

Eli Lilly (LLY)

Analyst: Eugene Lee

RATING: BUY

Current Price (12/14/25):

\$910.20*

Start Price (10/25/25): \$825.45

Upside since start: +10.2%

*Price estimated based on recent positive news flow.

Investment Thesis

Eli Lilly is not just a drug company; they are solving the biggest health problem in the world right now: Obesity. With their new drugs Mounjaro and Zepbound, they are growing faster than almost any other big company. Even though the stock is expensive, the demand is real, and they are beating their competitors like Pfizer. **I recommend a BUY.**

1 The "Why": My Choice

I chose Eli Lilly because they have created essential medicines that make a huge difference in people's lives right now.

Specifically, they developed new drugs for diabetes and weight loss. This is significant because obesity is a common and growing problem in high schools and the world.

2 Business Model: How They Make Money

The Simple Answer: They sell medicine.

Eli Lilly makes most of its money by developing and selling prescription medicines for major health problems such as diabetes, obesity, and cancer.

- Best Sellers:** Mounjaro and Zepbound. These help people manage blood sugar and lose weight by increasing insulin levels and slowing digestion.¹
- The Customers:** Eli Lilly's primary customers are large wholesale distributors (such as McKesson, Cencora, and Cardinal Health), who then distribute these medicines to pharmacies and hospitals. While insurance providers and Pharmacy Benefit Managers (PBMs) do not buy the drugs directly, they are key stakeholders that negotiate prices and coverage.²
- The Logic:** Even though patients don't always pay the full price directly (insurance does), Eli Lilly gets paid every time a prescription is filled.

Because chronic diseases (like diabetes) last a long time, their customers keep coming back. This is called "recurring revenue," and it is very good for business.

Key Financials (Revenue)

Is the number going up?

2022: \$28.5 Billion

2023: \$34.1 Billion

2024: \$45.0 Billion

Takeaway: Revenue grew massively in 2024 because of the new weight loss drugs.^a

^aEli Lilly Investor Relations, "Lilly Reports Full Q4 2024 Financial Results," <https://investor.lilly.com/news-releases/news-release-details/lilly-reports-full-q4-2024-financial-results-and-provides-2025>

3 The Competition

Who are they fighting? The biggest rival is **Novo Nordisk**.

3.1 Novo Nordisk (The "Ozempic" Maker)

They are the biggest global leader in diabetes/obesity right now alongside Lilly.

- Why buy them?** Their drugs (Ozempic/Wegovy) have been famous for longer. Some people say they have fewer stomach side effects.
- Why LLY is better:** Eli Lilly's competitive advantage is clear: its flagship drug, Zepbound, has demonstrated significantly superior effectiveness compared to its main competitor. In the 2025

¹Cleveland Clinic, "Tirzepatide Injection," <https://my.clevelandclinic.org/health/drugs/4523789-tirzepatide-injection>

²Eli Lilly and Company, "Form 10-K for the Fiscal Year Ended December 31, 2024," <https://fintel.io/doc/sec-eli-lilly-co-59478-10k-2025-february-19-20138-9914>

head-to-head SURMOUNT-5 trial, Zepbound patients achieved an average weight loss of 20.2%, compared to just 13.7% for the leading competitor's drug.³

3.2 Pfizer

Pfizer is a "Premier" company known for vaccines (COVID-19).

- **Why buy them?** They are huge and have drugs for everything (Heart, Brain, Cancer). They are a "safer" bet if you want variety.
- **Why LLY is better:** Eli Lilly is growing over four times faster than Pfizer. In 2024, Eli Lilly's revenue surged by 32%, driven by its dominance in the weight-loss market. In contrast, Pfizer managed only 7% growth as it struggles to find new hits. Furthermore, while Lilly's Zepbound is breaking sales records, Pfizer was forced to cancel development of its own weight-loss pill in late 2024, leaving it far behind in this critical race.⁴

4 SWOT Analysis

Strengths (Internal)

- **Growth:** Net income grew by over 100% last year. That is insane for a big company.
- **Product Power:** Mounjaro is becoming a household name like the iPhone.

Weaknesses (Internal)

- **Reliance:** They rely too much on just two drugs. Mounjaro and Zepbound combined for more than \$4 billion in sales last quarter and accounted for nearly 40% of Eli Lilly's top line revenue.⁵
- **High Operational Costs:** Developing and manufacturing cutting-edge drugs is incredibly expensive. In 2024 alone, Eli Lilly spent over \$19.4 billion on Research & Development and manufacturing combined. This represents 43% of their total revenue.⁶

³Eli Lilly Investor Relations, "Zepbound showed superior weight loss over Wegovy," <https://investor.lilly.com/news-releases/news-release-details/zepbound-tirzepatide-showed-superior-weight-loss-over-wegovy>

⁴Pfizer Investor Relations, "Pfizer Reports Strong Full-Year 2024 Results," <https://www.pfizer.com/news/press-release/press-release-detail/pfizer-reports-strong-full-year-2024-results-and-reaffirms-2025-guidance>

⁵Nasdaq, "Eli Lilly's Top GLP-1 Drugs Now Account for Nearly 40% of Its Revenue," <https://www.nasdaq.com/articles/eli-lillys-top-glp-1-drugs-now-account-nearly-40-its-revenue-and-thats-likely-go-higher>

⁶Eli Lilly Investor Relations, "Lilly Reports Full Q4 2024 Financial Results," <https://investor.lilly.com/news-releases/news-release-details/lilly-reports-full-q4-2024-financial-results-and-provides-2025>

⁷Investor's Business Daily, "Eli Lilly, United Airlines, Urban Outfitters Buy Points," <https://www.investors.com/news/eli-lilly-united-airlines-urban-outfitters-buy-points/>

⁸Zacks, "Why The Market Dipped But Eli Lilly (LLY) Gained Today," <https://www.zacks.com/stock/news/2803978/why-the-market-dipped-but-eli-lilly-ly-gained-today>

Opportunities (External)

- **Pills vs. Shots:** If they can make a weight loss pill (oral) instead of a needle, everyone will buy it.
- **New Uses:** The same drugs might help with Sleep Apnea or Heart failure.

Threats (External)

- **Government:** The government might force them to lower prices (Price Caps).
- **Supply Shortage:** They literally cannot make the drugs fast enough. If they can't sell it, they can't make money.

5 The News Log (8 Weeks)

For the last 2 months, I tracked the headlines regarding LLY. Here is the trend:

• Week 1 (Bullish):

This news article suggests that LLY will be bullish, as it highly praises the LLY stock for its success in medical research and clinical trials and names LLY as one of the best stocks on the SP 500, encouraging the audience to invest in the stock.⁷

• Week 2 (Bullish):

This news article by Zacks doesn't strongly encourage a buy for LLY, it describes LLY as one of the strongest, if not the best businesses in the industry. For example, they highlight that LLY's Forward P/E ratio is 42.22 while its industry average has a forward P/E ratio of 14.09, describing LLY as "premium" compared to other companies in their industry. Moreover, the article highlights LLY's significant growth in the quarter compared to the previous year, a "40.98% upward movement from the corresponding quarter of the prior year". Therefore, I can conclude that this news report gives a positive feedback on LLY, which suggests the trajectory of LLY to be bullish.⁸

• Week 3 (Bearish/Scary):

This article points out the success of LLY's medical studies and their robust financial health as the key factor for growth, implying that the stock price

of LLY will increase steadily in the near future. For example, their recent EMBER-3 medical study showed remarkable promise, such as significantly reducing disease progression or death by 38% and "improved median overall survival (OS) by 11.4 months for those with ESR1-mutated disease compared to standard endocrine therapy." Moreover, the article highlights LLY's "robust" financial health, highly praising their revenue of \$59.42 billion, three-year growth rate of 17.1%, and P/E ratios (49.84) that significantly surpass companies in the same industry, underlining LLY's spot as the top in their sector. As a result, I can conclude that this article highly praises LLY as a promising company with vigorous, successful medical research and financially robust, suggesting that the trajectory of LLY will be bullish.⁹

- Week 4 (Bearish/Scary):**

The article shows both aspects of LLY, as both an underpriced and an overpriced company. The author highlights that LLY has a high free cash flow, suggesting "That implies the stock trades at roughly a 20.4% discount to its estimated fair value". In contrast, the author points out that LLY's P/E ratio is extremely high compared to their industry's median. According to the article, "Eli Lilly currently trades at around 49.33x earnings, which is well above the Pharmaceuticals industry average of about 19.72x and also higher than the broader peer group average of roughly 16.25x." In conclusion, I can take away that this article suggests a neutral outlook on LLY, which would indicate a "hold" signal.¹⁰

- Week 5 (Bearish/Scary):**

The article highlights the success of LLY's recent medical study, but reminds the audience that these successful results aren't too significant. For example, LLY's recent medical study of "retatruide", had extremely successful results that "weight loss of up to \$28.7% over 68 weeks, a result that significantly exceeded the efficacy of its existing blockbuster, Zepbound", suggesting that the drug could possibly surpass one of LLY's most valuable drugs. In contrast, the article points out that "today's move indicates the market considers this news meaningful but not something that would fundamentally change its perception of the business." However, the article also mentions the successful economic performance of LLY, and even mentions "Investors

who bought \$1,000 worth of Eli Lilly's shares 5 years ago would now be looking at an investment worth \$6,339." In conclusion, I can take away that, although it mentions that the successful results doesn't drastically change the perception of LLY, the article overall praises the business for its successful medical studies and their financial success over the years, which would indicate the trajectory of LLY will be bullish.¹¹

- Week 7 (Bearish/Scary):**

The article points out both the potential and the risks of LLY. For example, the author mentions that LLY's stock price had skyrocketed over the past three years, with shares having increased by 164% compared to 73% for the SP 500 and also displacing Novo Nordisk as the 1 GLP 1 drug manufacturer. However, the article also highlights the risks of LLY such as an extreme dependence on two drugs which "account for nearly 55% of revenues, which is a worryingly high percentage.", while also having an extremely high P/E ratio of around 50, much higher than businesses in the same industry. In conclusion, we can takeaway that the article, while it does praise LLY's incredible financial success, but it also highlights the high risks of LLY such as over-reliance on two drugs and a high P/E ratio, indicating that the trajectory of LLY is bearish.¹²

- Week 8 (Bearish/Scary):**

The article points out the medical successes of LLY's GLP-1 drugs and the promising potential LLY has in the GLP-1 industry. For example, the author mentions LLY's best selling treatment (Mounjaro) "a GLP-1 drug that effectively treats both type 2 diabetes and obesity, became the best-selling drug on the planet. In doing so, it knocked Keytruda, the cancer immunotherapy drug made by Merck, off the throne.", highlighting the effectiveness of LLY's miracle medicine. Moreover, the article mentions the potentiality for LLY to grow even further and the GLP-1 industry, emphasized in, "The market for GLP-1 medications is already huge, and is expected to explode. It was valued at about \$52 billion in 2024; that's predicted to rise to \$187 billion by 2032, for compound annual growth of almost 17%.", highlighting the potential to dominate a vastly growing industry, where "The overall number of patients in the U.S. alone starting GLP-1 treatments for purposes other than diabetes has increased by

⁹GuruFocus, "Eli Lilly Reports Promising Results from EMBER-3 Study," <https://www.gurufocus.com/news/3249630/eli-lilly-lll-reports-promising-results-from-phase-3-ember3-study>

¹⁰Yahoo Finance, "Is It Too Late To Consider Eli Lilly?," <https://finance.yahoo.com/news/too-consider-eli-lilly-massive-101207747.html>

¹¹Yahoo Finance, "Eli Lilly (LLY) Stock: Here's What to Know," <https://finance.yahoo.com/news/eli-lilly-lll-stock-know-170044158.html>

¹²Yahoo Finance, "Warning: Skyrocketing Stock Hidden Risk," <https://finance.yahoo.com/news/warning-skyrocketing-stock-hidden-risk-213500684.html>

700% since 2019". In addition, LLY has "developed a GLP-1 weight loss pill that has proved in clinical testing to be as effective as its injectable drugs in helping people lose weight and control their blood sugar.", meaning LLY could even further dominate the GLP-1 sector through a convenient and effective oral drug. In conclusion, the article strongly supports LLY's successes in their drugs, especially in the GLP-1 sector, which the author emphasized as a growing industry, which LLY could further dominate through their newly developed oral drug, indicating that the trajectory of LLY is bullish.¹³

6 Conclusion: The Final Verdict

Recommendation: BUY

Although these takeaways are mostly qualitative, they are still critical because they explain why the statistics and numbers support Eli Lilly as a promising company for investment.

For example, the high demand for their products such as Mounjaro and Zepbound, promises a high revenue. The competitors like Pfizer are too slow, and

Novo Nordisk is strong but LLY has better technology (Mounjaro).

In addition, Eli Lilly's vigorous research on various chronic diseases such as Alzheimer's, cancer, autoimmune diseases, diabetes, and obesity show a promising future of new, innovative medicines that may change the world. This is why I strongly believe that

LLY is a buy, as everyone will want to be healthier and slimmer today, and in the future.

What I have learned ...

From this stock analysis report, I can takeaway a few key lessons. First, as mentioned during the conclusion, my analysis was mostly qualitative. This is due to the lack of quantitative research during this analysis, as I am not fully aware of the quantitative approach. Quantitative analysis allows us to set a fixed target price as well as the current stock valuation. In my next report, I could implement some more quantitative as well as qualitative investigations. Moreover, I will make sure to add a target price in my next report, making use of my quantitative analysis. These takeaways will be taken into account in my next report to ensure that it has improved from the previous one.

Notice: This report was written by a High School Freshman for an educational project. It is not real investment advice. Our goal is to learn how to analyze a business, not to guarantee we can pick a winner. Stock prices are unpredictable, and even the best companies can have their stock go down.

¹³Yahoo Finance, "This Healthcare Company Just Touched \$1 Trillion," <https://finance.yahoo.com/video/powell-under-fire-unh-tumbles-220317057.html>