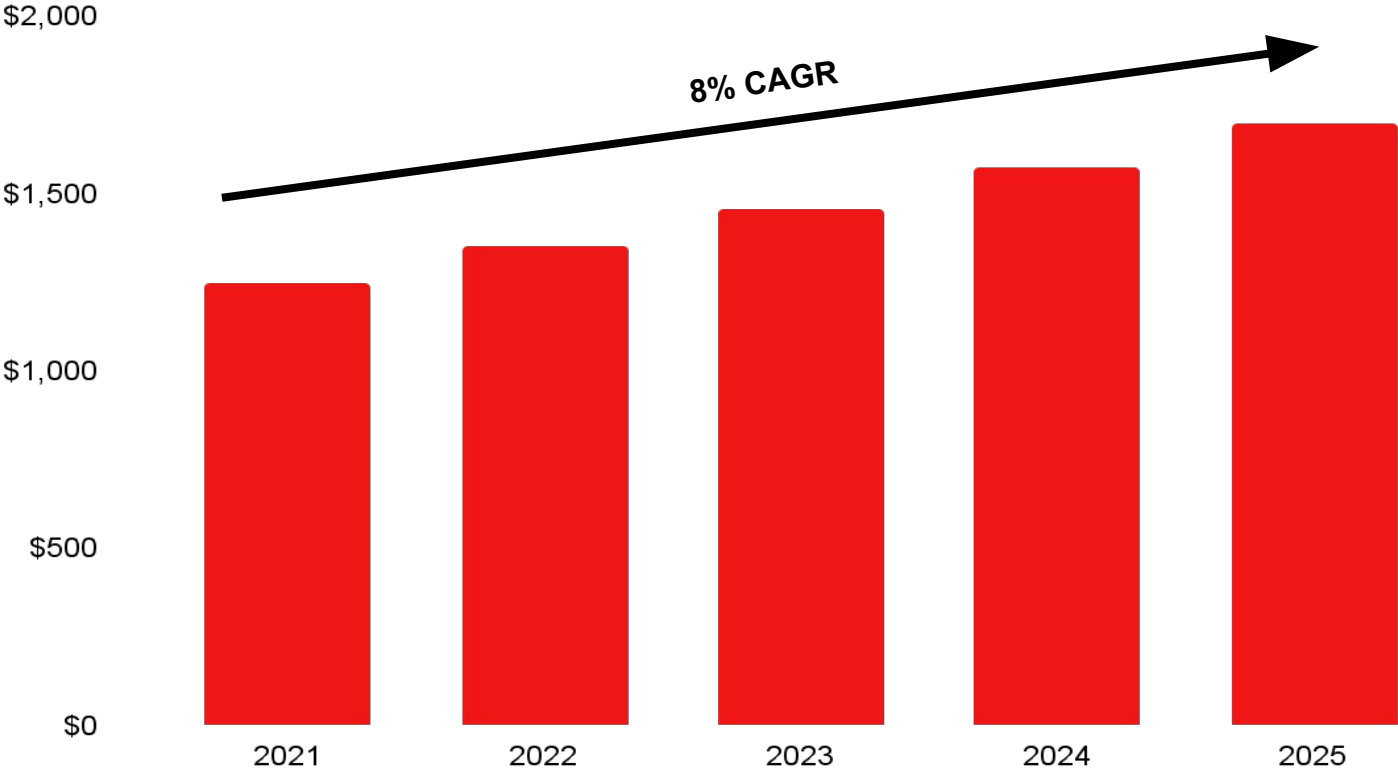


Rising per capita healthcare expenditure leading to increased demand for pharmaceuticals



Technological advancements have led to lower-cost manufacturing strategies

Global Industry Outlook *in billions*

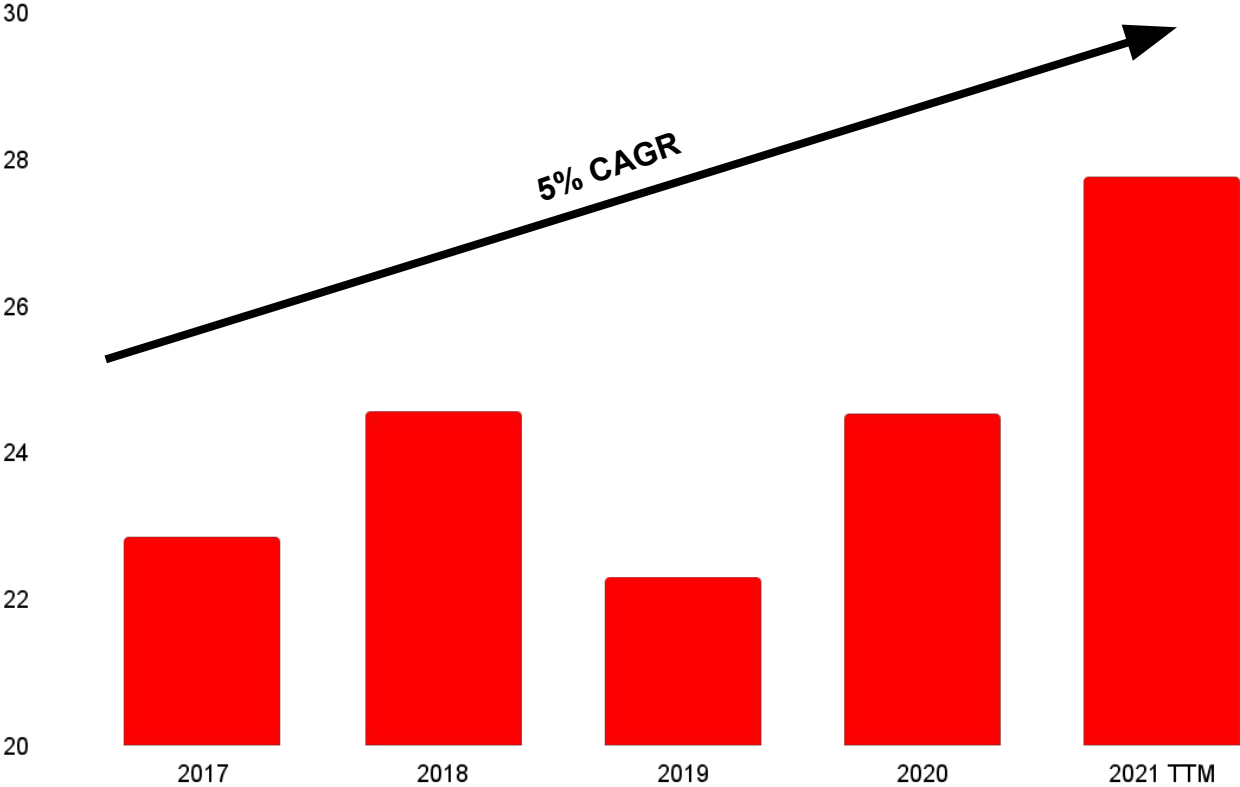


LLY Revenue Breakdown



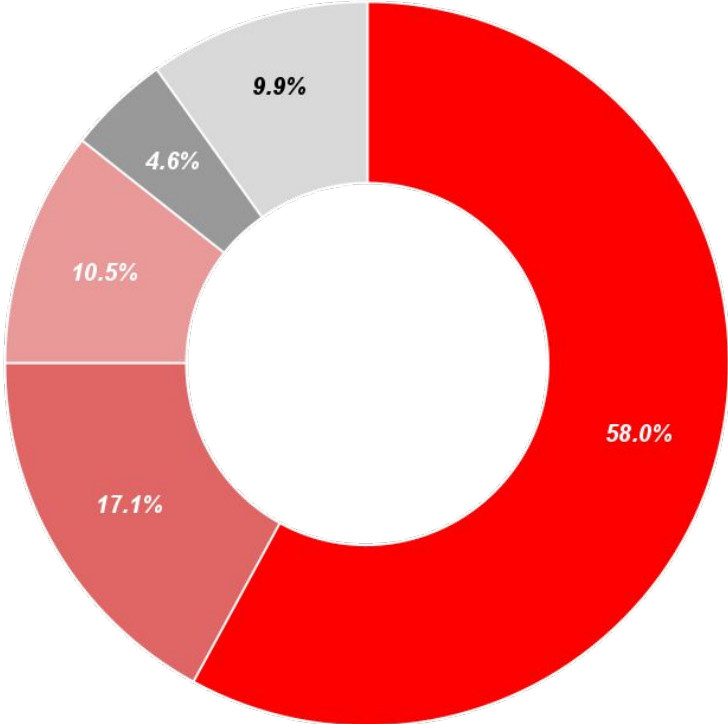
2017-2021 Revenue CAGR

in billions



Revenue by Location

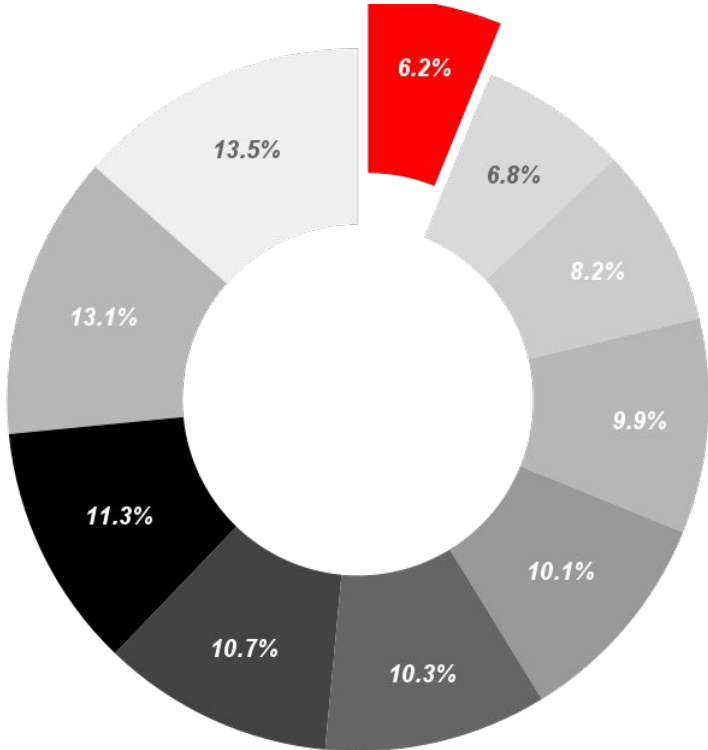
● United States ● Europe ● Japan ● China ● Other



Market Share & Product Breakdown



Pharmaceutical Market Share



- Eli Lilly
- Bayer
- AbbVie
- Sanofi
- GlaxoSmithKline
- Johnson & Johnson
- Merck
- F Hoffmann-La Roche
- Novartis
- Pfizer

Top 4 Products

Trulicity	20.7%
Humalog	10.7%
Alimta	9.5%
Taltz	7.3%
All Other	51.8%



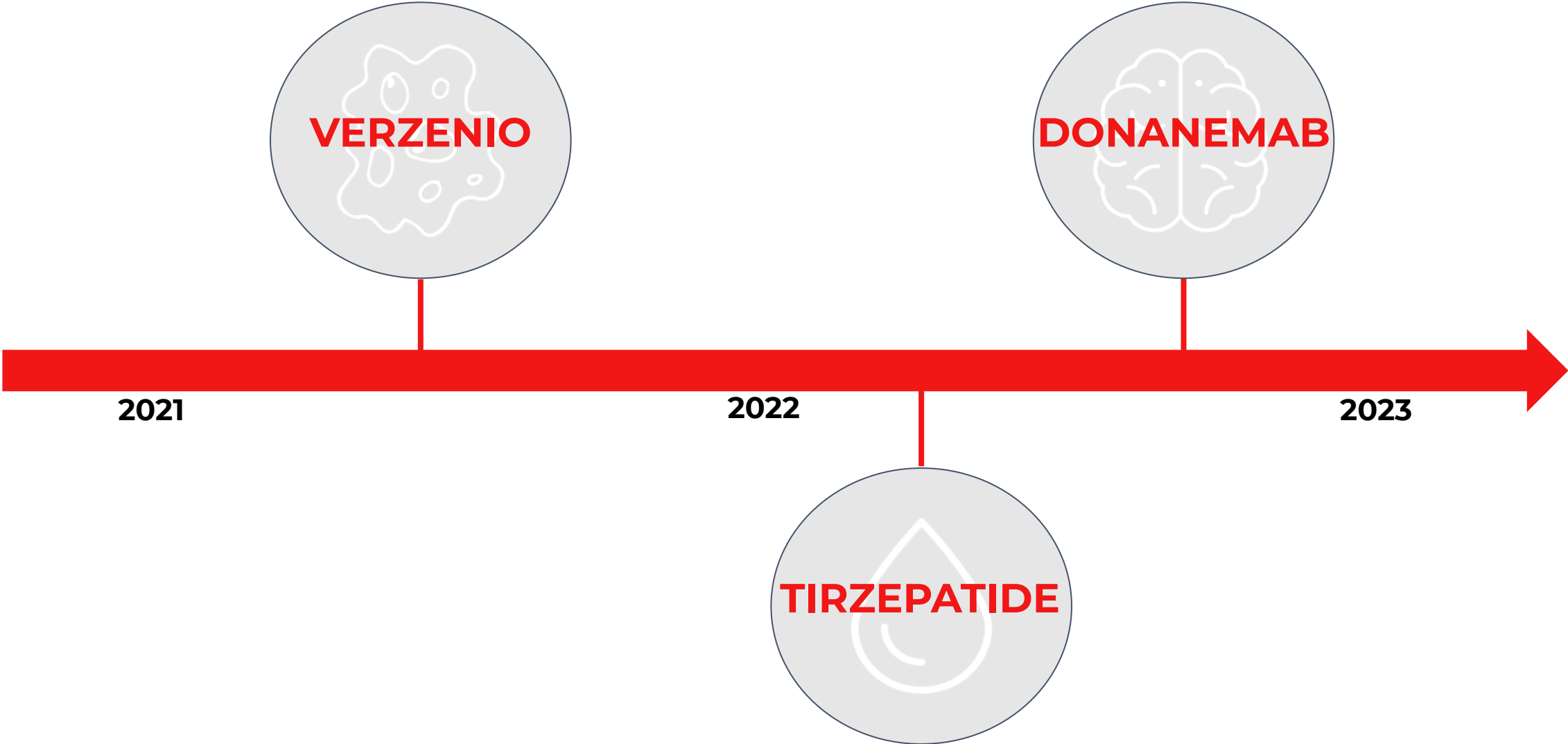
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Investment Thesis



- I. Major pipeline **product developments** over the next 12-18 months
- II. Prominent market player in **growing pharmaceutical** market segments
- III. Inorganic growth through **M&A activity** and strategic partnerships

Pipeline Product Development



Company Overview

Investment Thesis

Valuation

Risks

Conclusion



Early Breast Cancer Drug

○ Gained FDA approval 5 years ago

○ Key growth product, comprises 4% of sales

Timeline:

- Oct. 12 - FDA approved **Verzenio** as **first and only inhibitor** in the adjuvant setting for early breast cancer patients

Competitive Landscape:

- Currently **Pfizer's Ibrance** holds largest market share but after the news, **sales** of Ibrance are **expected to decline**

Opportunity:

- Verzenio's **market share** of 20% expected to **grow**
- TAM for **breast cancer** drugs is expected to reach **\$55.2B by 2027** representing a **CAGR of 13.1%**.



Type-2 Diabetes Drug



Improve blood glucose levels and support weight loss



Priority review voucher expedites review time to 8 months

Timeline:

- Seeking **mid-2022 approval** from FDA
- **Phase III** trial for obesity **underway**

Competitive Landscape:

- Tirzepatide **outperforming popular diabetes drugs** in head-to-head clinical trials
- **First-in-class** GLP-1/GIP and a strong contender in the T2D market

Opportunity:

- TAM for **Type-2 Diabetes** drugs is expected to increase to **\$92B by 2029** representing a **CAGR of 6.7%**
- TAM for **Obesity** drugs is expected to reach **\$3.4B by 2027** representing a **CAGR of 10.1%**

Pipeline Product Development



Alzheimer's Drug



Investigational antibody therapy drug



Rolling submission to FDA for accelerated approval

Timeline:

- Ph 3 study expected to begin enrollment this year and primary endpoint data expected to be shared in 2H22
- Expect a 2022 FDA approval if study confirms a cognitive benefit for the drug

Competitive Landscape:

- **Submission for FDA approval** will put the drug against Biogen's drug Adhuhelm
- **Ph 3 head-to-head clinical trial** aimed to compare the action of Donanemab and Aduhulem in clearing brain amyloid plaque in Alzheimer's disease

Opportunity:

- TAM for **Alzheimer's** drugs is expected to reach **\$9B by 2026** representing a **CAGR of 5.3%**

Prominent Player in Growing Markets



Taltz

- #4 contribution to sales (7.29%)
- treatment for moderate to severe plaque psoriasis



Immunology Market

- CAGR: 8.1%
- Eli Lilly is 10th largest market player



Trulicity

- #1 contribution to sales (20.65%)
- Insulin treatment for type-2 diabetes



Diabetes Drugs Market

- CAGR: 6.1%
- Eli Lilly is 5th largest market player



Alimta

- #2 contribution to sales (9.49%)
- treatment for various cancers



Pemetrexed Market

- CAGR: 1.3%
- Eli Lilly is the top major player

Prominent Player in Growing Markets



Immunology Market

Lilly Product(s): Taltz

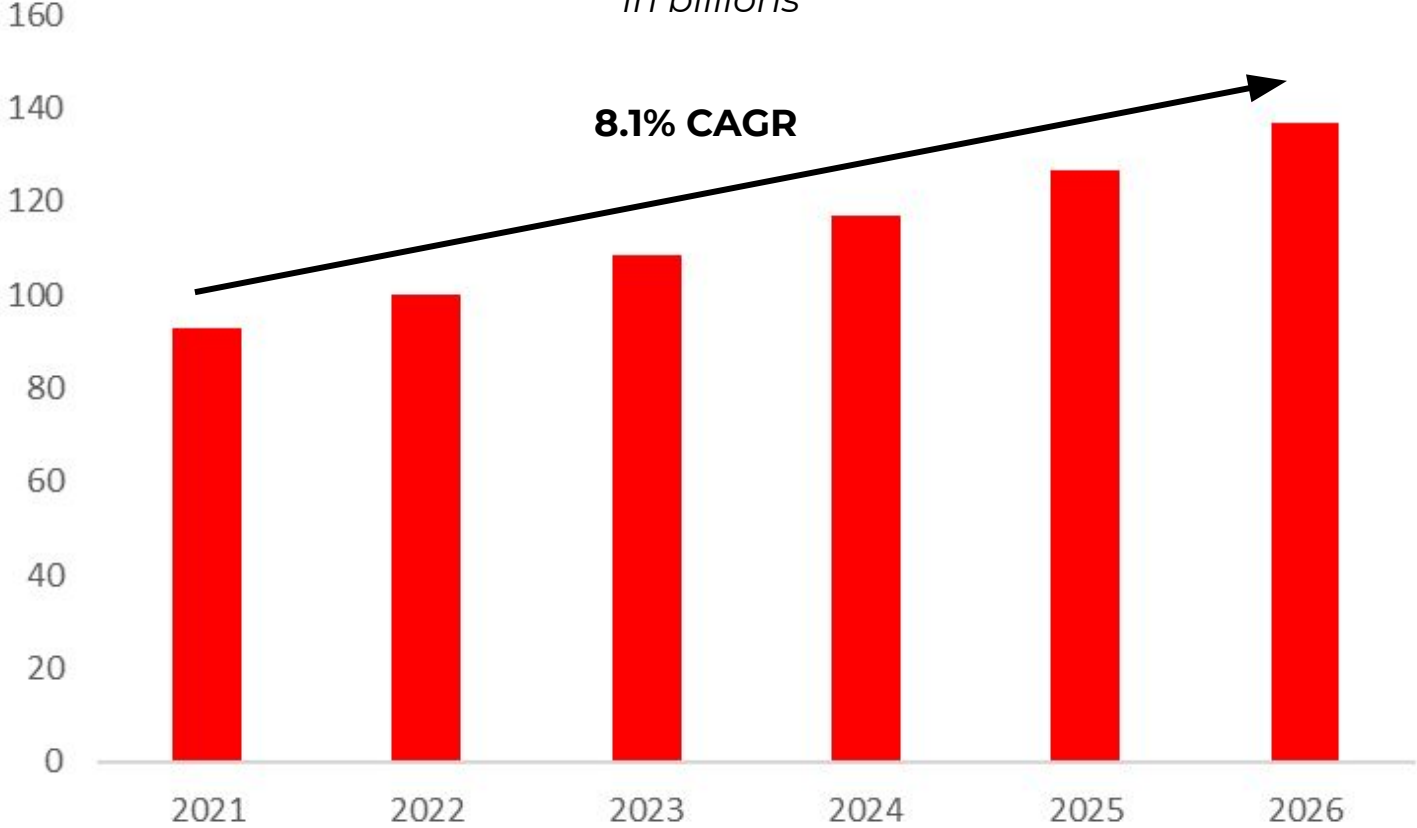
Lilly Market Position:
10

Revenue Contribution Rank: 4

Revenue Composition:
7.29%

Immunology Market

in billions



Prominent Player in Growing Markets



Diabetes Drugs Market

Lilly Product(s):
Trulicity

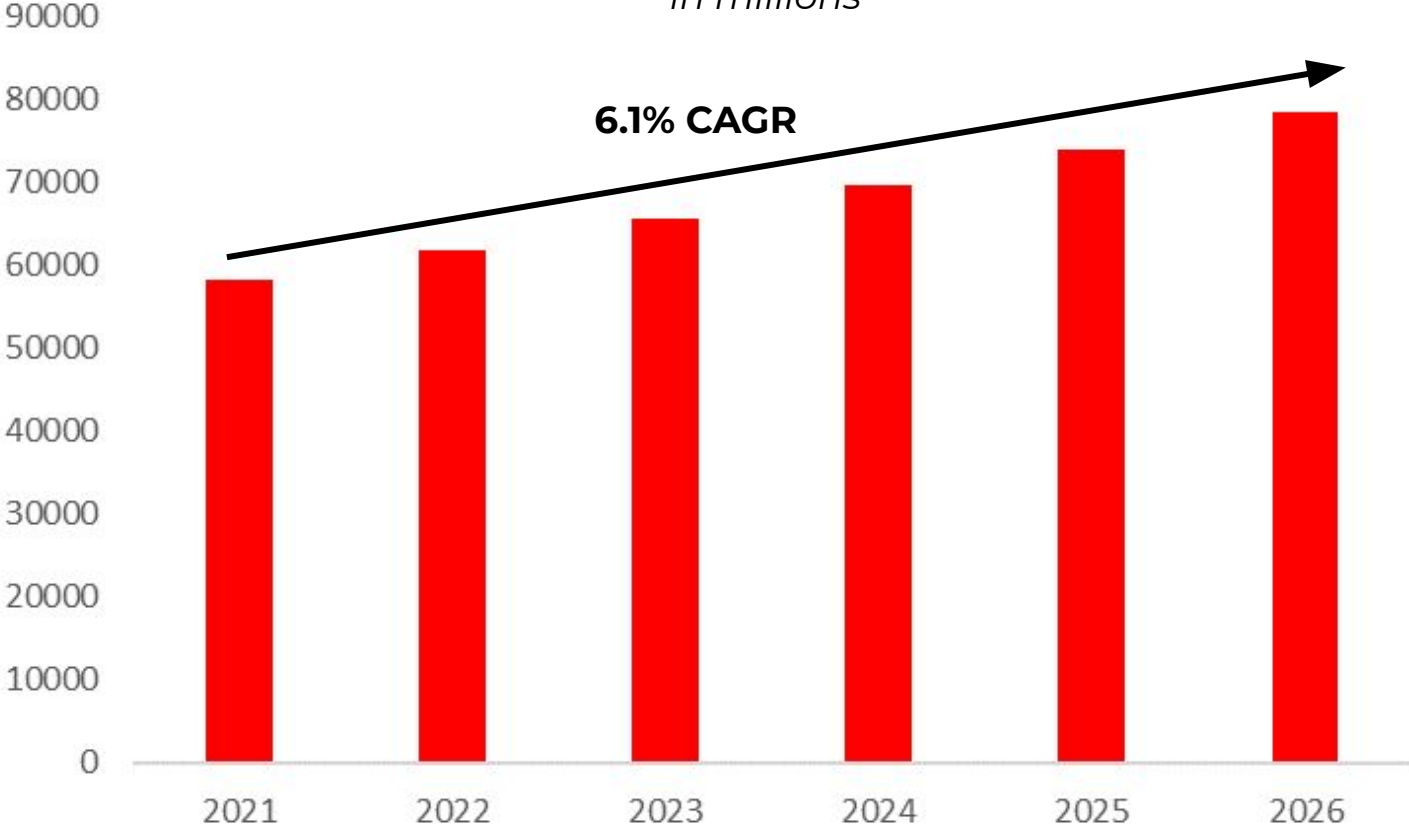
Lilly Market Position: 5

Revenue Contribution Rank: 1

Revenue Composition:
20.65%

Diabetes Drugs Market

in millions



Prominent Player in Growing Markets



Pemetrexed Market

Lilly Product(s): Alimta

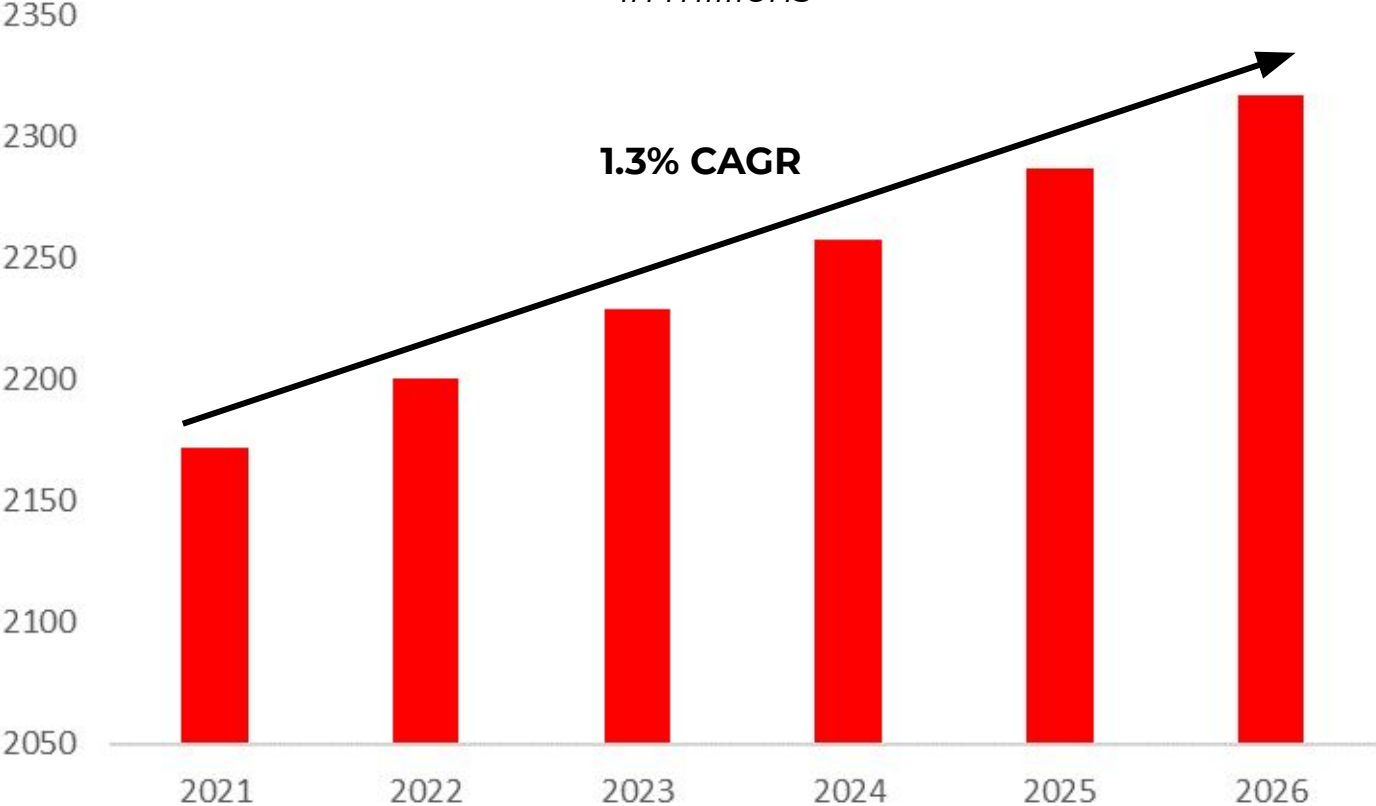
Lilly Market Position: 1

Revenue Contribution Rank: 2

Revenue Composition: 9.49%

Pemetrexed Market

in millions



Strong M&A Activity for Inorganic Growth



“We will continue to leverage bolt-on acquisitions and licensing opportunities to augment our future growth prospects with external innovation” - 2021 Guidance

Loxo

- Acquired in 2019
- Retevmo - main pipeline product for lung and thyroid cancers

Dermira

- Acquired in 2020
- lebrikizumab - pipeline product for dermatitis, FDA approval

Prevail Therapeutics

- Acquired in 2021
- Gene therapies for neurodegenerative disorders



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Valuation



- I. Implied Share Price Overview
- II. Comparable Companies
- III. Assumptions
- IV. Price Chart

Valuation Overview

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Assumptions

WACC	Tax Rate
5.70%	28%
Exit Multiple (EV/EBITDA)	Terminal Growth Rate
20x	2.5%

Multiples Method

\$271.03

Gordon Growth

\$270.01

Public Comparable Companies



Company	Ticker	EV/Revenue	EV/EBITDA	EV/R&D	P/E
Pfizer, Inc.	PFE	3.54x	9.48x	24.44x	15.20x
Johnson and Johnson	JNJ	4.57x	12.58x	30.35x	38.90x
Bristol-Myers	BMJ	3.47x	6.27x	12.9x	N/A
Abbott Laboratories	ABT	5.71x	19.13x	89.76x	26.95x
Eli Lilly and Company	LLY	4.03x	31.13x	37.66x	29.59x
Average		4.32x	11.87x	39.36x	27.02x
Median		4.06x	11.03x	27.40x	26.95x

Gordon Growth: Assumptions & Analysis



	Conservative	Moderate	Aggressive
Terminal Growth Rate	2%	2.5%	3%
Terminal Value	\$201,172	\$232,605	\$275,680
Enterprise Value	\$239,948	\$271,381	\$314,457
Share price - Gordon Growth	\$237.15	\$270.01	\$315.04

*in millions except per share price

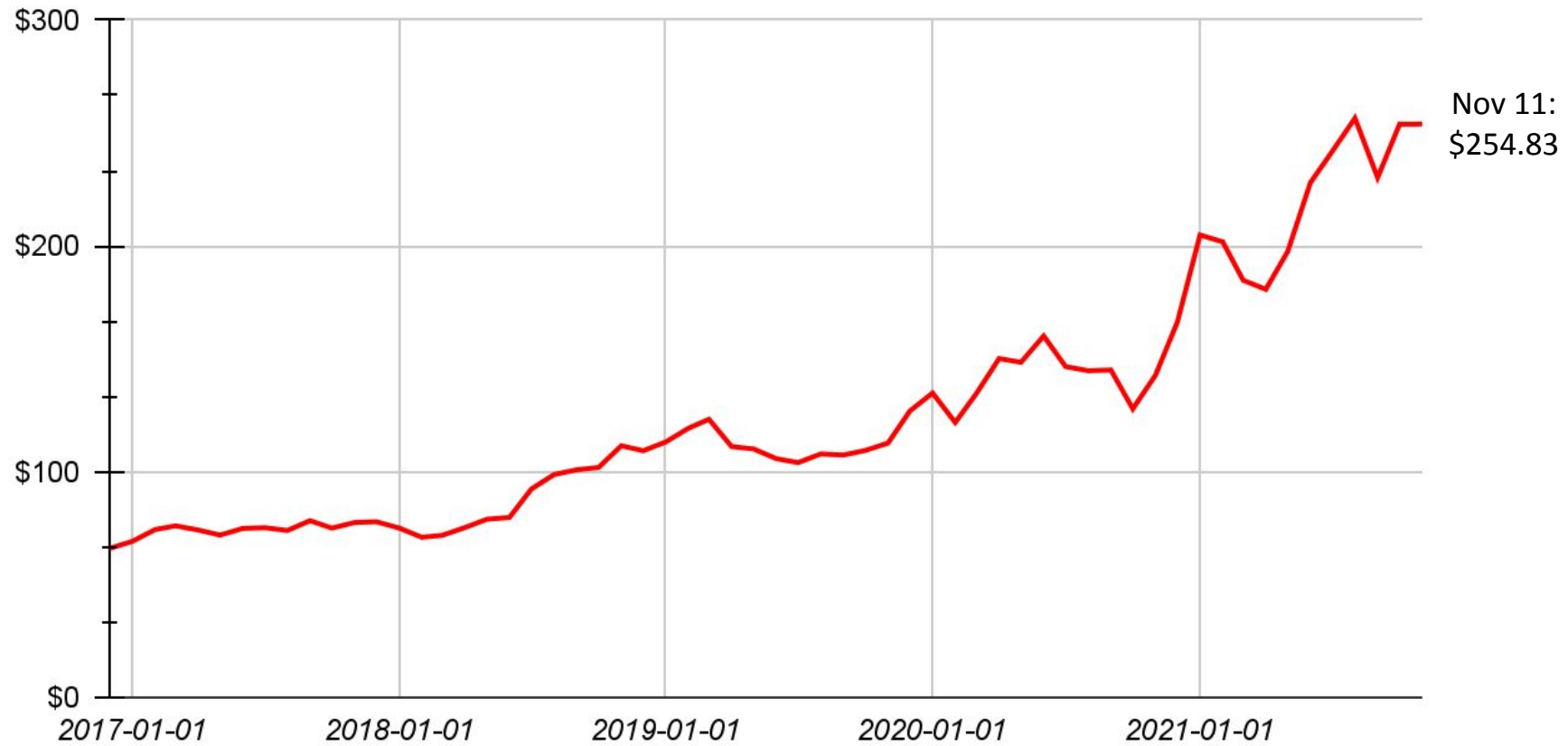
Multiples Method: Assumptions & Analysis



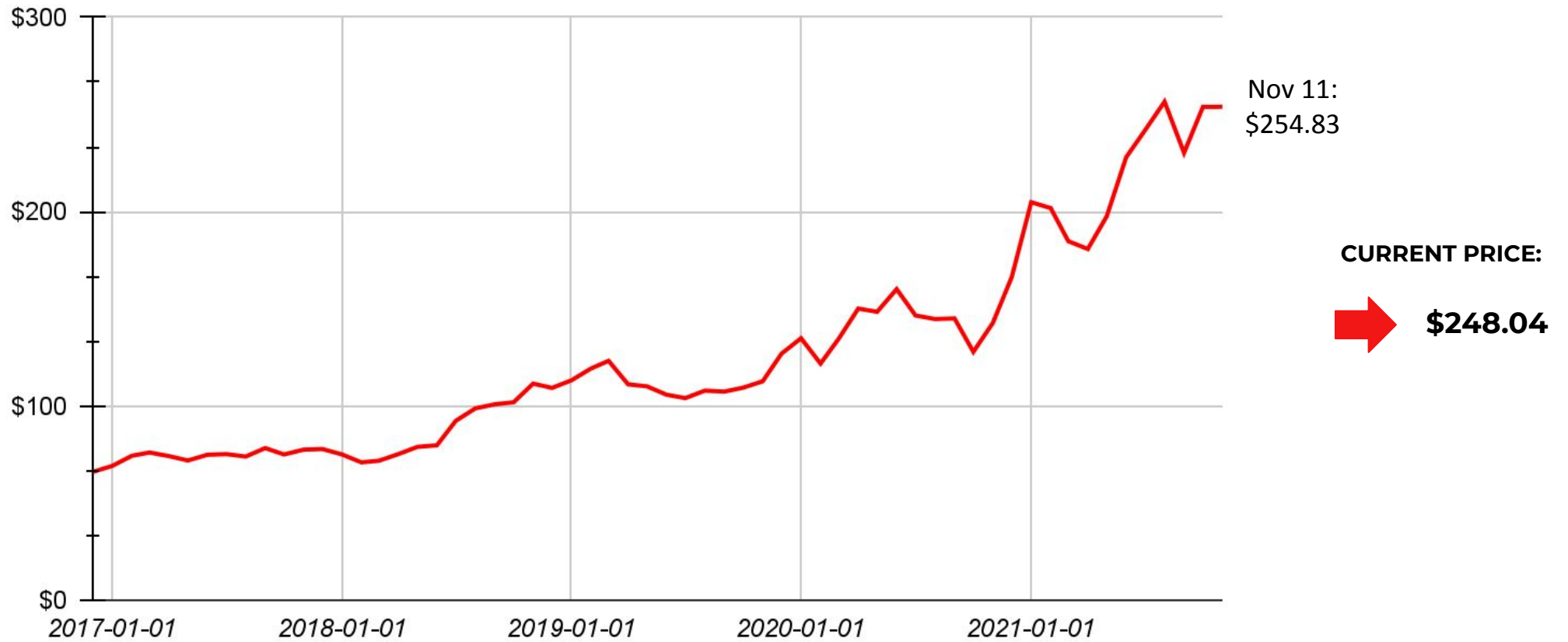
	Conservative	Moderate	Aggressive
Terminal Growth Rate	15x	20x	25x
Terminal Value	\$177,879	\$237,172	\$296,465
Enterprise Value	\$209,504	\$268,797	\$328,090
Share price - Gordon Growth	\$205.33	\$271.03	\$329.29

*in millions except per share price

Eli Lilly's 5-year Monthly Historical Stock Price



Eli Lilly's 5-year Monthly Historical Stock Price





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Risks & Considerations



- I. Reliance on Pharmaceutical Wholesale
- II. Involvement in Legal Proceedings

Reliance on Pharmaceutical Wholesale



3 of LLY's largest wholesalers make up between 15-20% of total revenue each



Each of these accounts for between \$3.68B & \$4.91B of total revenue

LLY is unprepared to be wholesalers themselves due to lack of experience & the massive expenditures required

2 key product liability issues with Byetta & Cialis



570 total suits

- Allegedly contributes to pancreatic & thyroid cancers
- LLY failed to warn of the following



350 total suits

- Allegedly contributes to melanoma
- Resolution has been pushed to February 2022 to finalize all claims

The Healthcare team recommends a **BUY** in **LLY** for the following reasons:

1. Strong product developments in the pipeline
2. Prominent player in growing pharmaceutical market segments
3. Inorganic growth through M&A activity and strategic partnerships

Price Target: \$270

Questions?