

Eli Lilly & Company (LLY)

NYSE | Healthcare – Pharmaceuticals | Investment Memo | February 6, 2026

BUY

Target: \$1,509 | Current: \$1,037 | +45% Upside

MKT CAP	FY26E REV	FY26E EPS	FWD P/E	EPS GROWTH	BETA	52W RANGE	DIVIDEND
\$929B	\$81B	\$33.28	31.2x	+41%	0.35	\$624-\$1,134	0.7%

INVESTMENT THESIS — SHORT-TERM MISPRICING (3-12 MONTHS)

Lilly is mispriced on three catalysts the market has not fully discounted: **(1)** The FDA ended tirzepatide shortage in late 2025, mandating compounder exit—we estimate **\$3-5B in demand** will flow back to Lilly as 1-2M patients on compounded GLP-1s switch to branded products. **(2)** The **April 1 Medicare deal** creates a \$50/month Zepbound copay, opening access to millions of previously excluded patients. **(3)** **Orforglipron FDA decision April 10**—Lilly's oral GLP-1—unlocks the ~40% of obesity patients refusing injectables, a \$10B+ TAM expansion. Lilly trades at peer median P/E (31x) despite 41% EPS growth vs. 7% for peers. Manufacturing moat (\$27B+ invested) cannot be replicated in our time horizon.

COMPANY OVERVIEW

Eli Lilly is a \$929 billion global pharmaceutical company headquartered in Indianapolis, Indiana, founded in 1876 and celebrating its 150th anniversary in 2026. The company operates as a single business segment focused on discovering, developing, manufacturing, and commercializing innovative medicines across four core therapeutic areas: **Cardiometabolic Health** (56% of FY25 revenue, including incretins and diabetes), **Oncology** (10%, led by Verzenio for breast cancer), **Immunology** (6%, including Taltz and Ebglyss), and **Neuroscience** (2%, including Kisunla for Alzheimer's).

Unlike diversified peers such as Johnson & Johnson or Pfizer, Lilly has strategically concentrated on high-growth biologics and small molecules while avoiding commodity generics. This focus has yielded exceptional results: the company's transformation accelerated with Mounjaro (tirzepatide) approval in 2022 for type 2 diabetes, followed by Zepbound approval for obesity in 2023. These GLP-1/GIP dual agonists now represent 56% of total revenue (\$36.5B combined in FY25) and continue growing at >100% annually—unprecedented for products of this scale.

Lilly employs approximately 47,000 people globally and maintains industry-leading R&D investment at ~20% of revenue (\$13.3B in FY25). The pipeline includes 15 programs currently in Phase 3 clinical trials, with orforglipron (first oral GLP-1) and retatrutide (triple agonist demonstrating 24%+ weight loss) representing the most significant near-term opportunities. The company has committed \$27B+ to manufacturing capacity expansion across facilities in Indiana, North Carolina, Ireland, and Germany.



FY25 Revenue Mix by Therapeutic Area. Source: Company filings

INDUSTRY OVERVIEW

The global GLP-1 receptor agonist market is projected to exceed **\$130 billion by 2030**, up from approximately \$50 billion in 2025, representing a 21% compound annual growth rate. This explosive growth is driven by the obesity epidemic (42% of US adults are classified as obese) and expanding clinical evidence supporting GLP-1s for cardiovascular risk reduction, NASH/MASH liver disease, sleep apnea, and other comorbidities beyond weight loss and diabetes.

The market structure is effectively a duopoly: Lilly and Novo Nordisk collectively control over 99% of incretin prescriptions. Lilly currently holds **57.9% US market share** (by total prescriptions), while Novo Nordisk holds 41.7%. Critically, Lilly's share of new prescriptions (NBRx) is even higher at 65.1%, indicating accelerating market share gains as patients initiating therapy overwhelmingly choose Mounjaro or Zepbound over Novo's Ozempic or Wegovy.

SHARE PRICE PERFORMANCE

LLY has delivered extraordinary returns over the past five years, with a **total return of +414%** (\$10,000 invested in February 2021 would be worth \$51,361 today). This dramatically outperformed the S&P 500 (+82% over the same period) and the pharmaceutical peer group average (+45%). The stock's outperformance reflects Lilly's successful transformation into the dominant player in the GLP-1 market.

The shares reached an all-time high of \$1,134 in August 2025 before correcting approximately 15% on concerns about Novo Nordisk competition and potential Inflation Reduction Act (IRA) pricing pressures. We view this pullback as a compelling entry point. The November 2025 announcement of a comprehensive US government deal—including a 3-year tariff exemption and Medicare access expansion—catalyzed a +35% rally from September lows. The current price of \$1,037 sits 8% below the all-time high.

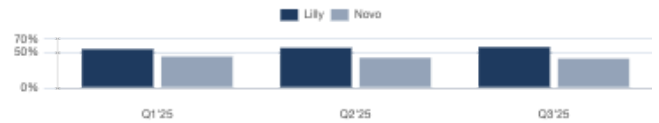
From a technical perspective, CFRA notes that indicators have been neutral since September 2025. While insider activity has been unfavorable (net selling), institutional ownership remains robust at 46%. Notably, Lilly's low beta of 0.35 makes it a defensive holding—a rare characteristic for a company delivering 40%+ earnings growth. The stock currently trades at 31.2x forward earnings, but at a PEG ratio of just 0.76x versus the pharma peer median of 2.07x—indicating significant undervaluation relative to growth.



LLY 12-month price vs. S&P 500 (indexed to 100). Source: S&P Global

Barriers to entry are formidable. Manufacturing GLP-1 biologics at scale requires \$10+ billion in capital investment and 5+ years of construction time. No credible third competitor has emerged, and smaller biotech entrants remain years away from commercialization. This supply-constrained oligopoly supports pricing power and margin stability.

CFRA's 12-month industry outlook is **neutral**, reflecting IRA pricing headwinds and uncertainty around the "Most Favored Nation" executive order. However, Lilly has proactively mitigated policy risk: the November 2025 government deal secured a 3-year tariff exemption, and the company's flagship incretins are not yet subject to IRA price negotiation given their recent approval dates—providing multi-year pricing visibility. The IRA-negotiated price for Jardiance represents a manageable ~\$900 million headwind already reflected in guidance.



US Incretin Market Share Trend (TRx). Source: IQVIA

NEAR-TERM CATALYST PATH (3-12 MONTHS)

NOW → Q1'26 FDA Compounder Wind-Down

FDA declared tirzepatide shortage resolved in late 2025, triggering mandatory compounder exit. We estimate 1-2M patients will transition to branded products, representing \$3-5B in annual demand recapture. Most immediate catalyst.

APR 1, 2026 Medicare \$50 Copay Begins

Medicare beneficiaries gain Zepbound access at \$50/month—down from \$1,000+ previously. Opens largest US payer (~65M beneficiaries) to obesity treatment.

APR 10, 2026 Orforglipron FDA Decision

FDA rules on once-daily oral GLP-1 for obesity. First oral alternative to injectables, addressing ~40% of patients who refuse needles. Phase 3 showed 7-10% weight loss. TAM expansion: \$10B+.

H1 2026 SURPASS-CVOT Data

Cardiovascular outcomes trial for tirzepatide. Positive data supports label expansion for CV risk reduction—key differentiator and payer coverage driver.

H1 2026 Ventyx Acquisition Closes

\$1.2B acquisition brings NLRP3 inhibitor pipeline for inflammation-driven diseases. Strengthens oral small molecule capabilities beyond incretins.

2026-2027 Retatrutide Phase 3

Next-gen triple agonist (GLP-1/GIP/glucagon) with 24%+ weight loss in Phase 2—potentially most efficacious obesity drug ever. TRIUMPH program reading out 2026-2027.

◆ Strategic M&A: Ventyx Biosciences Acquisition (Announced January 7, 2026)

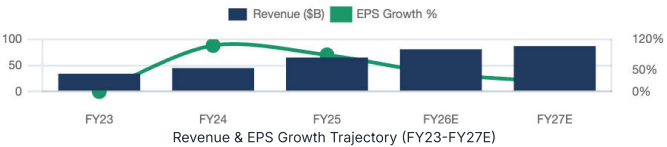
Lilly announced a definitive agreement to acquire Ventyx Biosciences (NASDAQ: VTYX), a San Diego-based clinical-stage biopharma, for **\$1.2 billion** (\$14.00/share, 62% premium to 30-day VWAP). Expected close H1 2026. Ventyx brings NLRP3 inhibitors—novel oral small molecules targeting chronic inflammation. Lead assets: **VTX3232** (CNS-penetrant, Phase 2 in Parkinson's with CV risk factor reduction) and **VTX2735** (Phase 2 for pericarditis). IBD portfolio includes tamuzimod (S1P1R) and VTX958 (TYK2), both Phase 2. Strategic rationale: inflammation increasingly recognized as driver of cardiometabolic, neurodegenerative, and autoimmune diseases—all Lilly focus areas. Diversifies oral pipeline beyond incretins.

FINANCIAL PROJECTIONS & GUIDANCE

METRIC	FY24A	FY25A	FY26E	FY27E
Revenue (\$B)	45.0	65.2	81.0	87.1
YoY Growth	+32%	+45%	+24%	+8%
Gross Margin	81.3%	83.0%	82.5%	82.5%
EPS (Non-GAAP)	\$13.0	\$23.8	\$33.3	\$40.8
EPS Growth	+106%	+84%	+41%	+22%

Management guided FY26 revenue of **\$80-83B** and non-GAAP EPS of **\$33.50-35.00**. We model \$81B revenue (midpoint) and \$33.28 EPS, implying 24% revenue growth and 41% EPS growth. Slight gross margin compression (-50bps) reflects Medicare pricing concessions, offset by operating leverage as R&D intensity normalizes from 24% to 19% of revenue. CFRA estimates FY27 EPS of \$40.79, implying continued 22% growth.

Key drivers: (1) Mounjaro/Zepbound volume trajectory robust with Q4 2025 combined revenue of \$11.7B (+115% YoY); (2) international expansion accelerating (Mounjaro OUS +267% in Q4); (3) manufacturing constraints easing; (4) Medicare access expansion (April 1) not yet in run-rate.



VALUATION

Our **\$1,509 price target** (45% upside) is derived from a DCF analysis (8% WACC, 5% terminal growth), cross-validated against peer multiples. At \$1,037, LLY trades at 31.2x FY26E EPS—in line with the pharma peer median of 30.8x. However, this ignores the dramatic growth differential: Lilly delivers 41% EPS growth versus 7% for peers.

The appropriate metric is PEG ratio. Lilly's PEG of **0.76x** compares to the peer median of 2.07x—significant undervaluation relative to growth. Even versus Novo Nordisk (PEG 0.64x), Lilly trades at only a modest premium despite superior US market share momentum (+1.0pp QoQ vs. Novo -1.0pp).

PEER COMPARISON	FWD P/E	EPS GR	PEG
Eli Lilly	31.2x	+41%	0.76x
Novo Nordisk	16.0x	+25%	0.64x
Peer Median	14.5x	+7%	2.07x

CFRA target: \$1,211 (29.7x FY27E EPS)—17% upside, more conservative than ours.

DCF Sensitivity:

	4% TG	5% TG	6% TG
7% WACC	\$1,623	\$1,883	\$2,247
8% WACC	\$1,326	\$1,509	\$1,761
9% WACC	\$1,116	\$1,248	\$1,425

Bear (9%/4%): \$1,116 (+8%). Bull (7%/6%): \$2,247 (+117%).

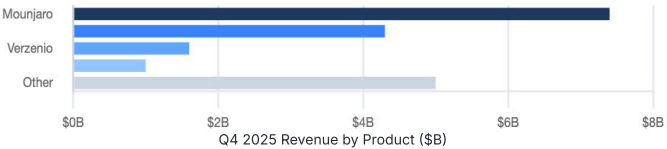
KEY PRODUCT PERFORMANCE (Q4 2025 ACTUALS)

PRODUCT	Q4 REV	YOY	FY25
Mounjaro (T2D)	\$7.4B	+110%	\$23.0B
Zepbound (Obesity)	\$4.3B	+123%	\$13.5B
Verzenio (Oncology)	\$1.6B	+3%	\$5.7B
Jardiance (Diabetes)*	\$1.0B	+40%	\$3.6B
New Launches**	\$0.4B	+78%	\$1.2B

*Boehringer collaboration. **Kisunla, Jaypirca, Ebglyss, Omvoh.

Mounjaro and Zepbound combined represent **56% of FY25 revenue** and grow at 100%+ annually—a concentration that is both the thesis and key risk. The tirzepatide franchise (\$36.5B FY25) is on track to become the best-selling drug in pharma history, surpassing Humira's \$21B peak.

Beyond incretins, Verzenio (+3%) provides durable oncology cash flow (patent protection through 2035). Kisunla (donanemab) for Alzheimer's received EU approval—expected to exceed \$1B by 2027. Jaypirca received expanded CLL indication in January 2026.



KEY RISKS & MITIGANTS

- IRA Pricing on Jardiance (Jan 2026)** MED
66% discount effective now. Impact: ~\$900M (1.4% FY26 rev). *Mitigant:* In guidance; incretins exempt from IRA until 2030+.
- Orforglipron Approval Delay/Rejection** LOW
FDA decision Apr 10. *Mitigant:* All 4 Phase 3 trials met endpoints; delay procedural. Core thesis intact without orforglipron.
- Novo Nordisk Competition** MED
Novo has oral sema and CagriSema in trials. *Mitigant:* LLY gaining share (NBRx 65%); orforglipron beat oral sema H2H; retatrutide 24%+ wt loss.
- Product Concentration (56% incretins)** MED
Safety signal or supply disruption risk. *Mitigant:* \$27B mfg investment; Kisunla/Jaypirca diversifying; no safety signals in 3+ years.
- Multiple Compression** LOW
31x P/E vulnerable in risk-off. *Mitigant:* Low beta (0.35); consistent beats; dividend floor (0.7%).

Overall Risk: MEDIUM. Primary risks (pricing, competition) are known and priced in. Asymmetric upside from catalyst execution (compounder exit \$3-5B, Medicare access, orforglipron \$10B+ TAM) outweighs headwinds. **Position size: 3-5% of portfolio.**



APPENDIX

INCOME STATEMENT						
Fiscal quarter	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
<i>Fiscal quarter end date</i>	<i>9/30/25</i>	<i>12/31/25</i>	<i>3/31/26</i>	<i>6/30/26</i>	<i>9/30/26</i>	<i>12/31/26</i>
Revenue	17,601	19,292	19,654	20,022	20,398	20,780
Cost of sales (enter as -)	(3,008)	(3,372)	(3,439)	(3,504)	(3,570)	(3,637)
Gross Profit	14,593	15,920	16,214	16,518	16,828	17,144
Research & development (enter as -)	(3,466)	(3,802)	(3,872)	(3,944)	(4,018)	(4,094)
Selling, general & administrative (enter as -)	(2,741)	(3,132)	(3,066)	(3,123)	(3,182)	(3,242)
Operating profit (EBIT)	8,386	8,986	9,277	9,450	9,628	9,808
Non-core & Other Items	(1,021)	(613)	(613)	(613)	(613)	(613)
Other expense, net (enter as -)	(133)	(108)	(108)	(108)	(108)	(108)
Pretax profit	7,232	8,265	8,556	8,729	8,907	9,087
Taxes (enter expense as -)	(1,650)	(1,629)	(1,583)	(1,615)	(1,648)	(1,681)
Net income	5,583	6,636	6,973	7,115	7,259	7,406
Depreciation & amortization	470	1,451	1,505	1,559	1,612	1,664
EBITDA	8,857	10,437	10,782	11,009	11,239	11,472
Stock based compensation	151	154	157	160	163	166
Acquired In-Process R&D	656	350	325	300	275	250
Asset impairment, restructuring & special charges	365	200	175	175	175	175
Net losses (gains) on equity investments	133	133	133	133	133	133
Adjusted EBITDA	10,161	11,274	11,571	11,777	11,985	12,196

BALANCE SHEET						
Fiscal quarter	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
<i>Fiscal quarter end date</i>	<i>9/30/25</i>	<i>12/31/25</i>	<i>3/31/26</i>	<i>6/30/26</i>	<i>9/30/26</i>	<i>12/31/26</i>
Cash & equivalents, ST and LT marketable securities	9,792	13,163	18,437	22,997	27,671	32,462
Accounts receivable	19,457	19,822	20,194	20,572	20,958	21,351
Inventories	12,180	13,653	13,070	13,315	13,564	13,819
Goodwill & Intangibles	12,345	12,576	12,812	13,052	13,297	13,546
Other current assets	29,605	30,160	30,725	31,301	31,888	32,486
Property, plant & equipment	22,316	23,154	23,980	24,796	25,604	26,404
Other non current assets	9,241	9,414	9,590	9,770	9,953	10,140
Total assets	114,935	121,942	128,808	135,804	142,936	150,208
Accounts payable	4,262	4,777	4,873	4,964	5,057	5,152
Short-term debt & current maturities	1,633	1,664	1,695	1,727	1,759	1,792
Sales rebates & discounts	17,620	17,951	18,287	18,630	18,979	19,335
Other current liabilities	22,919	23,808	24,714	25,636	26,576	27,534
Long term debt	40,874	40,874	40,874	40,874	40,874	40,874
Other non current liabilities	3,777	3,847	3,919	3,993	4,068	4,144
Total liabilities	91,085	92,921	94,362	95,824	97,314	98,831
Common stock	591	725	858	991	1,124	1,257
Retained earnings	22,252	27,289	32,582	37,982	43,491	49,113
Other equity	950	950	950	950	950	950
Total Eli Lilly shareholders' equity	23,793	28,963	34,389	39,922	45,565	51,320
Noncontrolling interest	58	58	58	58	58	58
Total Equity	23,851	29,021	34,447	39,980	45,623	51,377

CASH FLOW STATEMENT						
Fiscal quarter		Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
<i>Fiscal quarter end date</i>		12/31/25	3/31/26	6/30/26	9/30/26	12/31/26
Net income		6,636	6,973	7,115	7,259	7,406
Depreciation and amortization		1,451	1,505	1,559	1,612	1,664
Stock based compensation		133	133	133	133	133
Decreases / (Increases) in working capital assets		(1,837)	212	(624)	(635)	(647)
Increases / (Decreases) in working capital liabilities		876	463	466	475	484
Cash from operating activities		7,259	9,286	8,649	8,843	9,040
Capital expenditures		(2,288)	(2,331)	(2,375)	(2,419)	(2,465)
Cash from investing activities		(2,288)	(2,331)	(2,375)	(2,419)	(2,465)
Dividends paid		(1,599)	(1,680)	(1,714)	(1,749)	(1,785)
Share repurchases		0	0	0	0	0
Cash from financing activities		(1,599)	(1,680)	(1,714)	(1,749)	(1,785)
Net change in cash during period		3,371	5,274	4,559	4,675	4,790

APPENDIX

WORKING CAPITAL						
Fiscal quarter	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
Fiscal quarter end date	9/30/25	12/31/25	3/31/26	6/30/26	9/30/26	12/31/26
ACCOUNTS RECEIVABLE						
				Forecast		
Beginning of period		19,457	19,822	20,194	20,572	20,958
Increases / (decreases)		365	372	379	386	393
End of period	19,457	19,822	20,194	20,572	20,958	21,351
Approach: Grow A/R with revenue growth rate		2%	2%	2%	2%	2%
INVENTORIES						
				Forecast		
Beginning of period		12,180	13,653	13,070	13,315	13,564
Increases / (decreases)		1,473	(583)	245	250	254
End of period	12,180	13,653	13,070	13,315	13,564	13,819
Ratio: Inventory / TTM COGS	101.2%	95.0%	95.0%	95.0%	95.0%	95.0%
PROPERTY, PLANT & EQUIPMENT						
Fiscal quarter	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
Fiscal quarter end date	9/30/25	12/31/25	3/31/26	6/30/26	9/30/26	12/31/26
				Forecast		
Beginning of period		22,316	23,154	23,980	24,796	25,604
Plus: Capital expenditures	2,088	2,288	2,331	2,375	2,419	2,465
Less: Depreciation	(470)	(1,451)	(1,505)	(1,559)	(1,612)	(1,664)
End of period	22,316	23,154	23,980	24,796	25,604	26,404
Quarterly depreciation rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Capex as % of revenue	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
RETAINED EARNINGS						
Fiscal quarter	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
Fiscal quarter end date	9/30/25	12/31/25	3/31/26	6/30/26	9/30/26	12/31/26
Beginning of period		22,252	27,289	32,582	37,982	43,491
Plus: Net income	5,583	6,636	6,973	7,115	7,259	7,406
Less: Dividends	(1,345)	(1,599)	(1,680)	(1,714)	(1,749)	(1,785)
End of period	22,252	27,289	32,582	37,982	43,491	49,113
Dividend payout ratio	24.1%	24.1%	24.1%	24.1%	24.1%	24.1%
SENSITIVITY ANALYSIS						
First forecast year net income sensitivity						
		Revenue growth rate				
	\$28,752	(5.0%)	(2.5%)	0.0%	2.5%	5.0%
	84.0%	28,136	28,939	29,741	30,543	31,345
Gross	83.5%	27,823	28,617	29,411	30,205	30,999
Profit	83.0%	27,510	28,296	29,082	29,868	30,653
Margin:	82.5%	27,197	27,975	28,752	29,530	30,307
	82.0%	26,884	27,654	28,423	29,192	29,962
	81.5%	26,571	27,332	28,093	28,854	29,616
SCENARIO ANALYSIS						
Active case:		Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
	Base case	12/31/25	3/31/26	6/30/26	9/30/26	12/31/26
Mounjaro/Zepbound Revenue (\$mm)	NM	13,500.0	12,000.0	12,500.0	13,000.0	13,000.0
Total Revenue (\$mm)	NM	19,292.0	19,653.7	20,022.2	20,397.6	20,780.1
Gross profit margin	NM	82.5%	82.5%	82.5%	82.5%	82.5%
R&D % of sales	NM	19.7%	19.7%	19.7%	19.7%	19.7%
SG&A % of sales	NM	15.6%	15.6%	15.6%	15.6%	15.6%
Mounjaro/Zepbound Revenue (\$mm)						
Best case	1,500	15,000.0	13,500.0	14,000.0	14,500.0	14,500.0
Base case	NM	13,500.0	12,000.0	12,500.0	13,000.0	13,000.0
Bear case	(1,500)	12,000.0	10,500.0	11,000.0	11,500.0	11,500.0
Total Revenue (\$mm)						
Best case	1,000	20,292.0	20,653.7	21,022.2	21,397.6	21,780.1
Base case	NM	19,292.0	19,653.7	20,022.2	20,397.6	20,780.1
Bear case	(1,000)	18,292.0	18,653.7	19,022.2	19,397.6	19,780.1
Gross profit margin						
Best case	1.0%	83.5%	83.5%	83.5%	83.5%	83.5%
Base case	NM	82.5%	82.5%	82.5%	82.5%	82.5%
Bear case	(1.0%)	81.5%	81.5%	81.5%	81.5%	81.5%
R&D % of sales						
Best case	(0.7%)	19.0%	19.0%	19.0%	19.0%	19.0%
Base case	NM	19.7%	19.7%	19.7%	19.7%	19.7%
Bear case	0.3%	20.0%	20.0%	20.0%	20.0%	20.0%
SG&A % of sales						
Best case	(0.6%)	15.0%	15.0%	15.0%	15.0%	15.0%
Base case	NM	15.6%	15.6%	15.6%	15.6%	15.6%
Bear case	0.4%	16.0%	16.0%	16.0%	16.0%	16.0%

APPENDIX

EARNINGS PER SHARE						
Fiscal year	Q3 FY25	Q4 FY26	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY25
Fiscal year end date	9/30/25	12/31/25	3/31/26	6/30/26	9/30/26	12/31/26
Net income	5,583	6,636	6,973	7,115	7,259	7,406
Basic shares	897	894	894	894	894	894
Basic EPS	\$6.22	\$7.42	\$7.80	\$7.96	\$8.12	\$8.28
Diluted Shares	899	898	898	898	898	898
Diluted EPS	\$6.21	\$7.39	\$7.76	\$7.92	\$8.08	\$8.25
\$ amount of shares repurchased		1,600	1,600	1,600	1,600	1,600
Average share price		\$990.00	\$1,039.50	\$1,091.48	\$1,146.05	\$1,203.35
Share price increase			5%	5%	5%	5%

TICKER Comps		Overview					
Company Name	Ticker	Price	Shares Outstanding	Market Cap (\$mm)	FY26E EPS	Forward P/E (FY26E)	EPS Growth (FY25-26)
ELI LILLY AND COMPANY (XNYS:LLY)	LLY	\$1,044.13	945,383,800	\$987,103.59	\$34.2	31x	40%
Novo Nordisk A/S (XNYS:NVO)	NVO	\$43.34	3,390,128,000	\$146,928.15	\$21.5	32x	25%
JOHNSON & JOHNSON (XNYS:JNJ)	JNJ	\$237.79	2,409,295,000	\$572,906.26	\$11.53	15x	5%
MERCK & CO., INC. (XNYS:MRK)	MRK	\$119.75	2,482,022,000	\$297,222.13	\$5.13	14x	6%
ABBVIE INC. (XNYS:ABBV)	ABBV	\$219.02	1,767,385,000	\$387,092.66	\$14.48	14x	8%
AMGEN INC. (XNAS:AMGN)	AMGN	\$367.80	538,480,700	\$198,053.20	\$22.68	13x	6%
Min		\$43.34	538,480,700	\$146,928.15	\$5.13	13x	5%
Mean		\$338.64	1,922,115,750	\$431,551.00	\$18.25	20x	15%
Median		\$228.41	2,088,340,000	\$342,157.40	\$18.00	15x	7%
Max		\$1,044.13	3,390,128,000	\$987,103.59	\$34.15	32x	40%

Source: Capital IQ, Yahoo!Finance, SEC Filings

	FY26E	FY27E	FY28E	FY29E	FY30E
Discounted Cash Flow Model (\$ in mm)					
EBIT	38,163.0	43,422.5	49,186.4	55,465.7	62,264.8
Implied Tax Rate	18.0%	18.0%	18.0%	18.0%	18.0%
NOPAT	31,293.6	35,606.4	40,332.9	45,481.9	51,057.1
(+) D&A	6,339.7	7,290.7	8,347.8	9,516.5	10,801.2
(-) CapEx	(8,085.4)	(8,368.4)	(8,517.1)	(8,495.8)	(8,265.2)
(-) Change in NWC	(1,617.1)	(1,859.6)	(2,129.3)	(2,427.4)	(2,755.1)
Unlevered FCF	27,930.9	32,669.1	38,034.3	44,075.1	50,838.0
Annual Revenue	80,854	92,982	106,464	121,369	137,754
Forecast Revenue		15.0%	14.5%	14.0%	13.5%
D&A as % of Revenue	7.8%	7.8%	7.8%	7.8%	7.8%
CapEx as % of Revenue	10.0%	9.0%	8.0%	7.0%	6.0%
NWC as % of Revenue	2.0%	2.0%	2.0%	2.0%	2.0%
% EBIT Margin	47.2%	46.7%	46.2%	45.7%	45.2%

Perpetuity Method

WACC	8.0%
PV of CFs	151,059.3
Growth Rate	5.0%
Terminal Value	1,779,330.6
PV of TV	1,307,861.1
Enterprise Value	1,458,920.3
(-) Net Debt	32,593.1
Equity Value	1,426,327.2
Shares Outstanding	945,383,800.0
Share Price	\$1,508.7

Perpetuity Method

WACC vs. Long Term Growth Rate

WACC	Growth Rate				
1,508.73	4.00%	4.50%	5.00%	5.50%	6.00%
6.5%	1871.43	1574.65	1574.65	1871.43	3058.57
7.0%	1552.26	1343.23	1343.23	1552.26	2283.86
7.5%	1324.16	1169.56	1169.56	1324.16	1818.87
8.0%	1152.99	1034.41	1034.41	1152.99	1508.73
8.5%	1019.78	926.22	926.22	1019.78	1287.09
9.0%	913.15	837.65	837.65	913.15	1120.77
9.5%	825.84	763.78	763.78	825.84	991.33