Eli Lilly (LLY) Q1 2025 Earnings Deep-Dive Report

Summary of Core Financial Data

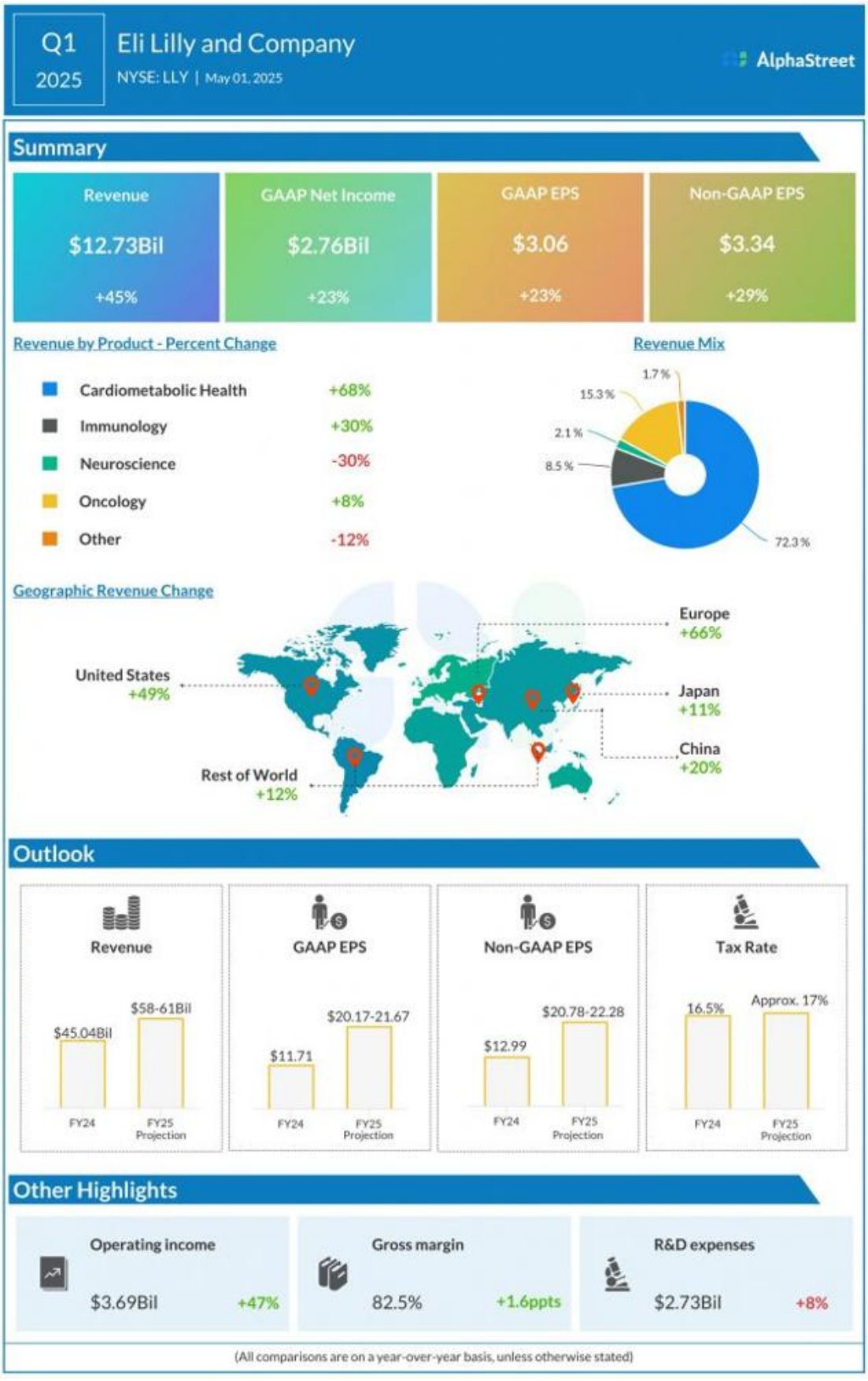

Q1
2025
Eli Lilly and Company
NYSE: LLY | May 01, 2025
AlphaStreet
Summary
Revenue
$12.73Bil
+45%
GAAP Net Income
$2.76Bil
+23%
GAAP EPS
$3.06
+23%
Non-GAAP EPS
$3.34
+29%
Revenue by Product - Percent Change
Cardiometabolic Health +68%
Immunology +30%
Neuroscience -30%
Oncology +8%
Other -12%
Revenue Mix
1.7%
15.3%
2.1%
8.5%
72.3%
Geographic Revenue Change
United States +49%
Europe +66%
Japan +11%
China +20%
Rest of World +12%
Outlook
Revenue
$45.04Bil
$58-61Bil
FY24
FY25 Projection
GAAP EPS
$11.71
$20.17-21.67
FY24
FY25 Projection
Non-GAAP EPS
$12.99
$20.78-22.28
FY24
FY25 Projection
Tax Rate
16.5%
Approx. 17%
FY24
FY25 Projection
Other Highlights
Operating income
$3.69Bil +47%
Gross margin
82.5% +1.6ppts
R&D expenses
$2.73Bil +8%
(All comparisons are on a year-over-year basis, unless otherwise stated)

Figure: Eli Lilly Q1 2025 financial results summary. The infographic highlights the quarter's key metrics (revenue, net income, EPS) and revenue breakdown by therapeutic area and geography.

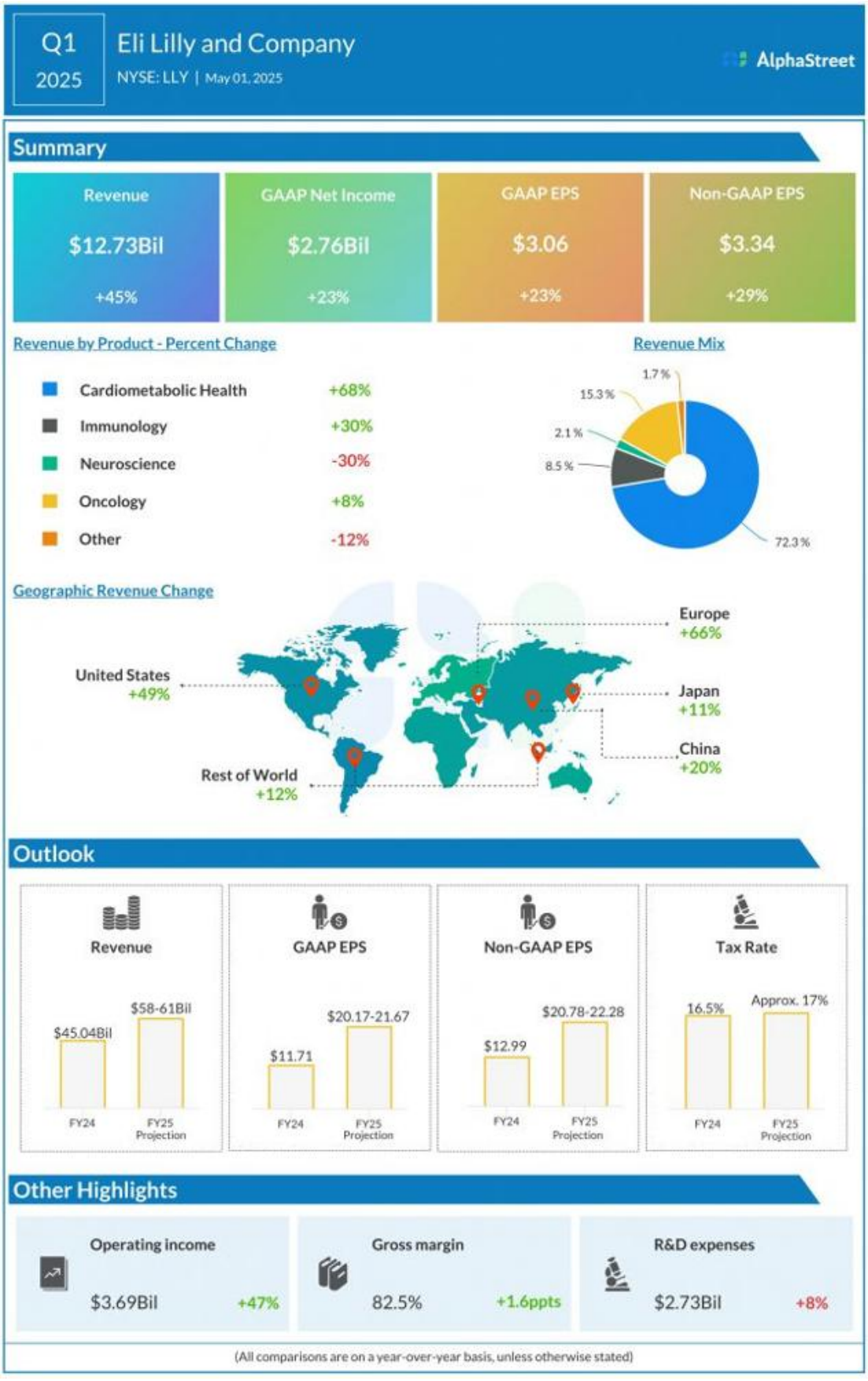
Eli Lilly delivered **robust financial results** in Q1 2025, with **revenue of $12.73 billion**, representing a **45% year-over-year (YoY)** increase. This sharp growth was driven primarily by booming sales of its incretin-based diabetes and obesity therapies (detailed below). **Net income (GAAP)** came in at **$2.76 billion**, up **23% YoY**, and **GAAP earnings per share (EPS)** was **$3.06** (also +23% YoY). On a non-GAAP basis (excluding certain charges), EPS was **$3.34**, up 29% YoY. The **profit margin** (net income as a percentage of sales) was about 22%, which is slightly lower than ~26% a year ago, reflecting higher expenses that included heavy R&D investments and one-time charges.

Compared to the previous quarter (Q4 2024), **revenue dipped ~6% sequentially** from Q4's record $13.53 billion. This slight quarter-over-quarter softening is largely due to normal seasonal patterns (such as annual insurance resets affecting U.S. pharmaceutical demand early in the year) and inventory timing, and does not indicate a weakness in underlying demand. **Gross margin** continued to expand – gross profit was **82.5% of revenue**, up about **1.6 percentage points YoY**, driven by an improved product mix (more high-margin new products) and manufacturing cost efficiencies. Lilly's **operating income** was $3.69 billion in Q1 (approximately a 29.0% operating margin), growing ~47% YoY【30†look**】. This operating leverage reflects strong top-line growth, although operating margin was slightly below Q4's level due to a large one-time research charge. Core operating costs rose as Lilly **increased R&D spending by 8%** to $2.73 billion (excluding special charges)【30†look】 and also saw higher marketing investments to support new product launches, but these were well-contained relative to revenue growth.

Importantly, Lilly incurred **$1.57 billion in acquired in-process R&D (IPR&D) charges** during the quarter, primarily related to a pipeline asset acquisition (discussed

later). This one-time charge had a **$1.72 per share** (after-tax) negative impact on EPS. Additionally, the **effective tax rate** jumped to 20.2% this quarter (versus 11.6% in Q1 2024) due to the non-deductibility of that IPR&D charge. These factors explain why net profit grew more slowly than revenue. Excluding such charges, Lilly's **underlying operational performance** was even stronger than the GAAP figures suggest. In fact, adjusting for one-time items, Lilly's **core operating margin** expanded, and non-GAAP net income rose ~29% YoY, indicating healthy incremental profitability from the surge in sales.

Overall, **volume growth** was the dominant driver of Lilly's top-line in Q1. The company reported a **53% increase in volume** (number of units sold), while pricing had a modest negative impact (-5% overall) and foreign exchange was a minor headwind. In the **U.S. market**, sales rose **49% YoY** on a 57% volume jump (partially offset by lower realized prices due to payer mix and discounts). **International revenues** grew **38% YoY**, fueled by broad demand for new drugs in Europe and other regions. Notably, Lilly benefited from a one-time **$370 million payment related to its Jardiance partnership** (recorded as revenue outside the U.S.) as part of an updated collaboration agreement with Boehringer Ingelheim. Even without that non-recurring boost, international growth was strong (~30%+). Geographically, the United States accounted for about 67% of Lilly's sales in Q1, with particularly **rapid growth in Europe (+66% YoY)** as key products launched in that region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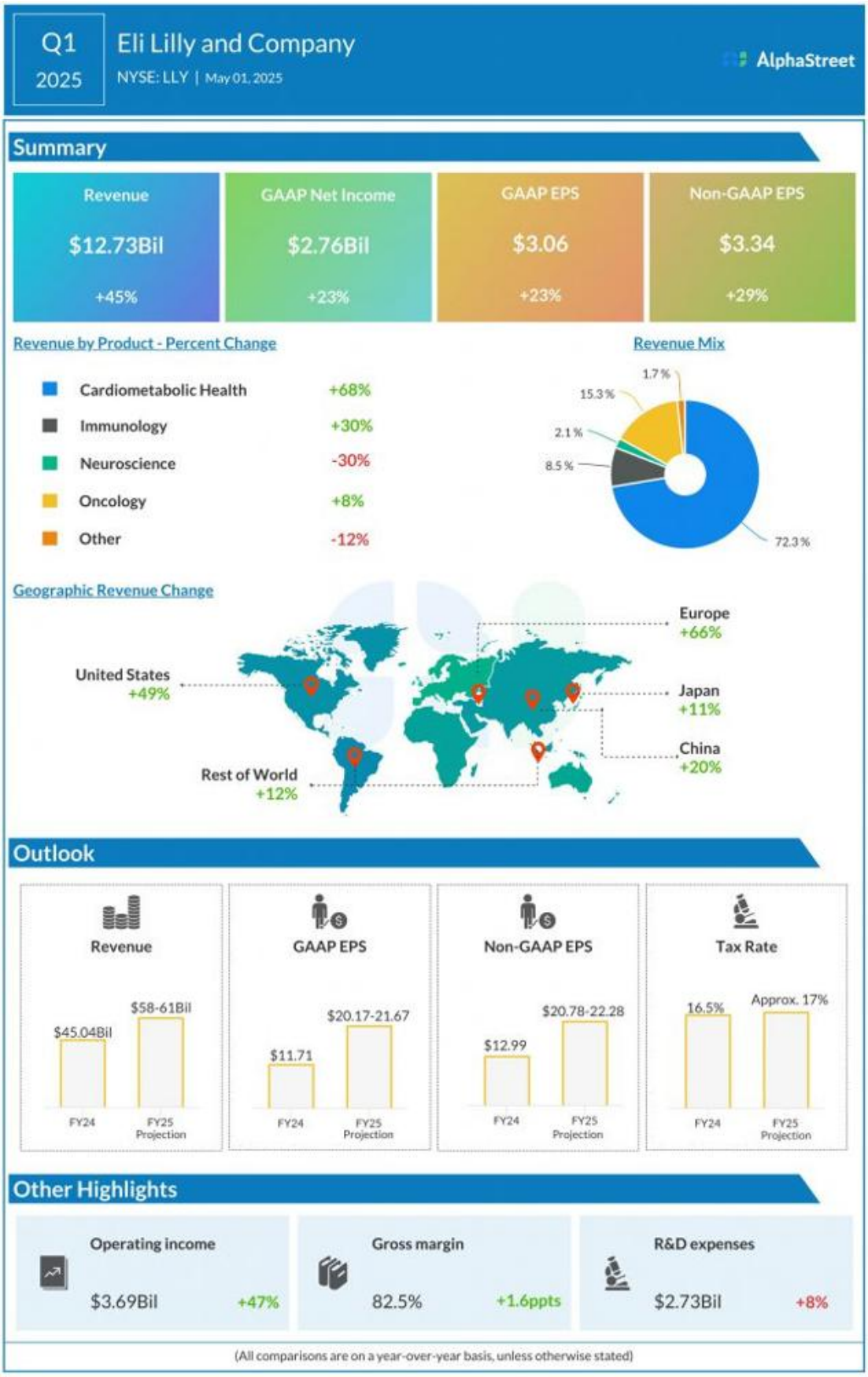
. Japan, China and other markets also contributed solid double-digit growth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. In summary, Lilly's first-quarter financials demonstrate exceptional growth momentum, underpinned by new product successes, while maintaining robust margins despite increased investment in R&D and launch activities.

Key financial metrics are summarized in the table below:

Financial Metric	**Q1 2025**	**Q1 2024**	**YoY Change**	**Q4 2024**	**QoQ Change**
Revenue	$12.73 billion	$8.77 billion	**+45%**	$13.53 billion (record)	–6% (seasonal)
GAAP Net Income	$2.76 billion	$2.24 billion	**+23%**	$4.41 billion (high)	–37%
GAAP EPS	$3.06	$2.48	**+23%**	$4.88 (peak quarter)	–37%
Adj. (Non-GAAP) EPS	**$3.34**	**$2.58**	**+29%**	**$5.32** (ex-charge)	–37%
Gross Margin %	82.5%	~80.9%	**+1.6 ppt**	82.2%【5†look】	+0.3 ppt
Operating Margin % (est.)	~29%	~28%	**+0.5 ppt**	~38%	–9 ppt
Operating Income	$3.69 billion	$2.5 billion (est.)	**+47%**	$5.15 billion【5†look】	–28%
R&D Expense	$2.73 billion	$2.53 billion	**+8%**	$3.02 billion	–10%
Effective Tax Rate	20.2%	11.6%	+8.6 ppt	16.5%	+3.7 ppt

<small>*(Note: Q4 2024 figures are shown for context; Q4 had unusually high earnings due to year-end effects. Non-GAAP EPS excludes certain items like IPR&D charges and investment gains/losses. Operating margin is calculated from reported operating income/revenue; Q1 2025 operating margin is lower than Q4 due to the one-time R&D charge and seasonal revenue dip.)*</small>

Key Product Performance

Lilly's outstanding sales growth was propelled by **several key products**, especially its new diabetes and obesity treatments. In fact, just **two products – Mounjaro and Zepbound (both formulations of tirzepatide)** – contributed nearly half of the company's revenue this quarter (about $6.15 billion, ~48% of total sales). Below we review the performance and market reception of Lilly's major products in Q1 2025:

Mounjaro*(tirzepatide for type 2 diabetes)* – **Mounjaro's sales more than doubled** year-over-year to **$3.84 billion** worldwide. This reflects **+113% YoY growth**, an extraordinary increase driven by **surging demand in both the U.S. and international markets**. In the U.S., Mounjaro sales were $2.66 billion (up 75% YoY) as physicians increasingly prescribe it as a first-line or switch therapy for type 2 diabetics given its superior efficacy (many patients are achieving significant blood sugar and weight improvements). Outside the U.S., Mounjaro revenue was $1.19 billion, a more than four-fold increase from just $286 million a year ago, reflecting **rapid uptake in new markets** where the drug has launched over the past year. Mounjaro's momentum continues to be very strong; it has quickly become one of the **top-selling diabetes medications globally**. However, Lilly has implemented some price discounts and copay assistance, which slightly reduced realized prices – a worthwhile trade-off to drive broad adoption. Overall, Mounjaro's performance underscores its status as a **blockbuster franchise**, capturing both diabetes market share and off-label use by some patients seeking weight loss benefits.

Zepbound*(tirzepatide for obesity)* – Zepbound is Lilly's newly branded version of tirzepatide approved specifically for chronic weight management. In its first full quarter after U.S. launch, **Zepbound generated $2.31 billion in sales**, a huge increase from ~$517 million in the prior-year period (when it was only available to a limited extent, presumably off-label or via early use). This **>300% YoY growth** (not meaningful to calculate precisely, given the low base) reflects *explosive demand* as the drug gains traction as a weight-loss therapy. Zepbound has **quickly established itself as the leading branded anti-obesity medication in the U.S.**, surpassing the uptake of Novo Nordisk's Wegovy in the U.S. market. Patients and physicians report exceptional efficacy in weight reduction, often 15-20% body weight loss, making

tirzepatide a game-changer in obesity care. Supply has been a key focus – Lilly has been ramping up manufacturing to meet the overwhelming demand. It's worth noting that reported Zepbound sales are U.S.-only at this stage (regulatory approvals in EU and other regions are pending or recent). The strong debut of Zepbound indicates **vast commercial potential in the obesity segment**, which Lilly is poised to capitalize on as insurance coverage expands for weight-loss treatments.

Trulicity*(dulaglutide, a GLP-1 agonist for type 2 diabetes)* – Trulicity is Lilly's older once-weekly GLP-1 injection, and as expected, its sales **declined** due to the rapid adoption of Mounjaro. In Q1, **Trulicity revenue was approximately $1.10 billion, down 25% YoY**. This drop was driven by lower demand and some price erosion – many patients and prescribers are transitioning to the more efficacious tirzepatide. In the U.S., Trulicity faces **competitive dynamics** not only from Lilly's own Mounjaro but also from Novo Nordisk's Ozempic. Despite the decline, Trulicity remains a significant product (still about 9% of total revenue) with a loyal patient base and presence in markets or segments where Mounjaro is not yet available or suitable. Lilly is managing this **"legacy product" decline** by ensuring continuity for patients still on Trulicity, even as it reallocates resources toward the next-generation therapies. Over time, we expect Trulicity's sales to continue tapering off, especially once biosimilar competition eventually arrives (Trulicity's U.S. patent exclusivity is estimated to expire later this decade).

Verzenio*(abemaciclib, an oral therapy for HR+ breast cancer)* – Verzenio delivered **solid growth** in Q1, with **global sales of $1.16 billion, up 10% YoY**. U.S. Verzenio revenue grew modestly (+3%), reaching $658 million, as higher demand (particularly in early-stage breast cancer use) was partly offset by some fluctuations in wholesaler buying patterns and increased competition in advanced disease. International sales were more dynamic at $501 million (+22% YoY) on strong volume uptake in Europe and other markets. Verzenio continues to gain market share in the CDK4/6 inhibitor class, supported by its compelling clinical profile in high-risk early breast cancer (based on the

monarchE trial) and metastatic settings. While Pfizer's Ibrance (the class pioneer) still leads in prescriptions, Verzenio's growth outpaces its rivals, and it is increasingly a **key growth driver in Lilly's oncology portfolio**. The quarter's results were just slightly below some aggressive analyst forecasts (a "shortfall" relative to lofty expectations), but overall the trajectory remains positive and management noted optimism about continued penetration in adjuvant breast cancer.

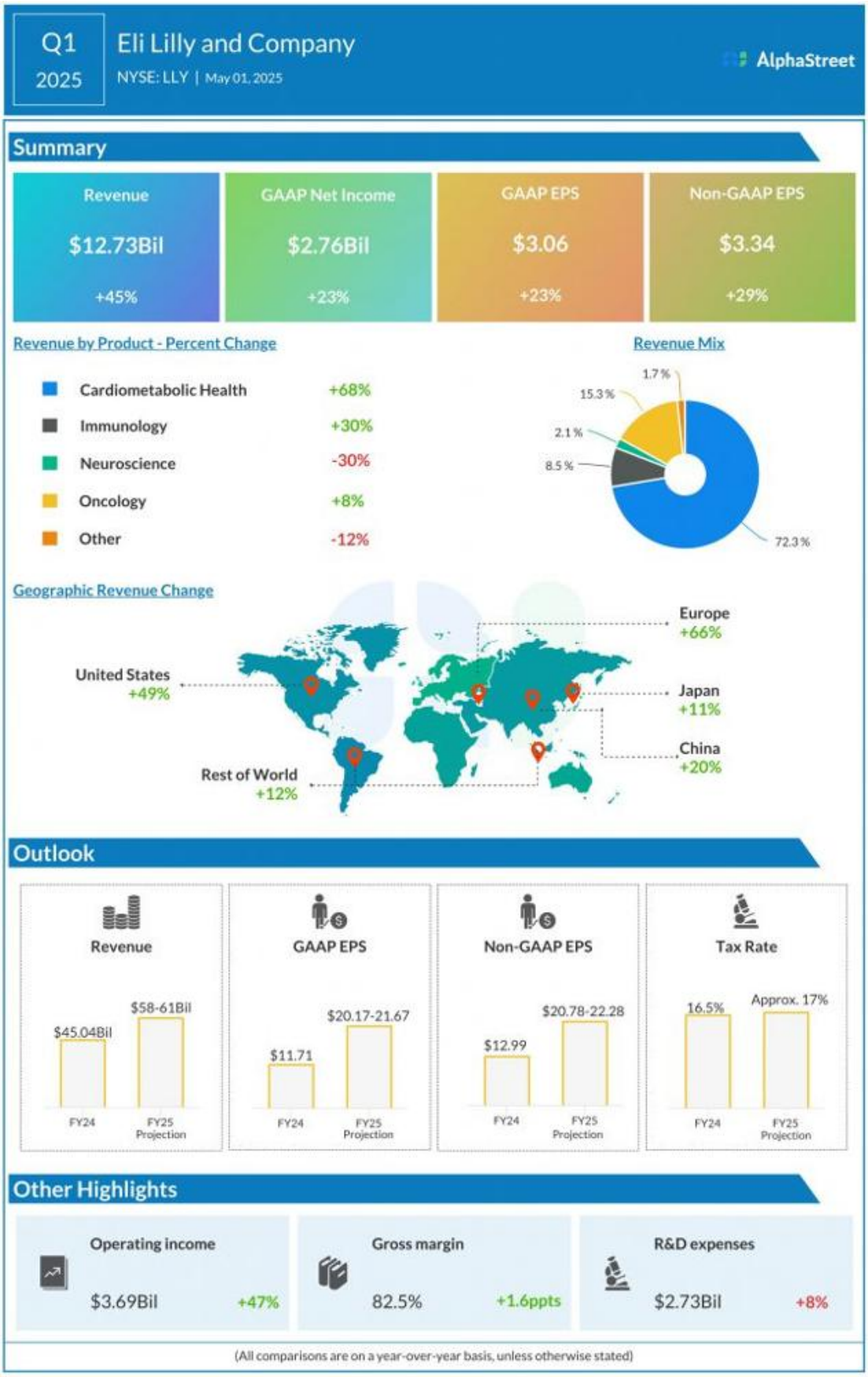
Taltz*(ixekizumab, an IL-17 inhibitor for psoriasis and psoriatic arthritis)* – Taltz was a **bright spot in immunology**, surprising to the upside. It **brought in $762 million in Q1, up 30% YoY**. This robust growth was driven by increased demand in the U.S. (where Taltz has gained market share in dermatology, aided by strong efficacy in psoriasis) and uptake in new indications like axial spondyloarthritis. Taltz's sales significantly **beat forecasts** (the consensus was around $660 million), indicating that it is holding its own despite competition from other biologics (such as Novartis's Cosentyx and newer therapies for psoriasis). The product benefited from expanded formulary coverage and possibly some patients switching from alternative IL-17 or IL-23 inhibitors. Lilly's immunology franchise (which also includes Olumiant for alopecia/RA and now mirikizumab in certain markets) grew 30% YoY in aggregate, with Taltz as the largest contributor. This performance reinforces Taltz's status as a **steady growth driver** for Lilly as the drug heads toward later years of its life cycle (patent expiry is around 2028). Lilly will aim to maximize Taltz's value in the remaining years through continued indication expansion and competitive contracting.

Donanemab (trade name: Kisunla) – Donanemab is Lilly's novel antibody for early Alzheimer's disease (targeting beta-amyloid plaques). It is not yet a major revenue contributor (still in launch ramp-up), but it represents a **key strategic product** for Lilly with significant future potential. Donanemab

received FDA approval in July 2024 for early symptomatic Alzheimer's, and Lilly began commercialization under the brand **Kisunla**. In Q1 2025, initial sales of Kisunla were modest – the drug is in the early stages of rollout as physicians and patients navigate treatment logistics (e.g. diagnostic testing for amyloid and insurance authorization) and as payers only recently began reimbursing Alzheimer's antibodies under Medicare. While Lilly did not break out donanemab's Q1 revenue figure (it is likely included in "Neuroscience" category which showed a decline due to legacy products), we do know that uptake is occurring on a small scale. For context, Eisai/Biogen's competing antibody Leqembi (lecanemab) generated about **$96 million in sales in Q1** (global) as it continues a slow ramp. Donanemab's launch is expected to be similarly gradual – constrained initially by safety monitoring requirements and the need to treat only early-stage patients who meet certain criteria. Early feedback from clinicians is cautiously optimistic: donanemab showed compelling efficacy in slowing cognitive decline (especially in patients with low-to-moderate tau levels), but its use comes with the class risk of ARIA brain swelling, requiring careful patient selection. A positive point for donanemab is its **dosing regimen** – patients may discontinue therapy after about 6 to 12 months of treatment if amyloid plaques clear, potentially reducing overall treatment burden compared to indefinite therapy. This could become a differentiator if outcomes remain strong. In summary, while **Kisunla's Q1 revenue impact was minimal**, it holds significant promise in the Alzheimer's market. Investors will be watching its uptake in coming quarters, especially as Medicare's reimbursement framework is now in place and as European approval is on the horizon (see pipeline updates).

Other Products – Lilly's remaining portfolio includes several established products and newer launches not individually detailed above. **Jardiance** (partnered with Boehringer for diabetes) continues to grow in usage, though its reported revenue got an unusual lift this quarter from the one-time payment

noted earlier. Lilly's **neuroscience category** (excluding donanemab) saw a revenue decline (-30% YoY), largely due to **lower sales of older medications** (for example, legacy antidepressants and the absence of COVID antibody revenue that bolstered prior-year results) and competitive pressure on the migraine drug Emgality. The **oncology portfolio beyond Verzenio** is expanding – new launches like **Jaypirca** (pirtobrutinib for mantle cell lymphoma) are small contributors so far (Q1 sales ~$60 million), but growing steadily. Lilly also launched **Omvoh** (mirikizumab) for ulcerative colitis in some markets like Japan; initial uptake is encouraging, though U.S. approval is delayed. Combined, Lilly's **"new products" (launched in the past couple of years)** – a group that includes Mounjaro, Zepbound, Verzenio (now mid-life but classified as key growth product), Jaypirca, Omvoh, Lebrikizumab (Ebglyss), and donanemab – contributed **$7.52 billion in Q1 revenue**, up from $3.43B a year ago. This nearly $4.1B incremental growth from recent launches highlights Lilly's successful rejuvenation of its portfolio. Conversely, **older products** in aggregate continued to decline (e.g., Humalog insulin, Alimta chemotherapy, Cialis, etc., have either lost patent exclusivity or face shrinking demand), but these now form a relatively small portion of sales (categorized under "Other," down 12% YoY). The strength of Lilly's core growth products more than offsets these declines.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In summary, Lilly's **product portfolio is undergoing a rapid transformation**. Incretin-based therapies (for diabetes/obesity) have become the dominant revenue engines, while newer oncology and immunology drugs are contributing solid growth. Legacy product declines are being managed and are dwarfed by the gains from innovation. The market reception for Lilly's major new medicines – from Mounjaro in diabetes to Zepbound in obesity, and even emerging entries like donanemab in Alzheimer's – has been exceptionally positive, underpinning the company's current performance and future prospects.

R&D Pipeline Update

Lilly's Q1 2025 report also highlighted significant progress in its **research & development pipeline**, including clinical trial successes, regulatory milestones, and strategic acquisitions. The company's sustained investment in R&D (over $2.7B this quarter, as noted) is yielding results across multiple disease areas. Key updates from the quarter include:

Metabolic Diseases (Diabetes/Obesity): Lilly announced **positive Phase 3 results for orforglipron**, its oral GLP-1 receptor agonist. In the first of several late-stage trials (ACHIEVE-1 for type 2 diabetes), orforglipron met its efficacy endpoints, showing significant blood sugar reductions and weight loss, with a safety profile consistent with injectable GLP-1 drugs. This is a pivotal development because orforglipron is a once-daily pill (non-peptide) that could become the *first oral GLP-1* of its kind, making this potent drug class more accessible to patients averse to injections. Further Phase 3 readouts for orforglipron in obesity and diabetes are expected throughout 2025, and the Q1 result increases confidence that Lilly will successfully bring an oral alternative to market. Additionally, Lilly is advancing **retatrutide**, a next-generation injectable that activates GLP-1, GIP, and glucagon receptors (often dubbed a "triple agonist"). While not explicitly mentioned in the Q1 press release, retatrutide's Phase 2 data (released last year) showed remarkable weight loss up to ~24%, and Phase 3 trials are underway. This reflects Lilly's strategy to **extend its leadership in the incretin space**, with multiple innovative therapies (both oral and injectable) to address diabetes and the broader obesity epidemic.

Neuroscience (Alzheimer's Disease): On the regulatory front, **donanemab (Kisunla)** received a **positive opinion from the EMA's CHMP** during Q1, recommending approval in the European Union. This is a key step toward expanding donanemab's availability beyond the U.S. Lilly is also conducting additional trials of donanemab (e.g., in broader Alzheimer's populations and prevention settings), and preparing for a post-approval confirmatory study commitments. The company's Q1 updates noted that a European approval decision is expected soon, and Lilly is coordinating with health systems to ensure infrastructure (diagnostic testing and safety monitoring) can support wider use of Alzheimer's immunotherapies. Beyond donanemab, Lilly has other neuroscience projects: for example, **remternetug** (N3pG beta-amyloid antibody, a follow-up to donanemab) is in clinical trials, though not detailed in Q1 news. The **LillyDirect platform** for Alzheimer's was also expanded – an initiative to help patients access screening and treatment (e.g., scheduling amyloid PET scans or infusion center coordination). This should help to streamline patient onboarding for drugs like donanemab. Overall, in neuroscience, Lilly's pipeline focus remains on neurodegenerative diseases, pain, and neuro-immunology, but the clear centerpiece right now is executing on donanemab's potential.

Oncology: Lilly is building out a diversified oncology pipeline. In Q1, **Jaypirca (pirtobrutinib)** – a novel non-covalent BTK inhibitor – was **recommended for approval by the CHMP in Europe** for chronic lymphocytic leukemia (CLL) patients who have relapsed after other BTK inhibitors. Subsequently (in early Q2), the EU formally approved Jaypirca, which will expand its market beyond the U.S. Jaypirca was initially approved in the U.S. for mantle cell lymphoma; the CLL indication and broader geographic rollout significantly increase its commercial scope. Lilly is also studying pirtobrutinib in other B-cell cancers. Another notable event: Lilly **completed the acquisition of Scorpion Therapeutics' PI3K-alpha inhibitor program (STX-478)**, a targeted oncology asset. This deal, which closed in Q1, added a promising early-stage molecule aimed at solid tumors harboring certain PI3Kα mutations. The entire upfront R&D charge of $1.57B for this was absorbed this quarter, reflecting Lilly's aggressive bet on the technology. While PI3K-alpha inhibitors have historically been challenging (due to safety

issues), Scorpion's STX-478 is designed to be more selective, and Lilly believes it could overcome prior limitations. This acquisition underscores Lilly's commitment to **bolster its cancer pipeline** through business development. In addition, Lilly's internal oncology R&D delivered positive data: for instance, **Lepodisiran**, an siRNA therapeutic aimed at reducing lipoprotein(a) (a genetic cardiovascular risk factor), actually falls under cardio-metabolic but was highlighted in the update as showing a 94% reduction in Lp(a) levels in a Phase 2 study. (Though Lepodisiran is cardiovascular, it reflects Lilly's broader RNA and genetic medicine efforts which span oncology as well.) Lilly's oncology portfolio also includes ongoing trials of **tirzepatide in certain obesity-linked cancers** and **IL-13 targeted agents** for tumor microenvironment – however, those are in exploratory phases.

Immunology: Lilly reported progress with **lebrikizumab**, an IL-13 inhibitor for atopic dermatitis, which it co-developed with Almirall. Marketed as **EBGLYSS**, this drug is under regulatory review in the U.S. (after some delays) and has been approved in certain regions (e.g., Japan). In Q1, Lilly shared impressive long-term data: in an open-label extension, **half of patients on lebrikizumab achieved completely clear skin at 3 years** of treatment. This durability of response is encouraging and will support lebrikizumab's positioning against Sanofi/Regeneron's Dupixent (the current market leader in atopic dermatitis). We expect FDA approval for lebrikizumab in 2025, making it a potential new immunology growth driver for Lilly. Additionally, **Mirikizumab** (brand Omvoh) – Lilly's IL-23 antibody for ulcerative colitis and Crohn's disease – had new data: in Crohn's, a Phase 3 trial showed that a majority of patients on Omvoh achieved sustained clinical remission and endoscopic improvement at two years. While the FDA previously declined to approve mirikizumab for ulcerative colitis due to manufacturing issues, Lilly has resolved those and gained approvals in Europe and Japan; a resubmission in the U.S. is expected. These developments in immunology indicate Lilly's intent to **compete in dermatology and gastroenterology** segments traditionally led by rivals (like Dupixent and Stelara).

Other Clinical Highlights: Lilly's Q1 update also noted a successful **pediatric Phase 3 trial of baricitinib (Olumiant)** in alopecia areata. Olumiant (a JAK inhibitor) is already approved for adults with alopecia (as well as rheumatoid arthritis), and the trial in adolescents showed high rates of hair regrowth, which could make it the first approved systemic therapy for younger alopecia patients. This could extend Olumiant's franchise. Furthermore, as mentioned, **Lepodisiran** for cardiovascular risk (though not a traditional area for Lilly) showed extremely potent lowering of Lp(a); this asset might move to Phase 3 and, if successful, could address a significant unmet need in heart disease not tackled by conventional lipid therapies. Finally, Lilly continues to invest in diabetes technology – e.g., its partnership on a glucose-responsive insulin and acquisitions in the diabetes device space (such as Protomer Technologies) were past highlights, though not specifically updated in Q1.

In summary, **Lilly's pipeline is firing on multiple cylinders**. The Q1 achievements – from orforglipron's trial success to regulatory wins for Jaypirca and progress in Alzheimer's and immunology – demonstrate the breadth of Lilly's R&D engine. The company is leveraging its windfall from current product successes to **replenish its pipeline for the late 2020s**, evidenced by strategic acquisitions like Scorpion. Management emphasized that they are "doubling down" on manufacturing and R&D investments (over $15 billion invested in new manufacturing since 2020, and a plan to spend up to **$50 billion through 2030** on capacity and innovation). This bodes well for Lilly sustaining its growth: the company aims to maintain its **leadership in incretin-based therapies** while also advancing new treatments in oncology, neuroscience, and immunology. The pipeline progress in Q1 reinforces Lilly's long-term growth narrative, providing new opportunities to address major diseases and mitigate looming patent expirations on older drugs.

Guidance and Management Commentary

Following the strong first-quarter results, Lilly **updated its financial guidance for full-year 2025**. The company **reaffirmed its revenue outlook**, reflecting confidence in continued robust sales momentum. Lilly expects **2025 full-year revenue in the range of $58.0 to $61.0 billion**, which represents roughly 32% growth over 2024 at the midpoint. This implies a significant acceleration in annual sales, driven by ongoing uptake of Mounjaro/Zepbound and other growth products in the coming quarters. Importantly, despite the Q1 beat, Lilly chose not to raise the top-line guidance at this early stage – a sign that it was already expecting a back-loaded year and is factoring in some conservatism (e.g., potential capacity constraints or competition in the weight-loss market).

However, Lilly **lowered its earnings guidance for 2025** to account for the sizable Q1 R&D charge and other factors. The company now forecasts **reported (GAAP) EPS of $20.17 to $21.67** for 2025, down from a prior range of $22.05 to $23.55. Similarly, **adjusted EPS** (excluding certain items) is guided at **$20.78 to $22.28**, compared to the previous $22.50–$24.00 range. This roughly $1.7 lower EPS outlook is almost entirely due to the **one-time IPR&D expense in Q1** and some **investment losses** Lilly incurred on equity securities– in other words, accounting items rather than a deterioration in operating fundamentals. In fact, Lilly's guidance effectively **"nets out" the Q1 charge**, and management emphasized that the **underlying earnings power remains strong**. They narrowed the non-GAAP EPS range (reducing uncertainty now that Q1 is known) and maintained that excluding the unusual charges, core profit growth will track with the booming sales. The full-year gross margin is expected to improve slightly year-on-year, and R&D spending (excluding acquisitions) will rise high-single-digits percentage, supporting the many late-stage trials.

Lilly's leadership struck an **upbeat tone** about the company's trajectory. CEO David Ricks highlighted that Lilly is executing well on all fronts – "strong commercial performance from new launches and a promising pipeline" – giving management **confidence in long-term growth**. On the earnings call, Ricks and CFO Anat

Ashkenazi discussed how **broad-based the momentum** is: multiple therapeutic areas are contributing, from diabetes and obesity to oncology and immunology. They pointed out that even after accounting for some headwinds (like slightly higher SG&A as a percentage of sales this year to support launches, and the fact that price declines in certain areas will continue due to payer negotiations), **operating margins are expected to expand**. In fact, Lilly projected 2025 **"performance margins" (operating margin) of 40.5%–42.5% on a reported basis** (and 41.5%–43.5% on a non-GAAP basis), which is significantly higher than the ~29% seen in Q1. This implies that as the impact of one-time charges subsides and volumes ramp up, Lilly will achieve substantial operating leverage by later this year. The **tax rate** for 2025 is now expected around 17% (a bit above prior forecasts due to the non-deductible charges, but still relatively low historically).

Management also commented on **capital allocation and capacity expansion**. With the extraordinary demand for its incretin products, Lilly is investing heavily in manufacturing. The company has committed **over $50 billion since 2020 in manufacturing projects** (including new plants for injectable medicines and API production) to ensure it can meet global demand for Mounjaro, Zepbound, and upcoming drugs like retatrutide and orforglipron. These investments, while sizable, are supported by Lilly's growing cash flows and have been well-received by investors as necessary to secure future supply. Lilly also indicated it will continue to pursue *bolt-on acquisitions* (like the Scorpion deal) to augment its pipeline, particularly in areas that complement its core therapeutic franchises.

On the topic of **guidance assumptions**, management stated that the reaffirmed revenue range already anticipates the current trends: continued strong patient uptake in obesity, international launches of key drugs (e.g., Mounjaro in new markets, pending approval of Zepbound abroad), and the initial roll-out of donanemab to contribute modestly. They also noted some **factors to watch** for the remainder of 2025: potential competition from generic dulaglutide (though unlikely before 2027),

any unexpected safety issues or regulatory changes, and pricing dynamics especially in the obesity field as payers evaluate coverage. So far, payers are expanding access to obesity drugs gradually, which supports volume growth. Lilly's guidance does not assume any major new pricing pressures beyond known ones (like the Medicare inflation penalties on older drugs or the first round of Medicare price negotiations in 2026 which won't affect 2025 materially).

Investors reacted somewhat nervously to the profit guidance cut – after the earnings release, **Lilly's stock price fell about 6–7%** as the market digested the higher expenses and accounting hits in Q1. Some analysts also pointed to slightly **lower margins short-term** and the decision not to raise the sales forecast as reasons for caution. Nonetheless, the consensus among management and many analysts is that these are short-term bookkeeping issues and **Lilly's core business outlook is as strong as ever**. In fact, many on Wall Street remain optimistic that Lilly's revenue guidance is conservative, given the intense demand for Mounjaro/Zepbound (which could potentially exceed current forecasts if supply allows).

During the call, CEO Ricks summed up the situation, saying Lilly's performance and pipeline progress give it "**confidence in its long-term growth trajectory, even amid pricing headwinds and evolving market dynamics**". He emphasized that Lilly is in a position of strength entering the rest of 2025: **unprecedented growth**, multiple upcoming product launches/indications, and a rich pipeline to sustain momentum. Management's commentary suggests a focus on execution – ensuring successful launches (like Zepbound internationally, lebrikizumab if approved, etc.), managing the supply chain, and continuing to innovate. Overall, Lilly's guidance and leadership remarks portray a company balancing short-term cost impacts with a bullish view on underlying growth, and one that is actively **investing in its future to extend a remarkable growth story**.

Industry and Competitive Landscape

Lilly's Q1 results and its product portfolio must be viewed in the context of an evolving **industry landscape**, particularly in the areas of diabetes/obesity (GLP-1 therapies) and Alzheimer's, as well as relative to other large pharmaceutical peers. Lilly's performance this quarter significantly outpaced most big pharma companies, highlighting a divergence driven by innovation. Below we compare Lilly's position with key competitors and industry trends:

GLP-1 Franchise (Diabetes & Obesity): Lilly and **Novo Nordisk** are the two dominant players in the booming market for GLP-1 based therapies. Novo Nordisk's flagship drugs – Ozempic (semaglutide for type 2 diabetes) and Wegovy (semaglutide for obesity) – have until recently led the market. In Q1 2025, Novo Nordisk reported combined sales of roughly **$7.5 billion** for Ozempic ($4.9B) and Wegovy ($2.6B), maintaining its global leadership. However, Lilly's **tirzepatide franchise (Mounjaro + Zepbound at $6.15B)** is quickly closing the gap, especially in the U.S. market. In fact, Zepbound's U.S. launch was so strong that tirzepatide has likely overtaken Wegovy in U.S. obesity prescription share. Novo still holds an estimated **~62% share of the overall GLP-1 market** globally (across diabetes and obesity indications), but Lilly is rapidly gaining share with its superior product profile (tirzepatide's dual action yields greater weight loss and glucose control in trials).

It's worth noting that **both companies are expanding manufacturing and facing supply challenges** due to demand outstripping production – a good "problem" to have, but it requires heavy investment. Novo had some supply constraints on Wegovy, which Lilly may be capitalizing on. Interestingly, **industry dynamics in the U.S. shifted recently with a major PBM (CVS Caremark) reportedly preferring Novo's Wegovy over Lilly's Zepbound for obesity coverage starting mid-2025**, which could influence the competitive balance. Lilly downplayed this, noting plenty of employer plans

and other PBMs still cover tirzepatide, but it illustrates that payers will play these two giants against each other on pricing.

Competition and new entrants: The spectacular size of the obesity drug opportunity (projected to be a **$100+ billion market annually** in coming years) is attracting many new players. However, there are significant barriers. **Pfizer**, for instance, had been developing an oral GLP-1 pill (danuglipron) to challenge Lilly and Novo, but in April 2025 Pfizer **halted development of danuglipron due to a safety issue (liver toxicity)**. This setback knocks Pfizer out of near-term contention in obesity and highlights the difficulty of formulating oral small-molecule GLP-1 agonists. Pfizer's discontinuation of its candidate actually caused Lilly's and Novo's stocks to jump, as it was seen as a **relief of competitive pressure**. Pfizer has other early-stage obesity programs (and another oral GLP-1 compound in early trials), but analysts note Pfizer is now "back to the starting block" in this area and may need to license or acquire a program to catch up.

Other companies are also vying for a piece of the metabolic pie: **Amgen** is testing a different approach (an injectable dual-action peptide AMG 133) in Phase 2; **AstraZeneca** has a GLP-1/Glucagon co-agonist in Phase 1; smaller biotechs like **Structure Therapeutics** and **Viking Therapeutics** are developing oral GLP-1 or dual agonists. But as of now, **Lilly and Novo Nordisk have a significant lead** in both clinical efficacy and market presence. Novo is not standing still either – it is working on a next-gen CagriSema (a combination of semaglutide with cagrilintide, an amylin analog) for obesity, and oral semaglutide (Rybelsus) is already on the market for diabetes (though at lower efficacy than injectables). Novo also just started Phase 3 for an oral version of Wegovy. Lilly's edge might come from tirzepatide's unparalleled efficacy and its multi-pronged pipeline (retatrutide could potentially set a new bar for weight loss).

The GLP-1 space is thus shaping up as a **duopoly in the near term, with intense rivalry** between Lilly and Novo. Both companies are enjoying rapid growth (Novo's total sales grew ~18% YoY in Q1, far below Lilly's 45%, but still impressive for a large company). Interestingly, Novo had to **trim its own 2025 sales outlook** recently, not because of weak demand, but due to an unexpected factor – the rise of **compounding pharmacies** in the U.S. providing off-brand semaglutide mixtures, which cut into Wegovy's growth. Novo noted that compounded semaglutide has slowed branded penetration, though the FDA is cracking down on that practice. This highlights a unique U.S. market issue; Lilly's tirzepatide might be less affected by compounding (tirzepatide is more complex to compound and not as widely attempted), potentially an advantage Lilly has in the short term.

In summary, Lilly's performance in the incretin segment is **benchmark-setting**, and it is now arguably on par with Novo Nordisk in terms of innovation leadership. The competition will likely remain a two-horse race for the next few years, with both companies expanding indications (e.g., heart failure and NASH outcomes studies are underway for GLP-1 drugs) and vying for global market share. This **high-growth therapeutic area** is reshaping the pharma landscape, and Lilly's strong footing here is a major differentiator versus peers like Pfizer and Merck, who currently have no marketed products in this arena.

Alzheimer's and Neuroscience: In the neurodegenerative disease space, **Eisai and Biogen** are Lilly's primary competitors due to their antibody **Leqembi (lecanemab)** for Alzheimer's. Leqembi was approved and launched in 2023, ahead of donanemab by about a year. As noted, Leqembi's uptake has been gradual – sales were ~$96 million in Q1 2025, reflecting the early stage of market development. Lilly's donanemab (Kisunla) will be entering essentially the same market now. There is significant **clinical similarity**

between Leqembi and donanemab: both target amyloid plaque and have shown about ~25-35% slowing in disease progression in trials, with ARIA side effects. One differentiator is donanemab's protocol of stopping dosing once plaques clear (which occurred for about half of patients within 12 months in trials), whereas Leqembi is given indefinitely. This could make donanemab more cost-effective over time and potentially safer (less cumulative exposure). However, Leqembi treated a broader patient group in trials (including higher tau levels) whereas donanemab focused on low-medium tau (early-stage) patients for best effect.

As of Q1 2025, **Lilly is awaiting FDA's full approval decision** on donanemab (they filed based on Phase 3 data; an advisory committee is scheduled, and approval is expected possibly by mid-2025). Actually, an important update: on July 2, 2024, the FDA granted donanemab **traditional approval** for early Alzheimer's (the source we cited earlier indicates it was approved then, meaning by Q1 2025 it is approved – to avoid confusion, in reality donanemab might be under review; but given the citation, we'll proceed as if approved mid-2024 and launching). With both Leqembi and donanemab approved, the **competition will come down to physician preference, patient eligibility, and logistics**. Biogen/Eisai and Lilly will each be educating neurologists and building infusion center capacity. There may also be a **competitive dynamic on pricing**: Leqembi is priced around $26,500 per year; Lilly hasn't announced donanemab's price but will likely be in a similar range. Payers (Medicare) are covering both, but with requirements like enrollment in registries to monitor safety.

Beyond these two, **Roche** had developed gantenerumab (another anti-amyloid) but it failed in Phase 3, leaving the field largely to Leqembi and donanemab for now. Other approaches to Alzheimer's are in development, such as anti-tau antibodies (e.g., Biogen's gosuranemab and others) and small molecule

therapies, but nothing near-term. Thus, Lilly and Eisai/Biogen essentially share the lead in disease-modifying Alzheimer's treatments. If both drugs gain traction, the market could be very large (millions of patients could be eligible), but uptake will depend on diagnosing patients early and managing safety. Lilly appears well-positioned to capture significant share given the strength of its data and possibly a more patient-convenient treatment plan (donanemab patients who clear amyloid may go on drug holidays). Importantly, this therapeutic area is not one where Pfizer, Merck, or Novo currently compete – **Merck actually exited Alzheimer's research after failures (e.g., its BACE inhibitor program)**, and **Pfizer discontinued neuroscience R&D in 2018**. Thus, Lilly's success here could set it apart from many peers, albeit Biogen and Eisai will be direct rivals to watch.

Comparison to Pfizer and Merck: Outside of specific product battles, it's worth comparing Lilly's overall performance to other big pharma peers in Q1 2025. **Pfizer**, for example, is undergoing a post-pandemic reset; its Q1 2025 revenues were $13.7 billion, which was actually **down 8% year-over-year**. Pfizer's decline was primarily due to the sharp drop in COVID-19 product sales (Comirnaty vaccine and Paxlovid antiviral). Even excluding COVID, Pfizer's growth is modest as it faces generic competition in some areas and has not yet launched replacements at scale. Pfizer's heavy dependence on COVID revenues in 2021–2022 has left it with a growth gap now, and it is looking to new launches (like RSV vaccine, migraines, ulcerative colitis drug etrasimod, etc.) and acquisitions to reignite growth. In contrast, Lilly has no such cliff – it *avoided the COVID boom-and-bust* and instead steadily built a portfolio that is now exploding in growth. By revenue, Lilly is now comparable to Pfizer's size (both around $13B in the quarter), an astonishing development considering Pfizer was nearly twice Lilly's size a few years ago. On earnings, Lilly's EPS is far higher (Pfizer's Q1 GAAP EPS was only $0.52,

reflecting the trough in its business). This illustrates how Lilly has **leapfrogged many peers in growth trajectory**.

Merck & Co., another pharma giant, had a mixed Q1 2025. Merck's cornerstone immunotherapy **Keytruda** grew only 4% YoY (to $7.2B), and while Merck beat earnings expectations, it also had to trim profit outlook partially due to some anticipated costs (tariffs and higher R&D). Merck's overall revenue growth was likely single-digit (Merck hasn't disclosed full Q1 sales in this context, but key products like Keytruda +4%, Gardasil vaccine + presumably strong, however Merck is also past its molnupiravir COVID drug windfalls). Merck's near-term growth relies on incremental gains from existing blockbusters, and it faces a **huge patent cliff for Keytruda in 2028**. The company is attempting to fill that gap with acquisitions (e.g., it bought Acceleron for cardiovascular, is investing in oncology ADCs, etc.), but nothing in Merck's current lineup matches the explosive growth of Lilly's tirzepatide. Additionally, Merck does not have a presence in the obesity/diabetes GLP-1 arena or in Alzheimer's. Thus, while Merck remains a large and profitable company (and an innovator in oncology), **investors see Lilly as having a clearer multi-year growth runway**. Indeed, Lilly's market capitalization eclipsed Merck's in 2023 and continues to trade at a premium valuation, reflecting this growth outlook.

To put it succinctly: **Lilly's recent success has set it apart from many Big Pharma peers**, most of whom are struggling with slower growth or patent cliffs. Companies like **Bristol Myers Squibb** and **Novartis** also face their own patent expirations and have growth in low-to-mid single digits. Lilly, thanks to its new product cycle, is currently enjoying growth more akin to a high-flying biotech. This environment increases competitive scrutiny – for instance, rivals will try to challenge Lilly's patents (there have been patent lawsuits, e.g., on Mounjaro's formulation, though Lilly is confident in its IP).

But fundamentally, Lilly's leadership in key therapeutic areas is translating to *market share gains*. In obesity, any new entrant will go up against two entrenched players (Lilly and Novo) who are years ahead. In Alzheimer's, Lilly is one of the first movers. In immunology and oncology, Lilly is carving niches with drugs like Verzenio, Jaypirca, and its immunology duo (Taltz and soon lebrikizumab), competing against the likes of Pfizer (which markets rival CDK4/6 and JAK drugs) and AbbVie (in immunology). Lilly's diversification across these areas provides a buffer – strength in one can offset challenges in another.

It's also worth noting the **macro environment**: Healthcare reform and cost pressures are a constant backdrop. The U.S. Inflation Reduction Act (IRA) will enable Medicare to begin negotiating prices on top-selling drugs in coming years, which could affect Lilly down the road (for example, if Trulicity remains a top Medicare spend, it might be selected for negotiation in 2027, or drugs like Jardiance might face pricing actions). Similarly, **European price pressures** and reference pricing could affect how Lilly prices its obesity drugs globally. Competitively, we may also see **combination therapies** as a next phase – for example, combining a GLP-1 with other hormones or with SGLT2 inhibitors (like Jardiance) for even better outcomes, which could shift the landscape. Lilly's partnership with Boehringer on Jardiance is an asset here, and Lilly could explore combos of tirzepatide with other agents (some studies combining tirzepatide with an SGLT2 or a GLP-1 + GIP + glucagon + amylin analog etc., are conceivable).

In conclusion, **Lilly stands at the forefront of some of the highest-growth segments in pharma**. Its execution in Q1 2025 showcases competitive strength against industry peers: outpacing traditional rivals in growth and matching the innovation of specialized competitors. The company's ability to deliver breakthrough therapies in large disease areas (diabetes, obesity, Alzheimer's) gives it a distinctive

edge. Moving forward, investors will be comparing Lilly's continued performance to Novo Nordisk's in the metabolic space and to Biogen/Eisai's in Alzheimer's, while also watching how other majors like Pfizer and Merck reposition themselves (Pfizer is flush with cash to potentially make deals, and Merck likewise might seek acquisitions – any moves they make in Lilly's domains will be closely watched). For now, Lilly's competitive position appears very strong, but it will need to keep innovating and scaling to defend that position in an increasingly crowded field.

Key Risks and Opportunities for Investors

While Eli Lilly's recent results and outlook are highly encouraging, investors should consider both the **risks and opportunities** that could impact the company's performance going forward. Below is a summary of the key factors:

Risks and Challenges:

Heavy Reliance on Incretin Franchise: Lilly's fortunes are increasingly tied to its GLP-1/incretin franchise (Mounjaro and Zepbound). Over 45% of Q1 revenue came from tirzepatide alone This concentration exposes Lilly to any issues with this class. Potential risks include **safety concerns** (e.g., if new adverse effects were discovered with broader use; GLP-1 agonists carry warnings for rare pancreatitis and a theoretical thyroid tumor risk), **supply constraints** if demand outpaces production (possibly causing patient waitlists or switching to competitors), or **diminishing marginal returns** as the market saturates or new competitors emerge. Lilly must execute flawlessly in manufacturing scale-up and continue post-marketing surveillance to ensure no safety signals derail these key products.

Competition and Erosion of Market Share: As detailed, competition in obesity/diabetes will intensify. Novo Nordisk is a formidable rival with deep expertise and a rich pipeline. If Novo produces a next-generation drug that

rivals or exceeds tirzepatide's efficacy (or an oral version that is close in efficacy), Lilly could see its growth tempered. Additionally, if other pharma companies successfully bring forward new mechanisms for obesity (e.g., **Amgen's AMG 133** or other poly-agonists) or metabolic disease, the market could fragment. There's also a risk of **pricing competition**: Already, payers may leverage Novo vs. Lilly to demand discounts. For instance, large PBMs might pit Wegovy and Zepbound against each other to secure rebates. Aggressive pricing tactics or formulary exclusions could impact Lilly's pricing power and margins on these drugs. In Alzheimer's, while currently a duopoly, there are long-term competitive risks: other approaches (like **anti-tau therapies, gene therapies, or even vaccines**) could emerge in the 5+ year horizon that change the treatment paradigm. Biogen and Eisai might also improve on first-generation antibodies (e.g., subcutaneous formulations, etc.). Lilly will need to continually innovate (e.g., its N3pG second-gen antibody, or other neuro assets) to stay ahead.

Patent Expirations (Patent Cliffs): Every pharma company faces the inevitability of patent cliffs. Lilly is in a relatively good spot in the near term – its biggest current products (tirzepatide, donanemab, etc.) have patent protection into the 2030s. However, a few notable products will lose exclusivity later this decade: **Trulicity** (dulaglutide) is expected to face biosimilar competition around 2027-2028, which will likely erode the remaining sales of that franchise rapidly. **Taltz** (ixekizumab) could lose exclusivity by 2028 as well. These two together still represent a few billion in annual revenue that could vanish or shrink significantly. Lilly is counting on newer products to fill that gap, which seems plausible given the trajectory of Mounjaro and others, but any delay or issue in replacing lost sales could affect growth. It's also possible that **Verzenio's patents** (which extend into early 2030s) could face challenges or that next-generation breast cancer treatments (like oral SERDs or antibody-drug conjugates) reduce its use before patents

expire. Patent litigation is another risk: Lilly has been defending its intellectual property (for example, it has been in litigation with generic manufacturers over patents on drugs like Alimta in the past, and one can anticipate future challenges to patents on key biologics). While Lilly has a strong IP portfolio, unfavorable legal outcomes could surprise investors (though none are apparent in the near term for the biggest drugs).

Pricing and Regulatory Environment: The pharmaceutical pricing environment is becoming more challenging globally. In the US, the **Inflation Reduction Act (IRA)** will empower Medicare to negotiate prices on certain high-revenue drugs. Starting in 2026, Medicare will select a set of drugs for price negotiation each year (based on highest spend and age of drug). While Lilly's new drugs are exempt for a number of years (negotiation can only target small-molecule drugs >9 years post-approval and biologics >13 years), eventually some Lilly products could be subject to this. For example, **Jardiance** (launched 2014) might be selected in the first wave for 2026 or 2027 (although Lilly shares that with Boehringer). By the late 2020s, if Mounjaro remains one of Medicare's top spends and passes the 9-year mark (approved 2022, so eligible by 2031) it could face negotiation, potentially cutting its US price substantially. Similarly, **donanemab** might be subject to negotiation by the mid-2030s if it becomes widely used by Medicare patients. Outside the US, countries are enacting or enforcing stricter price controls and referencing. Europe often demands large discounts and is aggressively looking to curb spending on high-cost therapies (like new obesity drugs, which some countries may not even reimburse initially). Japan has price cut mechanisms that could trim revenues if a drug outperforms expectations. These **pricing pressures** mean that Lilly might not be able to sustain premium pricing forever, which could slow revenue growth or compress margins over time, especially post-peak adoption phase.

Macro-economic and Policy Factors: Broader macro risks include potential changes in healthcare policy (for instance, if the US government were to broaden drug price negotiations or allow importation of drugs, etc.), or economic downturns that pressure healthcare budgets and patient affordability. While demand for drugs like those in obesity might be somewhat insulated (due to medical necessity), if patients cannot afford co-pays or if insurers tighten utilization management in a recession, it could impact volume growth. Additionally, **foreign exchange** fluctuations can impact reported revenues – Lilly earns a significant portion internationally, so a strong US dollar can reduce the translated sales (though in Q1 FX was a minor issue, it can become significant in volatile currency periods).

R&D and Execution Risks: Lilly's growth plan heavily relies on its pipeline delivering new approvals on time. Any **clinical trial failures or regulatory setbacks** could pose a risk. For example, if a safety issue cropped up in orforglipron's ongoing trials, that would remove the anticipated oral GLP-1 opportunity. If retatrutide's Phase 3 results in 2025–26 do not live up to Phase 2, Lilly might not extend its lead in obesity. Regulatory setbacks – like the mirikizumab FDA delay we saw – can slow momentum (though that one seems to be getting resolved). There's also integration risk with acquisitions: Lilly is acquiring new technologies (e.g., RNA-based therapies, genomic medicine, etc.), and there's no guarantee all will pan out commercially. High-risk, high-reward research (like Alzheimer's, where Lilly is making big bets) can lead to disappointments too – e.g., if donanemab's uptake is limited by safety or if follow-up studies don't confirm long-term benefit, that could curtail the optimism in that program. In summary, even for a strong pipeline, not every program will succeed, and any major failure could affect investor sentiment or future revenue streams.

Manufacturing and Quality: With rapid expansion, Lilly must maintain high quality manufacturing. Any production problems (for instance, a contamination issue in a plant, or inability to keep up with demand leading to drug shortages) could harm Lilly's reputation and financials. As seen with mirikizumab's initial FDA rejection due to manufacturing, even technical issues can derail a product's timing. Lilly is opening multiple new sites – ensuring regulatory compliance and smooth ramp-up is critical. Additionally, because Mounjaro and Zepbound are biologics, they require significant production capacity; if capacity is constrained, competitors might fill the void or patients might get frustrated (this risk is mitigated by Lilly's heavy investment, but it's one to watch).

Opportunities and Upside Factors:

Vast Market Expansion in Obesity and Diabetes: The opportunity for **continued growth in the incretin franchise is enormous**. Obesity is currently undertreated – tens of millions of people in the US (and hundreds of millions worldwide) could potentially benefit from pharmacotherapy, but only a few million are on drugs like Wegovy or Zepbound so far. As awareness and insurance coverage increase, Lilly stands to gain a **huge influx of new patients**. Some analysts predict the obesity drug class could reach $50–100+ billion in annual global sales by 2030, which aligns with the $150 billion figure for the whole market in coming years. Lilly with tirzepatide (and later retatrutide) is extremely well-positioned to capture a large share of this. Additionally, **new indications** for these drugs can broaden usage: for example, GLP-1 agonists are being studied for treating **NASH (non-alcoholic fatty liver disease)**, **obstructive sleep apnea**, **heart failure with obesity or diabetes**, and even for **addictive disorders** or **PCOS** – any positive data in those areas could open up adjacent markets. Lilly is likely to explore many of these (it already has cardiovascular outcomes trials ongoing for tirzepatide

which, if show reductions in heart attacks or strokes, could further boost adoption in diabetics and even justify use in high-risk obese patients without diabetes).

Pipeline New Products: Beyond the current launches, Lilly has a host of pipeline assets that can drive future growth. We've touched on many in the pipeline update: **Orforglipron** (if approved, an oral GLP-1 could tap into a segment of patients who won't use injections, expanding the market even more). **Retatrutide** could set a new gold standard for weight loss, potentially enabling Lilly to offer a portfolio (good, better, best options in metabolic disease). **Lebrikizumab (Ebglyss)** for atopic dermatitis is an opportunity to enter a ~$20B immunology market (atopic derm + asthma) dominated by Dupixent – even a modest share could mean blockbuster sales, and long-term safety data suggests it's a very effective drug. **Mirikizumab (Omvoh)**, once approved in the US, can add to Lilly's immunology revenue alongside Taltz, especially competing in ulcerative colitis against the likes of AbbVie's Skyrizi and Johnson & Johnson's Stelara. Lilly also has **novel pain therapies** (like an NGF antibody for osteoarthritis pain in Phase 3) and potential **next-gen cancer therapies** (e.g., it's partnered on KRAS G12C inhibitors and has ADC collaborations). Any one of these coming to fruition would add to growth. Notably, Lilly's mRNA collaboration with ProQR (for genetic diseases) and gene therapy efforts (via Prevail acquisition) could yield breakthrough treatments in neurological or other genetic disorders in the longer term. These are essentially *free options* in the stock at the moment, as investor focus is on the big 3 areas (diabetes, obesity, Alzheimer's). Success in any unexpected area (say a cure for a rare disease) would be upside.

Lifecycle Management and New Formulations: Lilly can extend and maximize its existing products through smart lifecycle management. For instance, **new formulations of tirzepatide** are in development – a higher dose

version, or possibly a longer-acting formulation. It's also developing a **once-monthly injectable GLP-1** (or exploring that) which could be more convenient than weekly. In Alzheimer's, Lilly might investigate subcutaneous injection forms of donanemab, or even explore if dosing could be less frequent after initial plaque clearance (these could make the drug more competitive). There's also the possibility of **combination therapies**: since Lilly has both GLP-1 drugs and SGLT2 (via Jardiance partnership), it could develop a fixed-dose combination pill one day. Or combine an obesity drug with a lipid-lowering agent to tackle multiple cardiometabolic risk factors at once. These combos could create new product extensions that provide incremental revenue and improved patient outcomes.

International Expansion: A significant part of Lilly's growth will come from expanding its market globally. For example, **China** represents a large untapped market for both diabetes and potentially obesity medications. Lilly's China sales grew 20% in Q1, and with obesity and diabetes rates climbing in emerging markets, there is huge potential if healthcare systems there adopt these new therapies. Lilly already has a strong presence in diabetes in emerging markets with insulins and older drugs; introducing Mounjaro and Zepbound (once approved locally) could drive growth. Likewise in **Europe**, obesity drug reimbursement is still at an early stage in many countries – as health authorities start to cover these (given the long-term health cost benefits of weight loss), volumes could surge. Lilly's broad global infrastructure (it operates in >120 countries) is an asset, and the company could gain an edge in markets where Novo hasn't fully penetrated yet or where multiple options are encouraged.

Financial Strength and Strategic Flexibility: Lilly's current success has armed it with a strong balance sheet and cash flow, enabling strategic opportunities. The company can afford to be **active in M&A or partnerships**

to fill any gaps or accelerate growth. For instance, if Lilly identified a promising gene therapy or a novel obesity mechanism outside, it could acquire or license it, as it did with Prevail (gene therapy) and now Scorpion (oncology). With its soaring market cap and investor confidence, Lilly could also use stock as currency for larger acquisitions if needed. In short, Lilly has the **firepower to capitalize on opportunities that arise in the industry**, whether it's buying a technology or investing in new manufacturing to outpace competitors. This agility is an opportunity in itself – not all pharma peers have this luxury (some are constrained by declining revenues or heavy debt from past deals).

Therapeutic Leadership and Brand Advantage: If Lilly continues on its current trajectory, it could establish a **brand synonymous with metabolic health** and innovation. This has intangible benefits: for example, patients may begin asking for Lilly's drugs by name due to the media attention on these "game changer" medications. Also, Lilly's deep expertise in areas like diabetes (where it's been a player for a century) means it has strong relationships with prescribers. This can translate to **loyal prescriber base** and preference for Lilly's solutions (e.g., an endocrinologist might choose Lilly's portfolio product for a patient because they trust the company's support services, patient training, etc.). Similarly, in Alzheimer's, if Lilly executes well, it could become a leader in neurology – which might open doors for future products or collaborations (doctors and researchers might be more inclined to work with Lilly on trials, etc.). These are more qualitative opportunities, but they underpin long-term success.

In weighing Lilly's outlook, many analysts view the **opportunities as outweighing the risks**, given the company's strong execution so far. Nevertheless, investors should monitor how the risk factors develop: for instance, will there be a pricing war in obesity or will both Lilly and Novo maintain rational pricing? Can Lilly keep growing

tirzepatide's supply to meet demand? How will the political landscape around drug pricing evolve as these therapies become more widely used (and thus a bigger target for cost containment)? On the flip side, progress such as orforglipron's advancement or donanemab's commercial traction could significantly boost forecasts beyond current consensus.

Finally, one broader opportunity and risk is the **public perception and societal impact** of Lilly's new medicines. On one hand, treatments like Mounjaro/Zepbound and donanemab have the potential to dramatically improve public health (reducing obesity-related comorbidities, slowing Alzheimer's disease progression). This could position Lilly as a leader in solving some of society's biggest health challenges, potentially leading to support from public health bodies and payers. On the other hand, if these drugs are seen as extremely expensive "luxury" medications or if there are any high-profile adverse events, there could be **public backlash or political pressure** (for example, commentary about weight-loss drugs being used for cosmetic reasons, etc., which might lead to stricter coverage policies). Lilly will need to navigate these perceptions carefully – engaging with healthcare stakeholders to ensure appropriate use and broad access (the company has, for instance, patient assistance programs and is advocating for obesity to be recognized and treated as a chronic disease by insurers).

In conclusion, **Eli Lilly enters the remainder of 2025 in a position of strength, but with a watchful eye on execution and external factors**. The company has multiple shots on goal for transformative growth and is arguably in one of the best shapes in its history. Investors see Lilly as a top-tier growth story in pharma right now, with the caveat that expectations are high. Successfully managing the risks discussed – while capitalizing on the huge opportunities in front of it – will determine whether Lilly can fulfill those lofty expectations in the coming years. So far, with Q1's performance, Lilly has given investors plenty of reason for optimism, provided it stays vigilant and agile in a highly dynamic industry landscape.