PITCHBOOK

BEYOND CAPITAL

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I. Executive Summary

With an increased focus of the government on obesity and cancer, Eli Lilly appears to have the best growth prospects within large pharmaceutical companies in the United States of America.

Lilly being one of the largest pharmaceutical companies by market capitalization and the products and services of the company stand to benefit from the positive growing outlook of the industry.

A temporary ease on the rate hikes by the fed, Lilly can leverage it for the increasing debt of the company. The major weakness for Lilly currently is the overall debt of the company standing at $16.2 Billion vs $16.8 in FY2021.

Lilly commands the market with a Market Capitalization of $430 Billion and a Return on Equity of 64%. Lilly has a history of rewarding its shareholders with dividends and the company has doubled the dividend payouts in the last 5 years.

We believe with the current strong focus on R&D, strategic acquisitions, cost cuttings, new medicines and products and a strong management, Lilly is poised to generate massive shareholder value in the long run and we recommend a Strong Buy call on Lilly with a long-term perspective.

In this pitchbook we will discuss in greater detail about Lilly, its valuation and historic performance and future projections on how Lilly can be a wealth creator for all investors of Lilly.

II. Introduction

"Medicine is a science of uncertainty and an art of probability." These profound words by William Osler encapsulate the essence of Eli Lilly and Company (Lilly), a pioneering pharmaceutical company that has been at the forefront of healthcare innovation. Founded in 1901 by Colonel Eli Lilly in Indianapolis, Lilly has evolved into one of the leading pharmaceutical companies in the United States of America and a trusted name in the global healthcare industry.

Lilly's commitment to advancing human health is evident in its comprehensive range of products, which are made available to pharmacies, hospitals, physicians, and healthcare professionals worldwide. With a vast distribution network, Lilly's medicines reach patients across the country, while its global presence extends to over 110 countries, making a significant impact on the lives of people around the world.

At the heart of Lilly's mission lies the dedication to unite caring with discovery. The company's passionate pursuit of improving lives is realized through the relentless efforts of its in-house scientists, who strive to uncover groundbreaking solutions and create medicines that truly make a difference. By harnessing the power of scientific exploration and innovation, Lilly consistently introduces transformative treatments that address the most pressing healthcare challenges of our time.

Embodying the fusion of scientific expertise and compassionate care, Lilly has earned a reputation for its unwavering commitment to improving patient outcomes. As a trusted partner in the healthcare ecosystem, the company continuously seeks to push boundaries, embracing the uncertainties of medicine and harnessing the probabilities of progress. Through their unwavering dedication, Lilly remains steadfast in its mission to make life better for people worldwide, empowering individuals to lead healthier and more fulfilling lives.

With a rich history of pioneering achievements and a steadfast commitment to scientific excellence, Lilly stands as a beacon of hope and progress in the field of pharmaceuticals. As they continue to navigate the ever-evolving landscape of healthcare, Lilly remains driven by their purpose, uniting caring with discovery to shape a better future for all.

III. Strategic Overview

Eli Lilly & Co.'s capacity to consistently outperform the competition in terms of growth and the development of a solid business model is essential to its long-term success since the company finds, creates, and markets cutting-edge new medications.
There are now 45 novel drug candidates in clinical development or through regulatory evaluation, in addition to a sizable number of initiatives being researched.

Given below is a summary of such points that enable Eli Lilly & Co to outgrow its peers:

- Lilly's long-term success relies on the company's ability to continually discover, develop, or acquire and commercialize innovative new medicines.
- Delivering strong revenue growth, investing in current portfolio, future innovation and speed life-changing medicine are primary strategic deliverables for Lilly.
- Lilly returns Capital to its Shareholders via Dividend (distributed >$1 billion via dividends in Q1FY2023) and Share Repurchase ($750 Million in Q1FY2023).
- In the clinical development stage and under review are 45 novel medicine candidates from Lilly, while more products are in the discovery stage.
- Furthermore, Lilly depends heavily on patents and other forms of intellectual property protection for the majority of its income, cash flow, and earnings.
- Particularly, Lilly makes cautious investments in outside research and technology that it thinks can be put to use in a variety of contexts, including partnerships, purchases, investments, and licensing agreements.
- The company views its business development activity to enhance their pipeline and strengthen business.
- Lilly has increased R&D expenses by 23%, Marketing Selling and Admin expenses by 12%.
- Lilly will keep an eye on potential impacts on the economy, distributors' and customers' creditworthiness, uncertainty brought on by health legislation, various levels of funding from foreign governments, changes in interest rates, the value of foreign currencies, and the fair market value of equity securities both domestically and internationally.

SWOT Analysis

Strengths:

- Global presence: Wide geographic presence Eli Lilly is able to mitigate the various risks associated with its reliance on a specific market through geographical diversity of operations. The company's global footprint allows it to establish a strong brand image and maintain its dominant position in the market. Its production facilities are in Puerto Rico, the United States and seven other countries, and its products are sold in 120 countries.
- Focused R&D: The company's research and development activities are primarily focused on improvements in the current product, as well as new products. Neurodegenerative diseases, diabetes, immunology, oncology, and pain are the focus of the company's human pharmaceutical business. With respect to animal health and human pharmaceutical research and development activities, the company had 8,100 employees by the end of fiscal year 2021. The company is working with research based pharmaceutical and biotechnology companies and academic institutions.

- Revenue performance: In FY2021 the company saw an improvement in its revenue performance which allows it to deliver higher returns on equity and attracts additional investments. The ability of the company to secure sufficient funding for growth and development is enhanced by its increase in revenue. Eli Lilly's revenue in FY2021 was $28,318.4 million which represented an increase of 15.4% over the $24,537.9 million recorded in fiscal year 2020. Increased volume and the favorable impact of foreign exchange rates contributed to the increase in revenue.

Weaknesses:

- Increase in liabilities: The company may be unable to fulfil its short-term obligations effectively due to a lack of liquidity. The increase in liabilities would have the effect of affecting a company's credibility on the market and putting it at risk with respect to borrowing for investment purposes.

Opportunities:

- Strategic partnership: The company’s crucial part of its growth is strategic partnerships. Eli Lilly Japan KK and Mitsubishi Tanabe Pharma entered into a sales collaboration agreement in Japan for Tirzepatide in July 2022. In this partnership, the two companies can inform many healthcare facilities about Tirzepatide and promptly bring it to more patients who need it.
- Planned acquisitions: Strategic acquisitions are a critical component of the company's expansion plan. Eli Lilly agreed to buy Akouos in October 2022, a company that develops first-in-class adeno-associated viral gene therapies for the treatment of inner ear diseases such as sensorineural hearing loss. This acquisition would hasten gene therapy, which aims to restore, improve, and preserve hearing in individuals worldwide who suffer from hearing loss.
- Positive outlook for industry: Over the past few years, there has been significant growth in the pharmaceutical market worldwide and is expected to increase further over the next few years. By 2024, the global pharmaceutical market is expected to achieve a value of USD 1,191.5 billion. The company could benefit from a growth in the pharmaceutical sector, which would also help its financial and operational performance.

Threats:

- Consolidation and integration among healthcare providers: Consolidation and integration of healthcare providers is a significant feature in the competitive market for human medicines in the private sector of the United States. Health plans and pharmacy benefit managers have been merging into fewer, bigger businesses, increasing their purchasing power and relevance. Players often hold formularies that outline the criteria under which pharmaceuticals are to be included in a plan's reimbursement and refund. Consumers' out-of-pocket expenditures
- Regulatory compliance problems: A plethora of rules apply to human pharmaceutical producers' marketing, promotion, and pricing methods, as

well as their interactions with customers, prescribers, and patients. Many corporations, notably Eli Lilly, have faced allegations relating to these activities brought by federal, state, and international governments, private payers, and consumers. These allegations have cost the firm a lot of money and caused a lot of problems.

- Foreign exchange risks: The existence of currency assets and liabilities arising from commercial transactions in foreign currencies, as well as the company's interests in its subsidiaries and associates overseas, are essential aspects susceptible to exchange rate risk. To limit the risk of currency changes, the company enters FX forward contracts. However, there is no guarantee that these hedges or other measures will restrict the impact of currency rate swings on the company's performance.

IV. Financial Analysis

Particulars (In US$ Millions)	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**		**Q1FY2022**	**Q1FY2023**
Topline	22,871	21,493	22,320	24,540	28,318	28,541		7,810	6,960
EBITDA	6,293	7,420	7,164	8,174	9,390	9,803		3,006	1,961
Profit Before Tax	2,197	3,680	5,266	7,230	6,156	6,806		2,054	1,530
Net Income	204	3,151	4,638	6,194	5,582	6,245		1,903	1,345
EPS	0.19	3.14	8.93	6.82	6.15	9.63		2.11	1.49
Equity Share Capital	6,506	8,245	7,284	7,377	7,430	7,516		7,250	7,387
Total Debt	13,647	10,299	15,317	16,595	16,885	16,239		16,509	18,884
Cash & Cash Equivalents	8,034	7,409	2,439	3,681	3,909	2,212		2,568	3,669
Free Cash Flow	4,539	4,314	3,803	5,112	5,951	5,230		2,158	1,062
Key Ratios and Multiples:									
EBITDA Margin	15.15%	23.93%	27.81%	30.08%	27.91%	30.31%		36.36%	26.67%
Operating Margin	8.29%	16.44%	22.29%	24.69%	22.45%	24.97%		30.78%	21.47%
Pretax Margin	9.61%	17.12%	23.59%	29.46%	21.74%	23.85%		26.29%	21.98%
Net Income Margin	-0.89%	15.04%	37.27%	25.24%	19.71%	21.88%		24.36%	19.32%
Return on Common Equity	-1.59%	30.18%	133.78%	150.18%	76.35%	63.63%		75.53%	55.42%
Return on Assets	-0.49%	7.27%	20.00%	14.42%	11.70%	12.71%		13.07%	11.36%
Total Debt/Equity	116.96	94.40	567.49	284.89	184.44	150.70		174.47	167.19
Cash Ratio	0.55%	0.62%	0.21%	0.29%	0.26%	0.13%		0.19%	0.23%
Current Ratio	1.32%	1.73%	1.16%	1.40%	1.23%	1.05%		1.27%	1.30%
Quick Ratio	0.87%	1.00%	0.59%	0.76%	0.70%	0.52%		0.66%	0.69%
P/E	22.50x	23.78x	22.39x	22.29x	35.51x	48.35x		33.49x	47.74x
P/BV	8.01x	12.45x	48.27x	28.63x	29.34x	32.64x		29.16x	29.13x
P/S	3.88x	5.53x	5.48x	6.24x	8.85x	11.56x		8.86x	11.18x
P/FCF	19.58x	27.57x	32.18x	29.98x	42.10	63.08x		38.69x	74.47x
EV/Sales	4.31x	5.88x	6.22x	7.12x	9.77x	12.68x		9.76x	12.33x

EV/EBITDA	28.46x	24.55x	22.37x	23.65x	34.99x	41.82x		30.97x	44.52x
EV/EBIT	51.98x	35.73x	27.91x	28.82x	43.51x	50.76x		37.62x	54.90x
Enterprise Value	98,595	1,26,290	1,38,819	1,74,608	2,76,570	3,61,767		2,86,168	3,41,316

When comparing the financial results of Eli Lilly and Company (LLY) for the first quarter of FY 2022 and FY 2023, several key observations can be made:

- Topline: The topline, representing revenue, decreased from $7,810 million in FY 2022 Q1 to $6,960 million in FY 2023 Q1. This reflects a decline in overall sales for the company during the period.
- Profitability: While EBITDA decreased from $3,006 million to $1,961 million, indicating a decline in operating profitability, the company still maintained strong margins. EBITDA margin decreased from 26.67% to 36.36%, but remains relatively high. Operating margin also decreased from 21.47% to 30.78%, while pretax margin decreased from 21.98% to 26.29%. Net income margin, however, increased slightly from 19.32% to 24.36%.
- Net Income and EPS: Net income decreased from $1,903 million to $1,345 million, representing a decline in profitability. This is also reflected in the earnings per share (EPS), which decreased from $2.11 to $1.49.
- Liquidity and Solvency: The company's liquidity position weakened, as seen in the decrease in the cash ratio from 0.23% to 0.19% and the slight decline in the current ratio from 1.30 to 1.27. The quick ratio also decreased from 0.69 to 0.66. However, it is worth noting that the cash and cash equivalents increased from $2,568 million to $3,669 million, indicating a higher cash reserve.
- Leverage: Total debt increased from $16,509 million to $18,884 million, resulting in a higher total debt-to-equity ratio of 167.19 to 174.47. This suggests increased leverage and potentially higher financial risk for the company.
- Valuation: Several valuation metrics show a decrease in valuation multiples for LLY. The price-to-earnings ratio (P/E) decreased from 47.74x to 33.49x, indicating a lower valuation relative to earnings. The price-to-book value (P/BV) remained relatively stable at 29.13x and 29.16x, respectively. The price-to-sales ratio (P/S) decreased from 11.18x to 8.86x, indicating a lower valuation relative to sales. The price-to-free cash flow (P/FCF) also decreased from 74.47x to 38.69x, reflecting a lower valuation relative to free cash flow

Overall, the financial analysis reveals a decline in revenue and profitability for Eli Lilly in FY 2023 Q1 compared to FY 2022 Q1. However, the company still maintained strong profitability margins and demonstrated a relatively higher net income margin. The liquidity position weakened slightly, while leverage increased. However, we believe that the company is going to perform better in the future as indicated by new productions and mergers

V. Valuation

Projected Free Cash Flow

- We have assumed an average revenue growth rate of 12-13% over the next 5 years. Eli Lily & Co has demonstrated a strong market leader position in the industry, and we believe it will continue to grow stronger in the long-term outperforming its peers. Average revenue growth rate in revenue as per other analysts was around 15-22%.

- We expect ever-increasing EBIT margins given they have minimal depreciation and amortization expenses. Most of their assets are intellectual properties like patents, licenses, and agreements for which they have strong protection policies in place.

Eli Lilly Inc.
Operating Free Cash Flow Calculation

Projected OFCF Assumptions Used	12/31/2019 12 Months Historical	12/31/2020 12 Months Historical	12/31/2021 12 Months Historical	12/31/2022 12 Months Historical	12/31/2023 12 Months Projected	12/31/2024 12 Months Projected	12/31/2025 12 Months Projected	12/31/2026 12 Months Projected	12/31/2027 12 Months Projected
		9.95%	15.40%						
Sales Growth (Year-over-Year)	30.86%	31.14%	34.37%	0.79%	11.00%	12.00%	13.00%	13.00%	12.00%
EBIT Margin	11.93%	14.33%	9.32%	31.70%	33.06%	36.84%	40.37%	44.24%	47.88%
Tax Rate	-11.73%	3.74%	13.62%	8.25%	8.00%	8.00%	8.00%	8.00%	8.00%
Non-Cash Expense as % of Sales	3.87%	2.50%	7.69%	1.43%	1.47%	0.32%	-0.71%	-1.63%	-2.48%
Increase in W/C as % of Sales	36.21%	9.21%	9.75%	-1.51%	-1.43%	-1.34%	-1.25%	-1.16%	-1.09%
Capex/Sales				11.43%	8.73%	7.53%	6.72%	6.17%	5.77%
Sales (note: not used in OFCF calculation)				$28,541	$31,681	$35,483	$40,095	$45,308	$50,745
EBIT	6,889	$7,641	$9,732	$9,048	$10,473	$13,071	$16,188	$20,042	$24,297
(-) Taxes	(822)	(1,095)	(907)	(747)	(838)	(1,046)	(1,295)	(1,603)	(1,944)
(+) Net noncash charges	(2,618)	918	3,857	407	466	113	(286)	(738)	(1,256)
(-) Investment in working capital	(864)	(612)	(2,178)	432	454	477	501	526	552
(-) Investment in fixed capital	(8,083)	(2,259)	(2,762)	(3,262)	(2,767)	(2,673)	(2,695)	(2,797)	(2,928)
Total Operating Free Cash Flow	**-$5,498**	**$4,593**	**$7,742**	**$5,879**	**$7,788**	**$9,943**	**$12,412**	**$15,430**	**$18,720**

Firm Value Calculation

WACC	7.9%						
Terminal Value Growth Rate	2.25%						
		12/31/2022	**12/31/2023**	**12/31/2024**	**12/31/2025**	**12/31/2026**	**12/31/2027**
Year:		**0**	**1**	**2**	**3**	**4**	**5**
Operating Free Cashflow		$5,879	$7,788	$9,943	$12,412	$15,430	$18,720
PV of OFCF			*$7,220*	*$8,546*	*$9,891*	*$11,400*	*$12,822*
Terminal Value							**$341,062**
PV of Terminal Value							***$233,606***
Firm Value	$283,485						
(-) Market Value of Debt at 06/21/2023	($16,239)						
(=) Equity Value	$267,246						
Number of Shares outstanding as of 0	950						
Value per share	**$281.25**						

- The tax rate is assumed to be constant throughout at 8%.

- Other non-cash expenses are assumed to be fluctuating given cyclical nature of their business.

- Capex is assumed to be decreasing rather than increasing.
- The terminal growth rate of 2.25% is justified because it cannot exceed the industry growth rate of 7.5% as predicted by analysts. Picking a higher growth rate does not reflect the fair value of this stock and hence we feel that 2.25% is the justified perpetual growth rate.

- WACC estimation is explained in the following pages but the figure that we have obtained based on our calculation is 7.9% which is close to its Bloomberg value of 8.2%. This yields value per share as $281.25 which is less than its current market price and hence overvalues the stress. Analysts recommend that it is in overvalued state and we as an investor should hold for a near term and buy in the long term based on future results.

WACC Estimation

Eli Lilly Inc.
WACC Calculation

	31-12-2019 12 Months	31-12-2020 12 Months	31-12-2021 12 Months	31-12-2022 12 Months	31-12-2023 Forecast	31-12-2024 Forecast	31-12-2025 Forecast	31-12-2026 Forecast	31-12-2027 Forecast
Retention Rate	69.2%	52.6%	41.9%	40.4%	41.0%	42.0%	41.5%	41.0%	41.0%
ROE	308.2%	106.3%	61.0%	58.0%	65.7%	72.2%	78.3%	85.2%	90.8%
Implied Growth Rate	213.12%	55.91%	25.55%	23.39%	26.93%	30.32%	32.50%	34.92%	37.22%
Risk Free Rate (10 Yr Treasury)	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%
Credit Spread over Treasuries for LLY Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of Debt (Pre-Tax)	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%
Effective Tax Rate	11.93%	14.33%	9.32%	8.25%	8.00%	8.00%	8.00%	8.00%	8.00%
Cost of Debt (After-Tax)	3.41%	3.32%	3.51%	3.55%	3.56%	3.56%	3.56%	3.56%	3.56%
Beta	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700
Market Risk Premium	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Cost of Equity per CAPM	8.42%	8.42%	8.42%	8.42%	8.42%	8.42%	8.42%	8.42%	8.42%
Price per Common Share (as of Period End)	$131.43	$168.84	$276.22	$365.84	$135.00	$135.00	$135.00	$135.00	$135.00
Common Shares Outstanding	958	957	954	950	955	960	965	969	974
Market Value of Equity	$1,25,844	$1,61,512	$2,63,431	$3,47,621	$1,28,918	$1,29,563	$1,30,211	$1,30,862	$1,31,516
Market Value of Debt	$15,317	$16,595	$16,885	$16,239	$16,711	$17,227	$17,728	$18,276	$18,808
Market Value of Firm	$1,41,161	$1,78,108	$2,80,316	$3,63,860	$1,45,629	$1,46,790	$1,47,939	$1,49,138	$1,50,324
Weight of Equity	89.15%	90.68%	93.98%	95.54%	88.53%	88.26%	88.02%	87.75%	87.49%
Weight of Debt	10.85%	9.32%	6.02%	4.46%	11.47%	11.74%	11.98%	12.25%	12.51%
WACC	**7.88%**	**7.94%**	**8.12%**	**8.20%**	**7.86%**	**7.85%**	**7.84%**	**7.82%**	**7.81%**

- From the above figure, the estimated WACC from our model is 7.9%. The after-tax cost of debt is assumed to be constant at 3.56%, which is in line with its historical values.
- The effective tax rate is 8% as mentioned above.
- The beta (levered) of the company is 0.7 which is higher than its peers.
- The firm value shows an increasing trend given the market value of its debt and equity keep on increasing. A sudden jump in its weight of debt is brought about by the increase in short- and long-term debt. Since better products incur more expenses, the company taking additional debt to improve its operations is a positive sign.

DDM Model

LLY COMPANY VALUATION:
DIVIDEND DISCOUNT MODEL

Cost of Equity	8.42%
Cost of Debt	3.56%
WACC	7.86%
Terminal Value Growth Rate	2.25% avg analysis project 4.35

	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027
Year:	0	1	2	3	4	5	6
Retention Rate	40.4%	53.9%	62.7%	69.6%	75.3%	79.6%	84.3%
ROE	58.0%	65.7%	72.2%	78.3%	85.2%	90.8%	96.2%
Growth Rate	23.4%	35.4%	45.3%	54.5%	64.2%	72.2%	81.2%
Dividends per Share	$3.92	$4.60	$5.70	$6.12	$6.63	$7.09	$7.54
PV of Dividends		*$4.25*	*$4.85*	*$4.80*	*$4.80*	*$4.74*	*$4.64*
Terminal Value							$124.90
PV of Terminal Value							*$76.90*

Stock Value per Share	**$104.96**

Sensitivity Analysis

Terminal Value Growth Rate

	$104.96	4.0%	3.5%	**3.0%**	2.5%	2.0%
Cost of Equity	4.5%	$313.12	$159.98	$108.94	$83.41	$68.10
	5.5%	$103.99	$79.66	$65.05	$55.32	$48.37
	6.5%	$62.18	$52.89	$46.26	$41.28	$37.41
	7.5%	$44.26	$39.51	$35.82	$32.87	$30.45
	8.5%	$34.31	$31.49	$29.19	$27.26	$25.64

The DDM model discounts the future dividends given out by the company to its shareholders and values each share of the company at $104.96. We would not give a higher percentage of weight to this model as it values the company at a price too low than its current market price. It does not fairly represent the company's revenue, growth, strategic acquisitions and realized synergies.

VI. Analysis of Lilly's Value Drivers

Strategic Acquisitions:

- The company invests heavily in external research and technologies that complement and strengthen its own efforts.
- These investments take multiple forms including acquisitions, collaborations, alliances, JVs, and licensing patents. These business activities enhance their product pipeline and solidify their business.

Strong focus on Research and Development:

- The company has sufficient plans in place to tackle the global demand for drugs pertaining to obesity and chronic weight loss programs.
- They have production and supply chain strategies set up to meet long-term strategic objectives and include the production of Mounjaro as well.
- They see potential upside benefits in markets outside U.S. and plan to invest and introduce their products in these markets as well.

Increase in global presence:

- The products that they market and distribute vary from country to country depending on their specific needs. Outside the US, they promote their products through sales representatives and other channels of distribution.
- In most countries they operate, they set up their own sales and distribution organizations but, in some countries, they also use third party organizations.
- They also engage heavily in promotional arrangements. Some of their products are also marketed in arrangements with other pharmaceutical companies.

Product Delivery:

- Production goals to double the capacity by the end of FY2022 have shown accelerated progression. The channel inventory for 2023Q2 will be better than Q1.
- Long-term investments are in place to create sufficient long-term supply across the entire incretin portfolio to meet the global demand.

Strong growth outlook on Mounjaro:

- Mounjaro promotion is directed towards people with only type 2 diabetes and the assumption that new people on Mounjaro actually have type 2. There are no surprises for the market growth from the management side as there is ample opportunity to help people with type 2 and improve their long-term health outcomes.
- Both markets, with and without the disease, have tremendous growth opportunities. Eli Lilly proposes to position themselves well in both the markets.
- Focusing on the real true potential on the effects of obesity, it is safe to assume that this is going to relieve and reduce the risk of complications associated with obesity and medical cost savings associated with using these agents. Looking at the impact on people on a patient level and not a population level, these agents will provide great value to society.

VII. Strategy for increasing Shareholder Value

- Lilly currently has a Market Capitalization of $430 Billion with an Enterprise Value of $445 Billion. Lilly rewards its shareholders with a Return on Equity of >60% which is far superior than its peers which are in the range of 35%.

- New Products contributed $573.6 million to revenue in Q1 2023, led by Mounjaro. Growth Products revenue increased 18% to $4.56 billion in Q1 2023, led by Verzenio, Trulicity, Jardiance and Taltz.

- In April 2023, Lilly entered into an agreement to sell the rights of olanzapine portfolio and Baqsimi and stands to receive $1.5 Billion upon successfully closing the transaction and an additional $425 Million upon the one-year anniversary of both these transactions.

- In order to maximize shareholder profit and value, we recommend to the Board of Lilly to have a stronger focus on reducing the debt levels of the company given the ease of rate hikes by Fed.

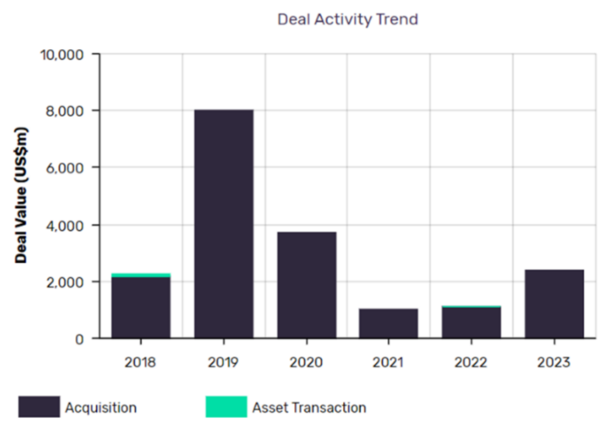
- With the large amounts of cash coming in the foreseeable future for Lilly, using those funds appropriately would lead in better figures on the books of the company.

- With the pipelines in process, strong focus on R&D and innovation, strong revenue growth, better industry outlook, strategic mergers and acquisitions and despite it being overvalued at the moment, we believe Lilly is poised to generate massive value for its shareholders in the long run and we recommend all clients to get on board and get invested in Eli Lilly and Company.

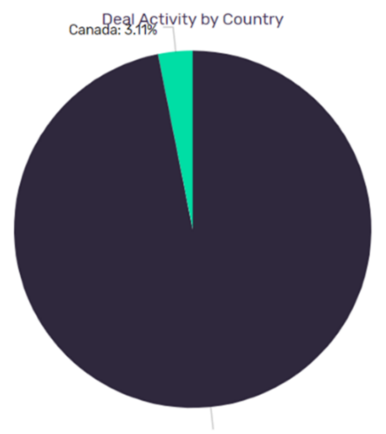
- Historically Lilly has been rewarding its shareholders with dividends which have doubled over the last 5 years. Additionally, going forward the board may also consider buyback of shares.

- From the year 2018 the company has been actively involved in mergers and acquisition of small companies which will help Lilly in developing their portfolio. The acquisition made in 2019 was the largest amount the company has ever dealt in; the amount was around $8000 million. The graphs below depict the details of the trend of acquisitions on the basis of deal value done by the company from the year 2018-2023.

Deal Activity Trend



Deal Activity by Country



Most recent acquisition done by the company is Dice Therapeutics Inc. The deal was finalized on 20th June 2023 and the amount decided was US $2.4 bn. The deal is expected to be completed by the third quarter of the ongoing financial year i.e., 2023. The table below shows the acquisitions made by the company in recent years. The table also describes the value of the deal in which the acquisition was finalized.

ANNOUNCED DATE	TARGET	DEAL VALUE
20th June 2023	Dice Therapeutics Inc	$ 2400 Million
17th Oct 2022	Akouos Inc.	$ 1097 Million
14th Jul 2021	Protomer Technologies Inc.	$ 1000 Million
15th Dec 2020	Prevail Therapeutic Inc.	$ 1040 Million
15th Oct 2020	Disarm Therapeutic Inc.	$ 1360 Million
10th Jan 2020	Dermira	$ 1309 Million
5th Jan 2019	Loxo Oncology Inc	$ 8000 Million

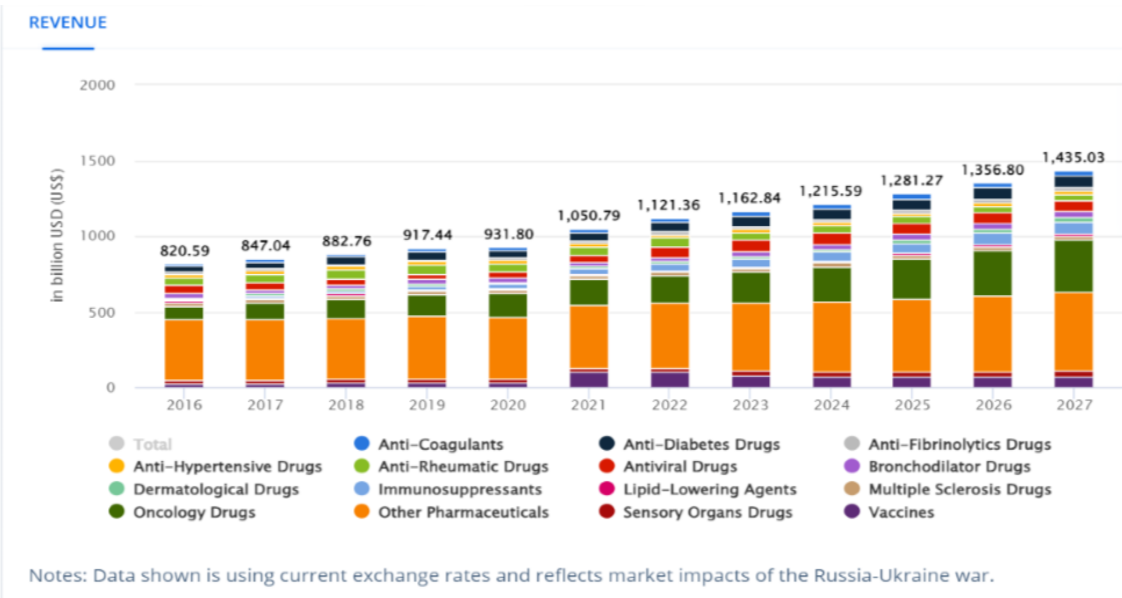
VIII. Sector Performance

The pharmaceutical industry and the government are mainly focused on developing medicines or treatments for obesity and cancer, as they are the most common issues found in people across the globe.

As medicines are generally considered as a need, if the prices of the medicines rise due to economic conditions, medicines won't be easily available to common people, to make it easily accessible the U.S based Inflation Reduction Act negotiations looks ambiguous on cutting drug prices.

Easing of the dollar strength was a headwind for major pharma companies. The growth of the revenue for the pharmaceutical market is forecasted to reach US $1,163.00 bn in the current financial year.

The inflationary pressures cannot be avoided by large pharmaceutical companies. Health care costs could become a greater focus of public spending as economic stress deepens. Every 2 years, except for an off year in April, EU countries and Japan cut drug prices. A list of 10 Part D drugs that will be subject to government price cuts from the beginning of 2026 will be published in September by the Centers for Medicare and Medicaid Services.



The huge part of the market is going to be taken by oncology products or drugs, the predicted market volume for the same is US $ 202.30bn in the year 2023. In global terms, the United States will generate the most revenue in 2023 US $ 624.10 bn. The below graph shows the revenue distribution per year in different sectors for pharmaceutical industry.

Historical Sales and Revenue of Top Companies in the Pharma Sector

Market Share

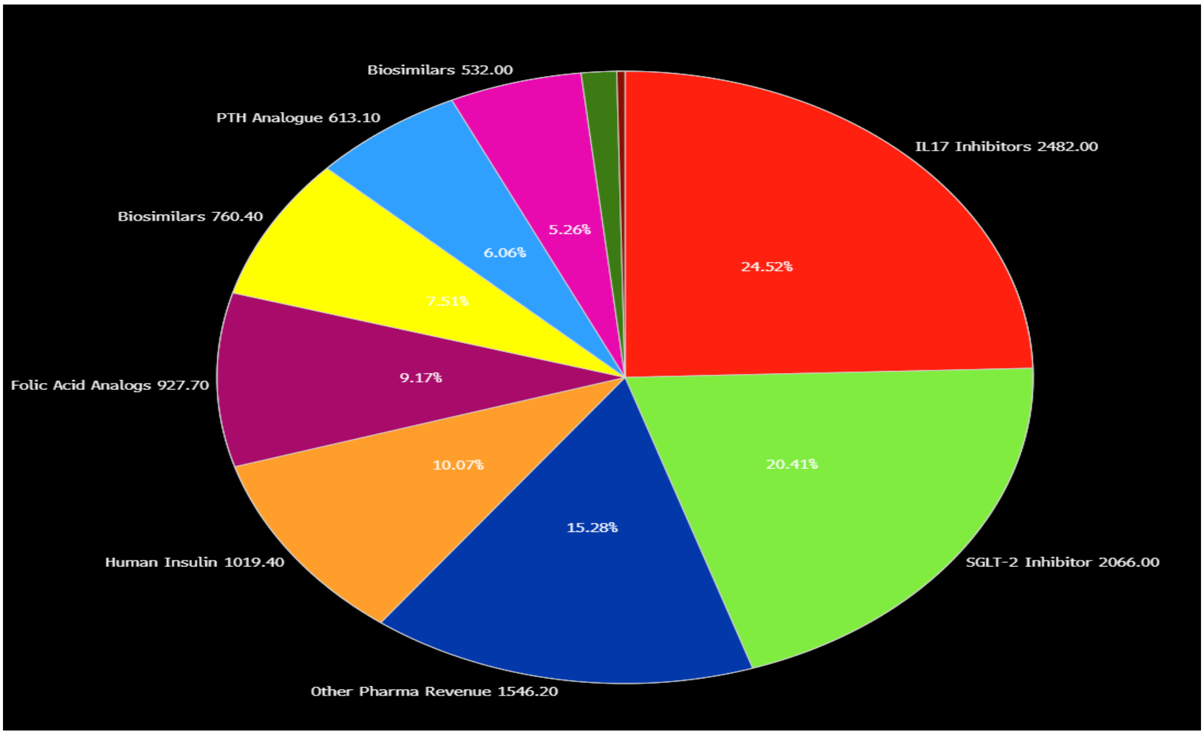
Value | % Chg | % of Tot

View: 5 Annuals | Growth: None | Select Companies

Name	2022	2021	2020	2019	2018
WW Company-Reported Drug Revenues ($ ...					
(Year of U.S Patent Expiration for Class or...					
Pfizer	100,330.0	81,288.0	41,908.0	51,750.0	53,647.0
Eli Lilly	28,541.4	28,318.4	24,539.8	22,319.5	21,493.3
Johnson & Johnson	94,943.0	93,775.0	82,584.0	82,059.0	81,581.0
Abbvie	58,054.0	56,197.0	45,804.0	33,266.0	32,753.0
GlaxoSmithKline	36,255.5	33,975.5	43,777.9	43,095.0	41,148.5
Merck & Co.	59,283.0	48,704.0	41,518.0	46,840.0	42,294.0
AstraZeneca	44,351.0	37,417.0	26,617.0	24,384.0	22,090.0
Bristol-Myers Squibb	46,159.0	46,385.0	42,518.0	26,145.0	22,561.0
Novartis	51,828.0	52,877.0	49,898.0	48,677.0	46,099.0
Roche	66,308.6	68,702.6	62,196.9	61,860.4	58,120.7
Sanofi	47,807.2	46,334.9	42,665.4	42,127.4	42,139.0
Bayer AG	53,442.3	52,137.5	47,267.7	48,748.1	43,396.9
Novo Nordisk	25,053.2	22,392.6	19,444.6	18,296.1	17,722.2

LCL Millions	2022A	2023E	2024E	2025E	2026E	2027E	2023 vs 2022	2022-25E CAGR	2022-27E CAGR
Sales				**Median**			**1.1%**	**3.3%**	**3.1%**
AbbVie	58,054	52,673	52,309	55,377	58,505	61,282	-9.3%	-1.6%	1.1%
AstraZeneca	44,351	45,926	50,475	54,231	57,356	60,321	3.6%	6.9%	6.3%
Bayer	50,739	50,166	51,377	52,613	53,448	54,917	-1.1%	1.2%	1.6%
Bristol Myers	46,159	46,675	47,676	48,219	48,362	47,932	1.1%	1.5%	0.8%
Eli Lilly	28,541	31,319	37,381	44,614	52,507	58,755	9.7%	16.1%	15.5%
GSK	29,324	28,982	30,587	32,323	33,379	33,950	-1.2%	3.3%	3.0%
Johnson & Johnson	94,943	98,950	101,034	103,993	107,274	110,475	4.2%	3.1%	3.1%
Merck & Co	59,283	58,631	62,237	66,470	69,604	72,890	-1.1%	3.9%	4.2%
Novartis	50,545	53,083	55,458	58,029	59,300	59,724	5.0%	4.7%	3.4%
Novo Nordisk	176,954	221,800	258,239	293,561	334,136	367,880	25.3%	18.4%	15.8%
Pfizer	100,330	67,651	68,576	69,633	70,219	69,389	-32.6%	-11.5%	-7.1%
Roche	63,281	60,974	64,028	66,989	70,159	71,617	-3.6%	1.9%	2.5%
Sanofi	42,997	44,396	46,795	49,782	51,622	54,015	3.3%	5.0%	4.7%

Lilly’s Products Market Share in the Sector



Lilly Performance vs Competitors

- When comparing Eli Lilly and Company (LLY) to its peers, the graph provides valuable insights. The white line represents LLY's equity multiple, while the orange line represents the average daily multiple of its competitors. By examining the graph, we can observe distinct trends and variances between LLY and its peer group.

- Firstly, the white line, representing LLY's equity multiple, consistently maintains a position above the orange line, indicating that LLY has outperformed its competitors in terms of equity valuation. This suggests that investors have shown a stronger preference for LLY's stock compared to its peers, potentially due to factors such as the company's financial performance, growth prospects, or market position.
- LLY's P/E ratio: 63x, P/FCF ratio: 98x and EV/EBITDA ratio: 53x are significantly above the ratios portrayed by it's competitors. Alongside, the graph comparing Eli Lilly and Company (LLY) to its peers reveals a significant upward trend in equity multiples starting from the third quarter of 2020. While both LLY and its competitors experienced valuation increases, LLY's equity multiple, represented by the white line, showed greater volatility and rose from 20 to 36.146. In contrast, the orange line representing the average daily multiple of competitors increased from 15 to 16.503, indicating a comparatively smaller rise. This disparity suggests that LLY has outperformed its peers, demonstrating strong market performance and investor preference. The graph highlights LLY's robust market position, with its equity multiple consistently surpassing that of its competitors, showcasing investor confidence in LLY's growth potential and solidifying its leading role in the pharmaceutical industry.

Latest news

- Acquisition of Dice Therapeutics Inc.: The company has made a deal with Dice Therapeutics Inc to acquire them for $2.4 billion. It will benefit the company in developing immunology drug. The deal is to be completed by the 3rd Quarter of FY2023.
- Approval for Jardiance: The FDA has approved Eli Lilly and Boehringer Ingelheim's Jardiance drug. This drug helps in treating type 2 diabetes for children aged 10 and older.
- Disease that can't be ignored: Lilly's focus is on developing treatments for obesity and cancer suffering patients. Even the government's focus is currently on developing cures for obesity and cancer patients.
- XtalPi and Lilly collaboration: To use artificial intelligence (AI) for drug discovery, XtalPi and US-based Eli Lilly has entered a partnership deal. $250 million will be given to XtalPi as upfront and milestone payments.
- Novo Nordisk's Wegvoy: Analysts are recommending that the enterance of Wegvoy a weight loss drug developed by scientists at Novo Nordisk, will impact Lilly's stock price.

IX. StockTrak Summary

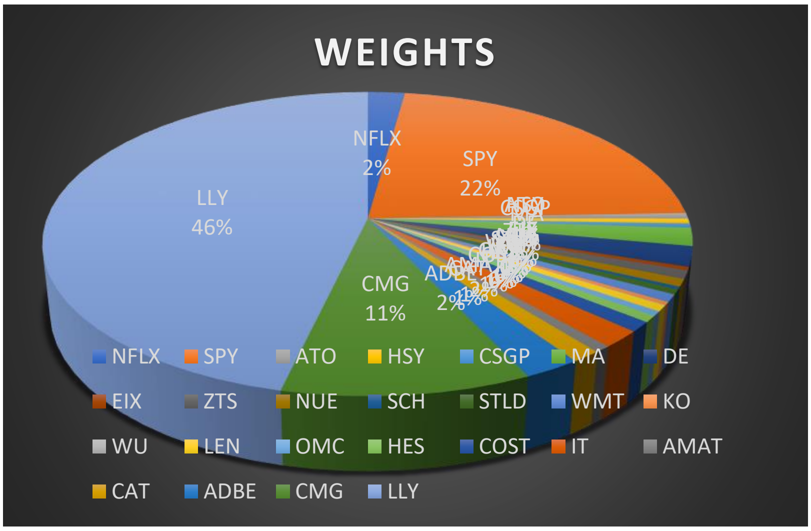
- In order to get a real experience on investing and trading with paper money on stock track and get invested across the sectors of the S&P500, we decided to follow a simple approach to come to making the investment decisions we made.

- Currently, the S&P500 is broadly diversified in 11 Sectors of the U.S. economy namely Technology, Utilities, Healthcare, Real Estate, Financial Services, Basic Materials, Industrials, Energy, Communication Services, Consumer Defensive and Consumer Cyclical.

- In order to get invested and see how valuations work across various sectors, we decided to scan the S&P500 and using Bloomberg and yahoo finance and a financial heatmap, we were able to create our portfolio.

- We looked for companies with Lowest or Average P/E, Low Debt Levels, consistent revenue growth over the years, positive free cash flows and an intellectual management.

Weights of the companies invested:



Portfolio Summary:

PORTFOLIO AND BUYING POWER	
Portfolio Value	$10,052,459.07
Portfolio Value at 1st of Month	$10,017,274.47
Restricted Funds	$0.00
Margin Requirements	$0.00
Buying Power	$18,122,470.76

We began investing at the start of the month with a portfolio value of $10,017,274.47 and the portfolio earned 0.52% returns in the first month making the current portfolio value $10,052,459.07

X. Other Items

ESG

ENVIRONMENTAL

- Lilly's environmental score of 4.64 leads them in biotechnology and pharmaceuticals peers
- Only energy and waste management scores are issued for the industry
- The company had an improvement of 8.60% year over year in their environmental score

SOCIAL

- They even lead the peer board in social scores, they had a social score of 3.67
- Product quality management and access & affordability are two highest-weighted issues for the industry
- Lilly's social score had improved 9.11% year over year

GOVERNANCE

- Their governance score of 6.67 leads them on the peer board for biotechnology and pharmaceuticals peers
- The governance score for this industry comprises of: Board Composition, Executive Compensation, Shareholder Rights and Audit
- Lilly's score was driven because of outperformance of the Executive Compensation theme

XI. Summary and Conclusion

To sum the entire pitch-book, we believe that investors should get invested in Eli Lilly and Company to reap the benefits that the company will provide its shareholder in the long run.

"Health is wealth" is a phrase in the English language and the phrase here is appropriate because it's a pharma company who is working every second to make human lives better biologically and financially.

XII. Due Diligence

We used the following material and resources for the pitchbook:

Eli Lilly and Company’s financial documents such as 10K and 10Q.

Lilly’s investor presentation and conference call transcripts.

Lilly’s company website

Bloomberg Lab

Market Line and Pitchbook resources from Northeastern library