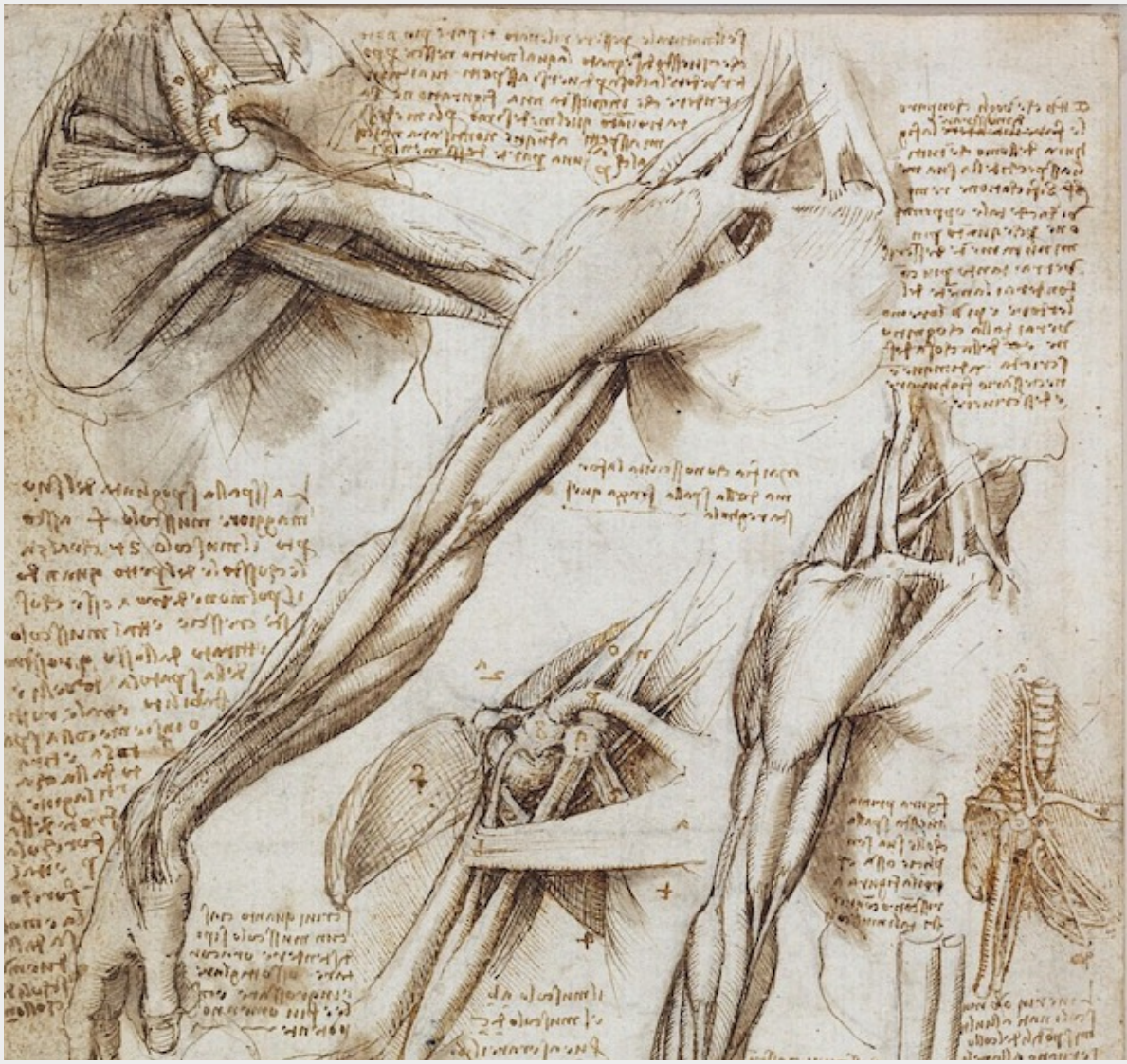
Eli Lilly

INDEPENDENT STRUCTURAL ANALYSIS, OPERATIONAL CONSTRAINTS, AND STRATEGIC OUTLOOK



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17 November 2025

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DISTRIBUTION

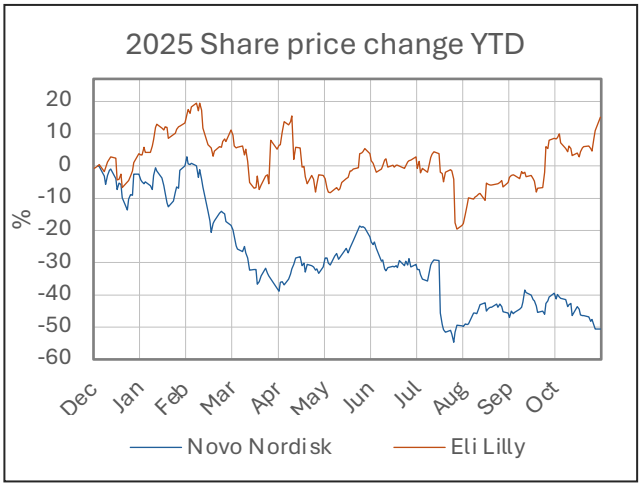
EXECUTIVE SUMMARY

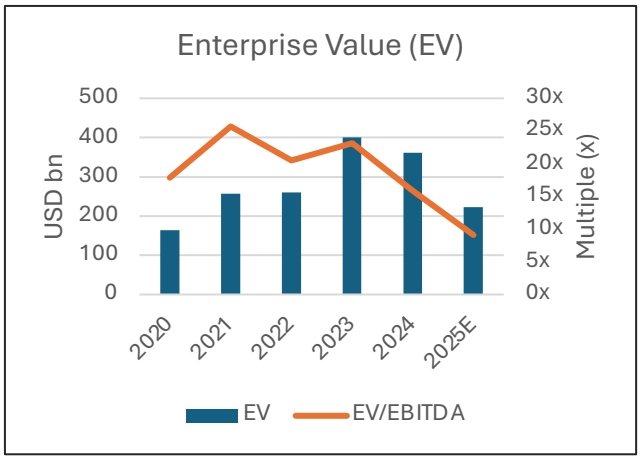
Eli Lilly enters 2025 as one of the most valuable companies in global pharmaceuticals, supported by a market capitalization and enterprise value that reflect exceptional growth expectations for incretin-based therapies. Revenue expansion has been driven by the rapid adoption of tirzepatide in obesity and diabetes, supported by margin strength, accelerating operating income, and substantial investment in manufacturing scale. This financial performance has elevated the company's valuation multiples well above large-pharma averages, embedding strong assumptions around sustained global demand, operational execution, and the durability of the cardiometabolic opportunity.

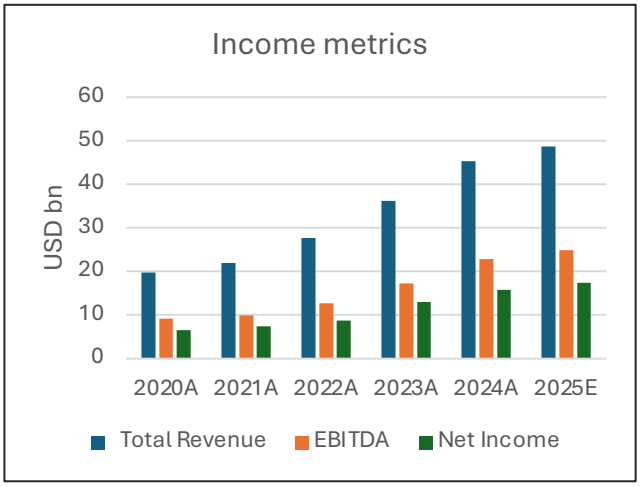
The analysis in this paper highlights the structural foundations behind that valuation: leadership in next-generation incretin innovation (dual- and triple-agonist programs), a rapidly expanding peptide manufacturing footprint, an integrated cardiometabolic strategy spanning obesity, diabetes, and cardiovascular disease, and consistently fast clinical-development execution. These differentiators define Lilly's competitive position and underpin the long-term growth narrative currently reflected in market expectations.

At the same time, several variables introduce meaningful uncertainty. Supply availability remains a central determinant of near-term market share in a capacity-constrained environment. Pricing and reimbursement conditions are tightening across U.S. commercial plans and global health systems, with implications for net pricing and incremental volume. Real-world adherence and discontinuation patterns remain volatile, shaping long-term demand visibility. Manufacturing expansion carries scale-up, quality, and capital-intensity risks, while the pipeline is heavily weighted toward metabolic and cardiometabolic programs. These operational and strategic dependencies are critical to evaluating the resilience of Lilly's trajectory.

Taken together, the evidence suggests a company with substantial structural advantages but also exposure to execution, reimbursement, and supply-chain risks that will play a decisive role in determining whether current performance converts into sustained long-term leadership.







USD 970bn
Market Cap - Nov 2025

USD 59.4bn
2025E Total Revenues

USD 28.7bn
2025E EBITDA

34.8x
EV/EBITDA multiple

1.1x
Net debt/EBITDA

USD 9.9bn
2025E Cash

OVERVIEW

THE COMPANY'S PURPOSE

To unite caring with discovery to create medicines that make life better for people around the world.

CORE THERAPEUTIC AREAS

1. Cardiometabolic Health (Obesity & Diabetes)

Lilly's largest and fastest-growing therapeutic pillar centers on obesity and diabetes, supported by its GLP-1/GIP franchise.

Products such as **Mounjaro/Zepbound** and **Trulicity**, along with the **Boehringer Ingelheim diabetes collaboration** (e.g., **Jardiance**), anchor this portfolio.

The pipeline advances multi-hormonal incretin biology and expanded metabolic outcomes, aiming to move beyond glycemic control into comprehensive cardiometabolic disease modification.

2. Oncology

Lilly maintains a diversified oncology platform with assets across targeted therapies, small molecules, and biologics, including **Verzenio**, **Retevmo**, **Jaypirca**, and **Cyramza**.

Its strategy focuses on precision oncology, next-generation inhibitors, and durable tumor-specific mechanisms, with a pipeline designed to address resistance pathways and extend survival across solid and hematologic malignancies.

3. Immunology

Lilly's immunology franchise spans inflammatory and autoimmune diseases, with marketed medicines such as **Taltz**, **Olumiant**, **Omvoh**, and **Ebglyss**.

Pipeline programs build on cytokine pathway selectivity and novel biologic modalities targeting chronic inflammation and immune dysregulation, seeking improved efficacy and reduced treatment burden.

4. Neuroscience

The neuroscience portfolio addresses migraine, neurodegeneration, and other CNS disorders through assets including **Emgality**, **Reyvow**, and **Kisunla**.

Lilly's R&D strategy emphasizes disease-modifying approaches, such as amyloid-targeting Alzheimer's candidates and next-generation migraine mechanisms intended to deliver durable symptom control and functional improvement.

BUSINESS MODEL

1. Research & Development Leadership

Lilly's business model is anchored in sustained investment in **internal discovery and clinical development**, supported by selective acquisitions and collaborations (e.g., Loxo Oncology, POINT Biopharma). R&D spans biologics, small molecules, and next-generation modalities, with a large pipeline across early and late stages.

Core activities include global Phase III programs, regulatory submissions, and a robust discovery engine that supports 45+ clinical candidates at any time.

The model explicitly relies on both internal labs and external innovation via partnerships, licensing, and business development.

2. Integrated Manufacturing and Supply Chain Platform

Lilly maintains a **deeply integrated manufacturing network**, producing most revenue-generating products in its own facilities.

Active ingredient production occurs in the U.S., Puerto Rico, and Ireland, with global finish-fill, device assembly, and packaging across multiple sites. Significant multiyear expansion is underway. The supply chain is centrally managed to reallocate capacity, maintain backup production sites, and ensure reliability despite high regulatory complexity.

3. Global Commercial Franchise Structure

Lilly operates a global commercial footprint across 95 countries. Commercial operations are organized around its core therapeutic franchises (diabetes/obesity, immunology, oncology, neuroscience), each supported by specialist engagement and large-scale market access operations. Market expansion is driven by high-volume cardiometabolic products, supported by coordinated payer strategies, supply scaling, and country-level regulatory integration.

4. Lifecycle and Portfolio Strategy

Lilly maximizes asset lifecycle value through:

Multiple indications for core molecules (e.g., cardiometabolic drugs across diabetes, obesity, CKD, HF).

Combination therapies emerging from its incretin platform.

Acquisitions to extend the portfolio into new modalities (e.g., radioligands via POINT Biopharma).

Pipeline progression relies on rigorous clinical development phases, with late-stage programs designed to support global filings and label expansions.

5. Sustainable Growth, Investment, and Access Model

Lilly's long-term model balances:

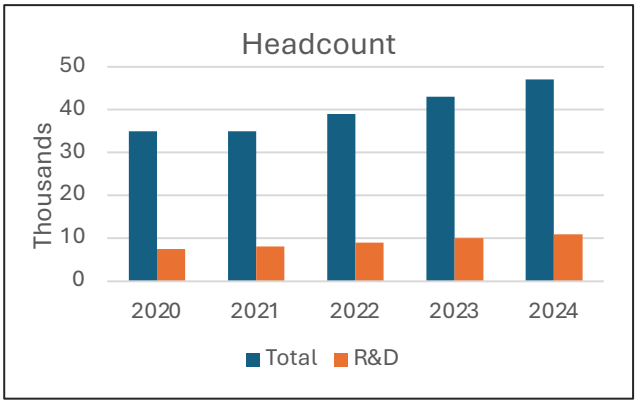
Large reinvestment in R&D and manufacturing, backed by strong cash generation.

Global manufacturing capacity expansion to meet demand for incretins and oncology assets.

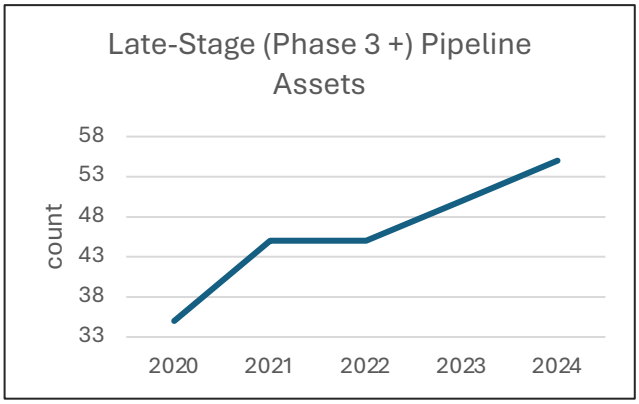
Quality and compliance systems across R&D, manufacturing, and distribution, supporting safe global supply.

International operations across 95 markets, with exposure to pricing reform, currency risk, and access constraints.

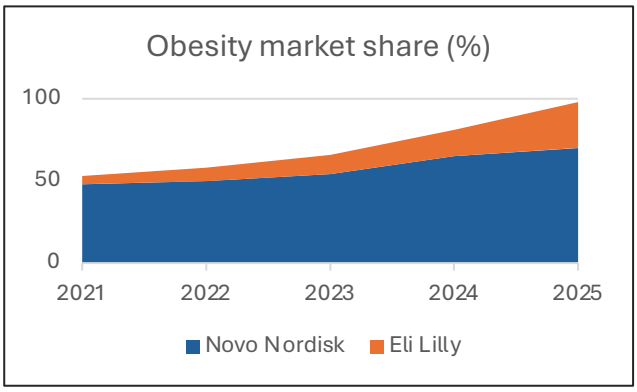
OPERATIONS DASHBOARD



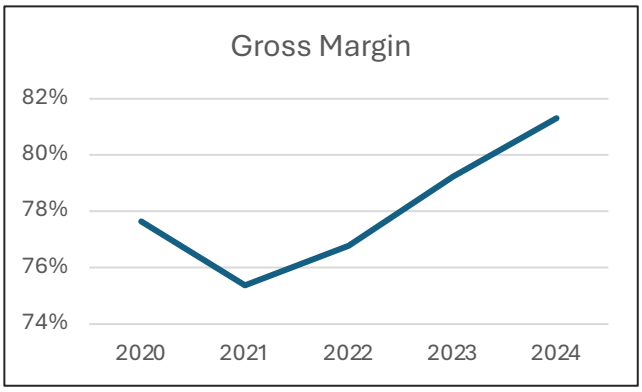
HEADCOUNT
Total employees are flat in 2020–2021, then grow sharply from 35k to 47k by 2024. R&D staff rises faster (from 7.6k to 11k), increasing R&D's share of the workforce and indicating an intentional scale-up of innovation and development capacity alongside manufacturing and commercial expansion.



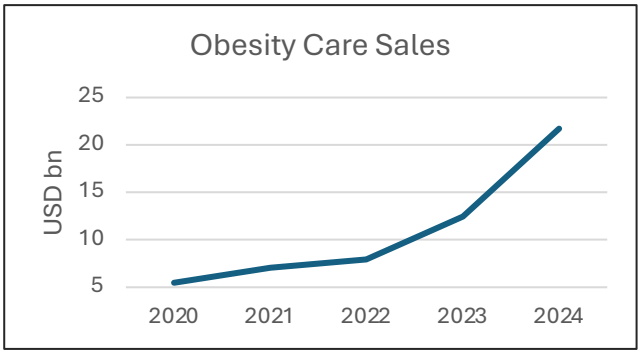
LATE-STAGE (PHASE 3 +) PIPELINE ASSETS
The late-stage pipeline increases from roughly mid-30s in 2020 to the mid-50s by 2024, showing sustained investment in development and an accelerated flow of programs into registration-enabling stages.



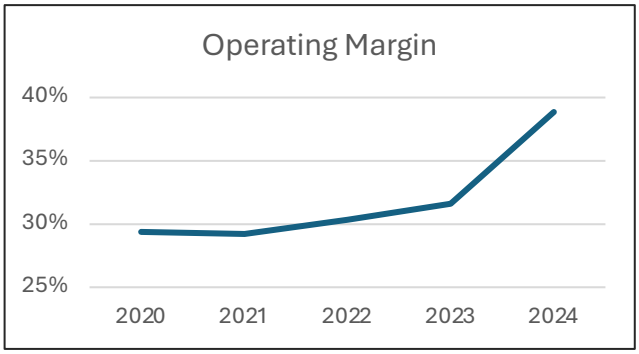
OBESITY MARKET SHARE (%)
Novo Nordisk maintains the larger global share throughout the period, but Lilly's position strengthens sharply after 2022 with the launch and rapid uptake of tirzepatide-based products.



GROSS MARGIN
Gross margin dips in 2021 due to product-mix and manufacturing cost dynamics, then climbs steadily to above 80% by 2024 as incretin products scale and manufacturing efficiencies improve.



OBESITY CARE SALES (Trulicity + Mounjaro + Zepbound)
Sales remain negligible until 2022 and then rise rapidly, driven entirely by the global rollout of tirzepatide in diabetes and obesity, culminating in a step-change in 2024.

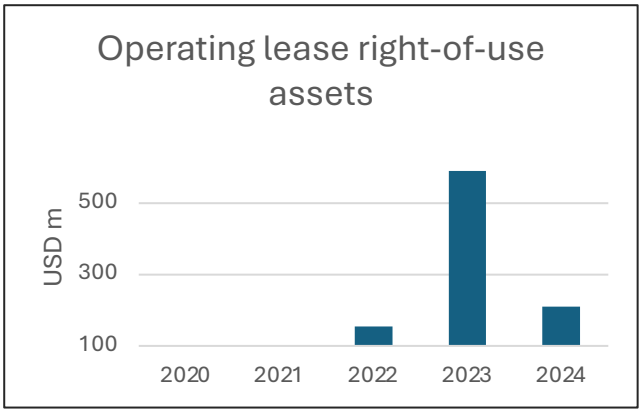


OPERATING MARGIN
Margins remain comparatively flat through 2022 before expanding meaningfully in 2024, reflecting operating leverage from incretin growth while still absorbing high R&D and IPR&D charges.

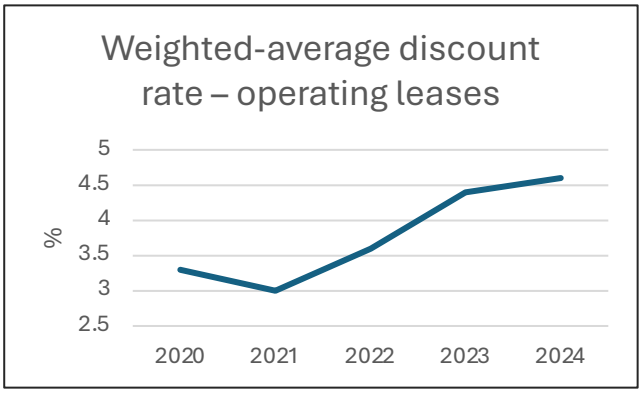
STRUCTURAL OPERATIONAL CONSTRAINTS

1. Persistent incretin supply shortages
Lilly has faced three consecutive years of supply constraints for incretin products, with no visible improvement. In 2022 it reported difficulty meeting demand due to limited competitor availability; in 2023 it stated tight supply would persist while capacity was being operationalized; and in 2024 demand exceeded production in multiple periods, forcing launch timing adjustments in new markets.
Evidence: 3 years of consistent shortages; explicit references to unmet demand.

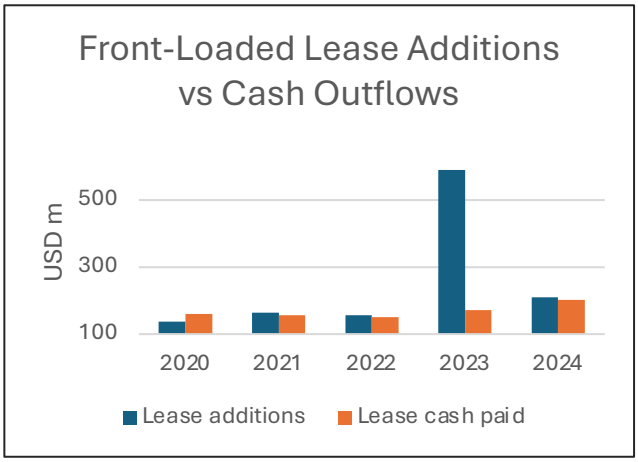
2. Large, off-trend expansion of operating lease assets
New operating lease right-of-use assets increased from **$155M in 2022** to **$590M in 2023** (nearly 4x) and **$210M in 2024**. This expansion is far above historical levels and signals a sudden escalation in long-term cost commitments not matched by earlier trends.
Evidence: +$435M year-over-year jump in 2023.



3. Rising borrowing costs reflected in lease discount rates
Weighted-average lease discount rates rose from **3.0% (2021)** to **3.6% (2022)**, **4.4% (2023)**, and **4.6% (2024)**. This rapid climb exceeds the modest changes seen historically and increases the cost of adding capacity through leases.
Evidence: +160 bps in two years.



4. Lease expansion not matched by operating lease cash flows
In 2023, Lilly added **$590M** in new lease assets while operating lease cash flows were **$171M**; in 2024, additions were **$210M** vs **$202M** cash flows. The disproportionate 2023 expansion suggests front-loaded commitments without parallel near-term operational benefit.
Evidence: 2023 additions = 3.5x annual lease cash flows.



5. Repeated promises of capacity expansion not closing the supply gap
Although each report cites substantial investment in new internal and third-party capacity, shortages persisted across 2022–2024. For example, 2022 warned that capacity increases may not be realized as expected; 2023 said tight supply would persist despite expansion efforts; 2024 still cited demand exceeding production and supply dictating launch timing.
Evidence: 3 sequential years of unchanged supply constraints.

6. Escalating reliance on third-party manufacturing
In 2021, Lilly said most revenue came from internally produced products. By 2023–2024, it expanded third-party arrangements for active ingredients, finishing, devices, and components, and highlighted major outsourcing risks, including performance failures and cybersecurity issues.
Evidence: Clear shift from internal dominance to increased outsourced production steps.

7. Heightened China-related supply chain exposure
2024 introduces materially stronger warnings: new U.S. tariffs, Chinese retaliatory tariffs, and proposed BIOSECURE Act exposure, stating disruptions “could significantly impact” operations. Earlier reports referenced dependence on China but with less explicit severity.
Evidence: 2024 adds geopolitical, legislative, and tariff-driven operational risk not emphasized before.

STRUCTURAL OPERATIONAL CONSTRAINTS

8. Structural cost pressures affecting operations
All years from 2022 onward cite cost inflation, tight labor markets, and logistics challenges affecting production, distribution, and capacity construction. 2022 notes inflation and global logistics strain; 2023 and 2024 reiterate delays, higher distribution costs, and labor shortages as ongoing issues.
Evidence: Recurring multi-year cost-pressure commentary without improvement.

9. Elevated operational and quality-related regulatory risk
2023–2024 expand the description of quality assurance vulnerabilities, including increased scrutiny, potential for recalls, production interruptions, and import denials, with detailed causes (e.g., impurities, IT vulnerabilities).
Evidence: Growth in scope and specificity of quality-risk disclosures.

10. Limited visibility into inventory levels
Lilly's disclosures emphasize the role of inventory in determining returns reserves, using factors such as historical return rates, expiration dates, and **estimated wholesale and retail channel inventory,** yet they do **not provide quantitative inventory figures**. The company notes it "regularly review[s] the supply levels… by reviewing periodic inventory reports" from wholesalers and prescription data, but no actual levels or inventory metrics are disclosed.
Evidence: Returns-reserve methodology references inventory estimates, but **no inventory numbers or coverage ratios** are published despite multi-year product shortages.

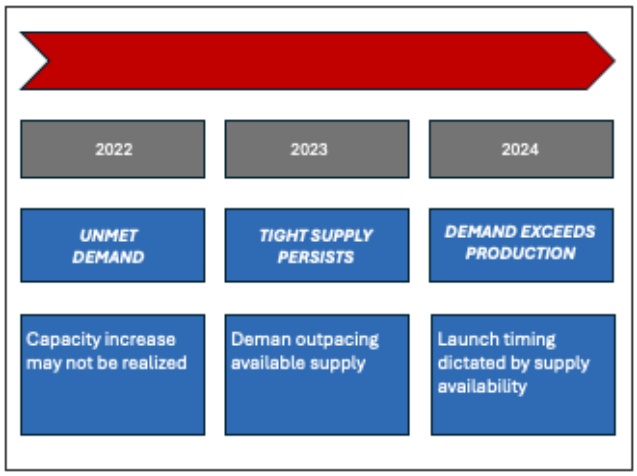
STRATEGIC AND RISK IMPLICATIONS

1. Constrained ability to monetize unprecedented demand
Persistent incretin shortages (2022–2024) limit Lilly's capacity to convert demand into revenue. This caps market share capture during a period of outsized therapeutic momentum and may delay penetration in new geographies. Supply-driven launch pacing also increases the risk that competitors fill unmet demand in markets where Lilly cannot supply fast enough.

2. Higher structural cost base driven by accelerated footprint expansion
The sharp increase in leased manufacturing assets, particularly the $590M addition in 2023, raises long-term fixed costs ahead of proven output capacity. This creates pressure on gross margins and reduces strategic flexibility should demand decelerate. The risk of stranded or underutilized capacity is explicitly acknowledged in 2024 disclosures.

3. Elevated cost of capital impacts future expansion economics
Rising lease discount rates from 3.0% to 4.6% increase the cost of expanding and operating the manufacturing footprint. This may compress returns on future capacity projects and complicate long-term capital allocation choices between internal sites, third parties, and alternative deployment of cash.

4. Execution risk from aggressive, front-loaded scaling
Lease additions outpacing lease-related cash flows in 2023 indicate rapid scaling ahead of operational maturity. This raises execution risks: delays, overruns, or slower-than-expected productivity gains. It also increases reliance on timely regulatory qualification and supply chain readiness.



5. Supply chain fragility despite multi-year expansion programs
Three consecutive years of similar narrative, capacity builds underway but shortages persisting, signal a structural lag in Lilly's ability to scale pharmaceutical manufacturing. This exposes the company to prolonged revenue friction, reputation risk, and heightened sensitivity to disruptions at individual sites or suppliers.

6. Dependency shift toward third parties introduces multi-dimensional risk
Growing reliance on CMOs, CROs, and external device/component suppliers increases operational exposure to partner performance, labor availability, IT/cyber weaknesses, and geopolitical disruptions. It reduces Lilly's control over throughput, quality, and timelines, and increases the probability of production interruptions or delays.

STRATEGIC AND RISK IMPLICATIONS

7. Concentration risk tied to China-linked suppliers
Heightened geopolitical tension, tariffs, and potential BIOSECURE constraints introduce real supply continuity risk.
Dependence on China-based inputs creates exposure to regulatory, trade, and political shocks that could disrupt production of key molecules. This adds uncertainty to long-term cost and reliability of critical materials.

8. Persistent inflation and labor/logistics constraints threaten margin durability
Repeating cost-inflation themes across 2022–2024, combined with tight labor markets, increase operating costs across manufacturing, construction, transportation, and procurement. This erodes operating leverage and reduces the margin lift typically expected from large-scale product growth.

9. Rising regulatory and quality scrutiny raises interruption probability
Increased emphasis on quality vulnerabilities, impurities, GMP compliance, and IT system weaknesses elevates the risk of:
- recall events
- import refusals
- product seizures
- approval delays

Any of these could impair supply when capacity is already constrained and exacerbate reputation risk, particularly for flagship products.

10. Limited inventory transparency increases uncertainty around supply stability
Absence of detailed inventory data during a period of recurring shortages limits visibility into supply-buffer adequacy, production rhythm, and demand-supply equilibrium. This complicates forecasting, affects investor confidence, and reduces the ability to externally validate the trajectory toward supply normalization.

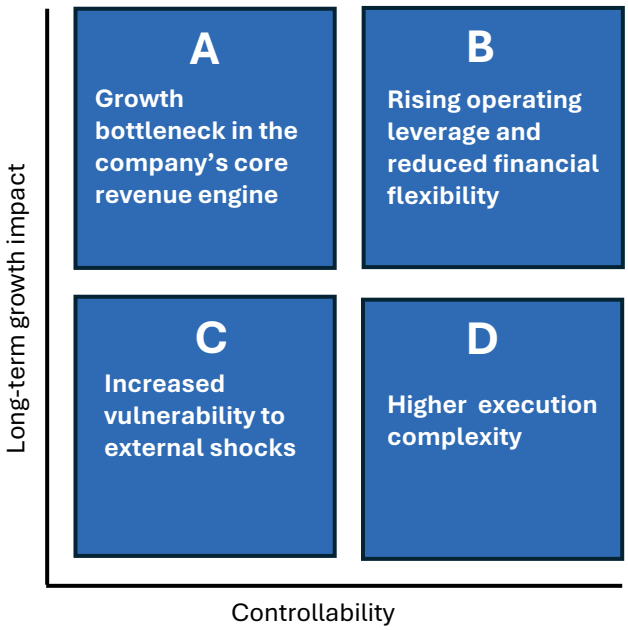
CROSS-CUTTING STRATEGIC IMPACT THEMES

A. Growth bottleneck in the company's core revenue engine
Incretins are central to Lilly's growth profile; manufacturing constraints pose existential risk to the growth story and may slow valuation momentum if unaddressed.

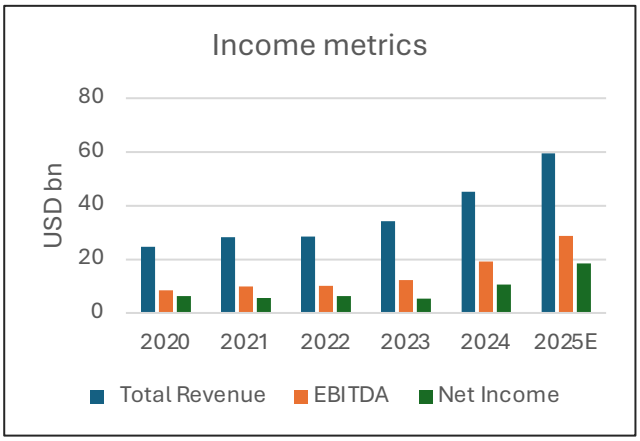
B. Rising operating leverage and reduced financial flexibility
Large fixed commitments (leases, expansions) combined with higher borrowing costs reduce strategic room to maneuver and increase break-even volumes.

C. Increased vulnerability to external shocks
Heavy reliance on external suppliers, global logistics, and China-linked materials amplifies risk from macro, geopolitical, or supply chain events.

D. Higher execution risk in Lilly's transformation from "pharma" to "industrial-scale biologics manufacturer"
The scale and speed of expansion effectively reposition Lilly as a large-scale industrial operator. Execution requirements now resemble high-volume biologics manufacturing rather than classic pharma, raising organizational and systems complexity.

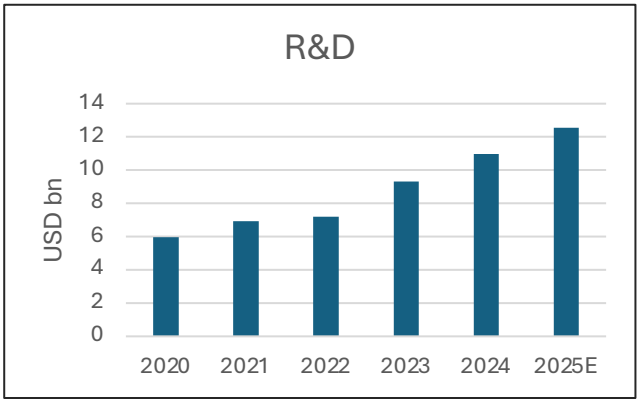


FINANCIAL DASHBOARD



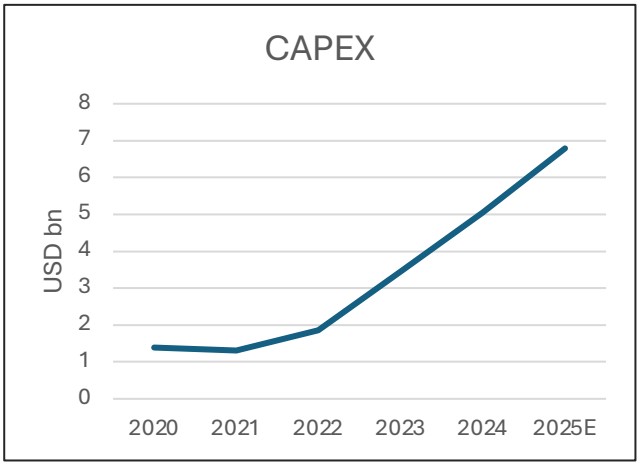
INCOME METRICS

Revenue, EBITDA, and net income show a steep upward trajectory, with acceleration in 2023–2025E reflecting the scale-up of incretin products. Profitability expands faster than revenue, indicating operating leverage from the portfolio despite persistent supply constraints.



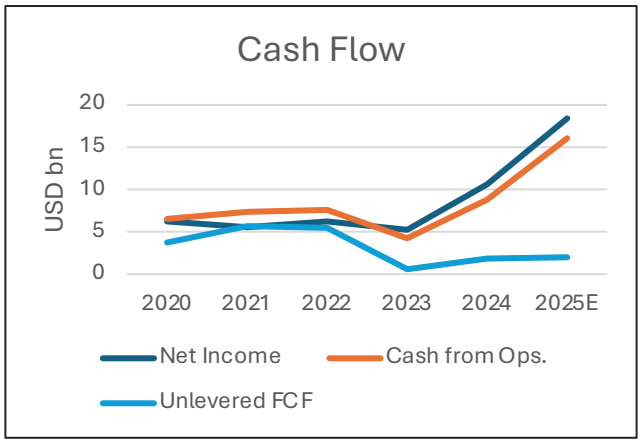
R&D

R&D spending grows consistently and materially, rising from roughly USD 6bn in 2020 to over USD 12bn expected in 2025. This reflects increased investment intensity to support pipeline expansion, life-cycle management, and scaling clinical programs behind metabolic and oncology assets.



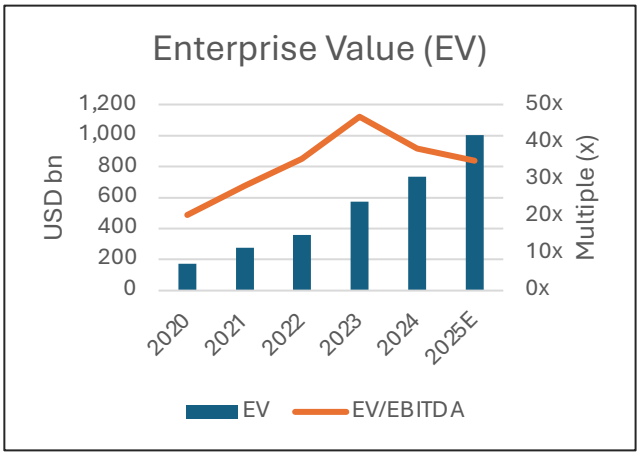
CAPEX

Capex rises sharply after 2022, moving from a steady USD 1–2 bn range to nearly USD 7 bn by 2025E. This confirms an unprecedented manufacturing build-out, consistent with disclosures on capacity constraints and the need for rapid global expansion of injectable and biologics infrastructure.



CASH FLOW

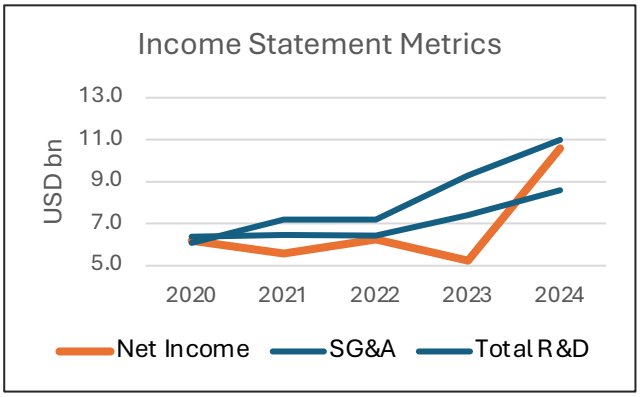
Operating cash flow recovers strongly post-2023, reflecting improved profitability and working-capital normalization. Free cash flow remains temporarily suppressed during peak capex years, then inflects upward as earnings scale and investment intensity begins to be absorbed.



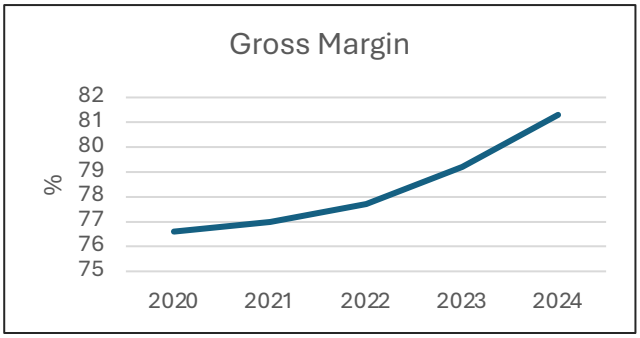
ENTERPRISE VALUE

EV climbs steadily, tracking earnings expansion and market confidence. The EV/EBITDA multiple peaks in 2023, then moderates toward 2025 as earnings catch up with valuation, suggesting a gradual normalization of expectations while still maintaining a premium biotech multiple.

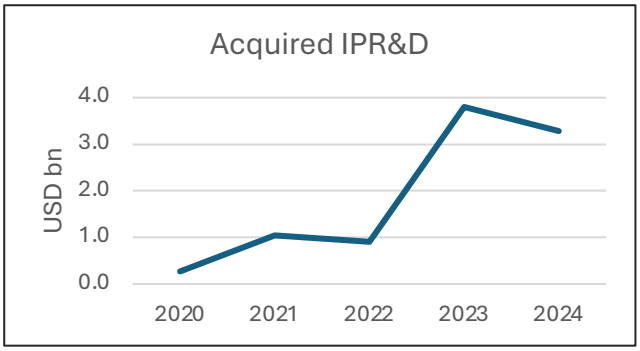
FINANCIAL RISK INDICATORS



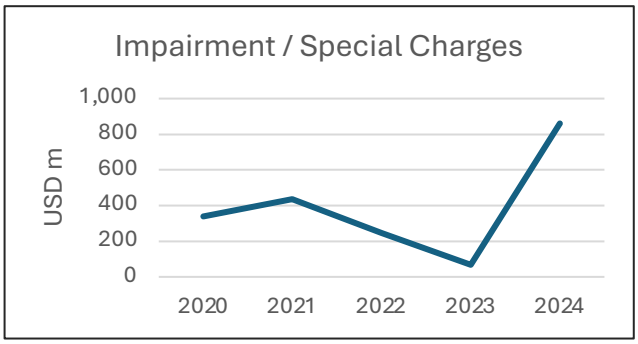
Income Statement Metrics (Net Income, SG&A, Total R&D)
SG&A rises from **6.4bn → 8.6bn** (2022–2024) and R&D from **7.2bn → 11.0bn**, while net income is volatile, **6.2bn → 5.2bn → 10.6bn**. Costs grow structurally upward, but earnings fluctuate sharply.
Implications: Persistent cost inflation is eroding operating leverage. Profitability is increasingly dependent on product mix and one-off items (IPR&D, impairments). Earnings sensitivity rises, reducing predictability and raising the risk that future margin gains may not translate into stable net income.



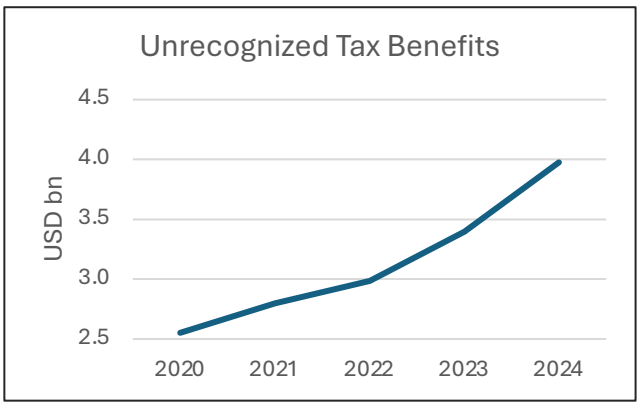
Gross Margin
Accelerates from **76.6% → 81.3%** in four years, a **470bps gain**, highly concentrated in 2023–2024.
Implications: Margins are improving but are overwhelmingly driven by mix shift toward incretin products. This introduces fragility, any supply constraint, pricing reform, or competitive pressure in GLP-1s could reverse the margin quickly. The margin uplift also masks cost inflation below the line, reducing visibility into underlying efficiency.



Acquired IPR&D
Extreme volatility: **270m (2020) → 1.04bn (2021) → 908m (2022) → 3.8bn (2023) → 3.3bn (2024)**. 2023–2024 levels are **4x–5x** historical baseline.
Implications: Heavy reliance on external deal-making to supplement pipeline. These expenses depress current earnings and generate high volatility. They also suggest greater dependence on acquisitions rather than internal R&D, potentially increasing strategic risk if acquired programs underperform.



Impairment / Special Charges
Charges swing drastically: **339m → 437m → 245m → 68m → 861m**. The 2024 spike represents a more than **12x increase** from 2023.
Implications: This volatility reflects elevated risk from asset write-downs, litigation, or restructuring. Large, irregular charges reduce financial transparency and may indicate portfolio pruning, failed programs, or operational/quality issues that create future earnings overhang.



Unrecognized Tax Benefits
Continuous increase from **2.6bn → 4.0bn** (2020–2024), adding **1.4bn** in contingent tax exposure.
Implications: Rising unrecognized tax benefits indicate accumulating tax disputes or uncertain positions. This raises the risk of future cash tax outflows, potential restatements, or effective tax rate volatility. The trend suggests unresolved structural tax issues rather than normal year-to-year movement.

MAIN PATENTS AND COMPARISON TO COMPETITORS

To benchmark Lilly's long-term defensibility, the table below maps its major patented products against their latest known patent expiry dates and the closest competing assets in each therapeutic area.

This provides a clear view of where Lilly holds durable protection, where exclusivity is nearing expiry, and where competition from Novo Nordisk, Pfizer, Novartis, Teva and others is most strategically relevant.

Area	Patent / Product	Status / Latest Listed Expiry*	Comments	Main competitor asset
Diabetes / Obesity (dual GIP-GLP-1)	**Tirzepatide (Mounjaro / Zepbound)**	Compound ~2036 (U.S.) (i-mak.org)	Follow-on patents for delivery/device may extend beyond compound. (i-mak.org)	Semaglutide (Wegovy/Ozempic) – Novo Nordisk
Neuroscience / migraine biologic	**Emgality (galcanezumab)**	Compound patent 2033; biologics data protection 2030 (SEC)	Illustrative of Lilly's biologics estate.	Ajovy (fremanezumab) – Teva / Aimovig (erenumab) – Amgen/Novartis
Oncology / CDK4/6 inhibitor	**Verzenio (abemaciclib)**	Compound patent 2031 (Maven Bio)	Important oncology franchise nearing mid-2030s exclusivity.	Ibrance (palbociclib) – Pfizer / Kisqali (ribociclib) – Novartis
Diabetes / GLP-1 (earlier line)	**Trulicity (dulaglutide)**	Compound patent 2027 (Proclinical)	Coming into generic-risk window.	Ozempic (semaglutide) – Novo Nordisk

NEW DRUGS AND COMPARISON TO COMPETITORS

To assess Lilly's competitive posture across its most strategic therapeutic areas, the table compares each of its Phase 3 or approved assets with the leading competitor programme in the same indication.

This highlights areas of clear leadership, emerging head-to-head rivalry with Novo Nordisk, and segments where differentiated mechanisms (siRNA, gene editing) define the competitive benchmark.

Disease	Drug	Phase	Comments	Main competitor drug
T2D (once-weekly basal insulin)	Insulin efsitora alfa	Phase 3	Once-weekly basal insulin; Phase 3 trials show non-inferior A1C vs daily degludec/glargine and support regulatory submissions planned by Lilly.	Insulin icodec (Awiqli – Novo Nordisk)
CVD (HFpEF functional outcomes)	Tirzepatide – HFpEF (SUMMIT)	Phase 3 completed	In obese patients with HFpEF, SUMMIT showed tirzepatide reduced composite CV death or worsening HF and improved symptoms/exercise capacity vs placebo; Lilly has since withdrawn its HFpEF filing despite positive data.	Semaglutide 2.4 mg – STEP HFpEF program
CVD (post-MI / high residual risk with elevated Lp(a))	Lepodisiran (Lp(a) siRNA)	Phase 3 (ACCLAIM-Lp(a))	Long-acting siRNA that lowers Lp(a) ~90–95% for many months in early trials; Phase 3 ACCLAIM-Lp(a) outcomes trial underway to test impact on MACE in high-risk patients.	Ziltivekimab (anti-IL-6 mAb – Novo Nordisk) and pelacarsen/olpasiran (Lp(a) siRNAs – Novartis/Amgen)
Sickle cell disease	Etavopivat (PKR activator)	Phase 2/3 (HIBISCUS)	Oral PKR activator designed to raise ATP and reduce 2,3-DPG in RBCs; Phase 2/3 HIBISCUS program evaluates reduction in vaso-occlusive crises and Hb improvement in adolescents and adults with SCD.	Gene-editing therapies (Casgevy, Lyfgenia)

MARKET & CURRENT STATUS

Market Share Evolution: Obesity and Diabetes Therapeutics (2021–2025)

The charts below illustrate the shifting competitive dynamics between Eli Lilly and Novo Nordisk across obesity and diabetes from 2021 to 2025.

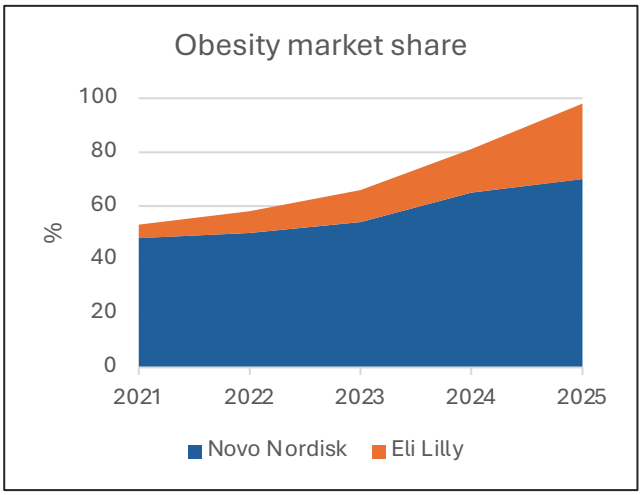
Obesity market

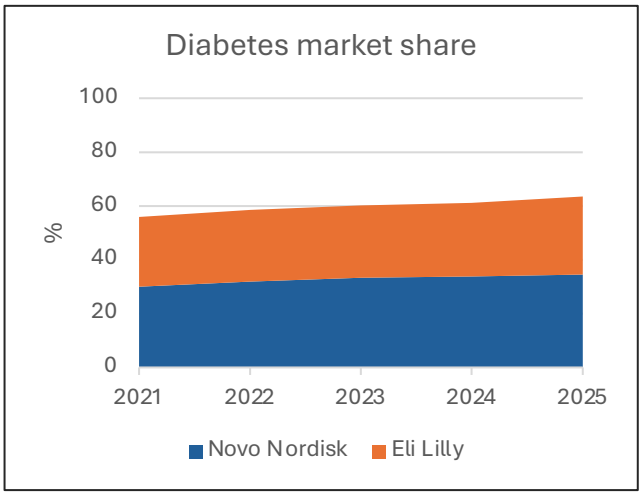
Value rising from $13B in 2021 to $40B in 2025. Novo Nordisk maintained early leadership with Saxenda and Wegovy, but Eli Lilly's entry with Mounjaro and Zepbound drove rapid share gains from 2023 onward. By 2025, both companies dominate the market, with Novo retaining the larger position but Lilly expanding significantly. The result is a consolidated GLP-1–driven duopoly.

Diabetes market

Value increasing from $70B in 2021 to $90B in 2025. Competition remains more balanced and mature. Novo Nordisk's share grows gradually, supported by continued GLP-1 expansion, while Eli Lilly retains a slight lead due to its broader diabetes portfolio (Trulicity, Jardiance, and Mounjaro). The market stabilizes with both companies holding comparable shares in the high-20s to low-30s range by 2025.

These charts underscore the consolidation of both therapeutic areas around the same two players, driven by GLP-1 innovation, manufacturing scale, and early investment in next-generation metabolic treatments.





Current Situation and Market Reassessment (Late 2025)

Eli Lilly enters late 2025 with a strengthened competitive position in both obesity and diabetes. In obesity, Lilly has expanded rapidly since 2023 with tirzepatide-based products (Mounjaro/Zepbound), gaining share every year and narrowing, but not surpassing, Novo Nordisk's lead. The combined share of the two companies approaches 100%, confirming a consolidated duopoly, with Lilly representing the faster-growing contributor.

In diabetes, Lilly maintains a slightly larger share than Novo Nordisk, supported by the depth of its incretin and SGLT-2 portfolio (Mounjaro, Trulicity, Jardiance).

The market remains more stable and mature than obesity, with both companies' shares increasing modestly through 2025. Lilly's position is defined by consistent incremental gains rather than disruptive shifts.

Overall, the charts show Eli Lilly improving its relative position across both categories: rapidly closing the gap in obesity and sustaining a modest lead in diabetes. The company's trajectory reflects strong execution, broadening GLP-1 adoption, and reinforcement of a two-player competitive structure.

Demand Durability and Payer Behavior

Real-world persistence for obesity drugs remains materially lower than modeled, driven by side effects, cost-sharing, and frequent payer reauthorization requirements. Commercial plans are tightening eligibility and imposing step therapy, which raises discontinuation rates and limits refill consistency. If long-term adherence stabilizes below expectations, peak-revenue forecasts for tirzepatide-based therapies would need to be revised downward.

Competitive Manufacturing Capacity (Lilly vs Novo Nordisk)

Supply availability will shape incretin market share as much as efficacy. Both Lilly and Novo are scaling manufacturing, but Novo's earlier investments in peptide and device capacity create a risk of temporary supply asymmetry, especially in ex-U.S. markets. Until Lilly's expansions fully mature, any sustained period where Novo can supply more reliably may shift patient share and dilute Lilly's early lead.

Pricing and Reimbursement Dynamics

Coverage for obesity treatments is tightening across U.S. commercial plans and employer groups, with stricter prior authorizations and narrower eligibility criteria limiting incremental volume and compressing net pricing. European HTA bodies are also restricting reimbursement. As utilization grows, payers are likely to apply further rebate and pricing pressure, increasing the risk of revenue elasticity and margin normalization.

RISKS & OUTLOOK

Eli Lilly's market position entering late 2025 is strong, but it is exposed to a distinct set of risks tied to the company's dependence on incretin therapies, rapid manufacturing expansion, evolving competitive dynamics, and tightening policy scrutiny.

The table below summarizes the key structural and operational risks that could influence the company's growth, profitability, and valuation over the next cycle.

Theme	Comment
Incretin Revenue Concentration	Growth is overwhelmingly dependent on tirzepatide-based products (Mounjaro/Zepbound). Any safety, reimbursement, or competitive shock to incretins would disproportionately impact total revenue.
Competitive Efficacy Convergence	Novo Nordisk's progress with CagriSema, amycretin, and oral next-generation incretins could narrow Lilly's current efficacy and convenience advantages, reducing share gains and pricing power.
Manufacturing and Capacity Execution	Lilly's aggressive expansion of peptide and fill-finish capacity creates operational risk; delays, contamination issues, or supply-chain failures could constrain availability and shift demand to competitors.
Pricing and Reimbursement Pressure	Payers are tightening obesity-drug coverage through prior authorizations, step therapy, and rebate negotiations. These measures threaten net pricing and limit incremental volume growth.
Margin Normalization	Rapid scaling of production, higher input costs, and expanded rebate structures are pushing gross and operating margins toward large-pharma averages after years of exceptional expansion.
Demand Durability Risk	Real-world discontinuation rates for obesity drugs remain high. If long-term adherence proves weaker than modeled, expected peak revenues for incretins could be materially revised downward.
Regulatory and Policy Scrutiny	Policymakers are evaluating the long-term safety, affordability, and off-label use of GLP-1s. Regulatory intervention on pricing or coverage could reduce profitability.
Oral Incretin Competition	Emerging high-efficacy oral GLP-1 and dual-agonist candidates from competitors could structurally shift preference away from injectable therapies, compressing Lilly's product life cycle.
Pipeline Concentration Risk	Despite a broad portfolio, Lilly's late-stage pipeline remains heavily weighted toward metabolic programs. Setbacks in these assets would significantly affect long-term growth expectations.
Litigation and Safety Signal Exposure	As usage scales, the risk of class-wide safety signals or litigation (GI events, pancreatitis, psychiatric effects) increases, posing financial and reputational exposure.
Supply Chain Complexity	Scaling to a global biologics footprint increases reliance on specialized suppliers and new facilities; component shortages or execution failures could interrupt supply and sales continuity.
Capital Intensity and ROI Pressure	Multibillion-dollar investments in manufacturing and acquisitions extend payback periods and reduce capital flexibility. Weakening demand or pricing could impair returns.
Valuation Reset Risk	After a multiple contraction in 2024–2025, investor expectations are more conservative. Failure to demonstrate durable post-tirzepatide growth could drive further compression.

The analysis above summarizes Eli Lilly's current position based on public disclosures and annual reporting through 2020–2024. It reflects the company's operational strength, market leadership, and the structural risks currently influencing its valuation.

The following section moves from description to interpretation, outlining strategic options and potential courses of action for sustaining growth, mitigating concentration risk, and restoring investor confidence.

STRATEGY ANALYSIS

FROM MONOPOLY TO DUOPOLY

Market structure shift

Novo Nordisk's long-standing dominance in the GLP-1–based obesity and diabetes markets has transitioned from a near-monopoly to an emerging duopoly. Eli Lilly's rapid advancement in next-generation incretin therapies, most notably tirzepatide and retatrutide, has reshaped the competitive landscape, creating direct head-to-head competition across obesity, diabetes, and cardiometabolic indications.

Lilly's advantage

Lilly currently benefits from strong pipeline velocity and execution strength. Its early lead in dual- and triple-agonist development, combined with faster clinical trial progression, positions the company to capture incremental share as additional capacity comes online. If supply constraints ease as planned, Lilly's innovation advantage may translate into sustained competitive momentum within the duopolistic structure now defining the incretin market.

ELI LILLY'S STRUCTURAL DIFFERENTIATORS

1. Next-Generation Incretin Leadership (Dual + Triple Agonists)

Lilly is ahead of peers in *scientifically differentiated* incretins: tirzepatide (dual) and retatrutide (triple). These molecules materially raise efficacy ceilings and broaden indications. This is the **single strongest structural advantage** and the cornerstone of future share capture.

2. Unprecedented Manufacturing Scale-Up

Lilly is building one of the largest peptide and fill-finish footprints in the industry. Once fully operational, this becomes a **durable competitive moat**, enabling more stable global supply, faster international rollout, and long-term cost leverage. In a supply-constrained market, **manufacturing scale = market share**.

3. Integrated Cardiometabolic Platform (Obesity → Diabetes → CVD)

Lilly's strategy links obesity, diabetes, and cardiovascular outcomes into a **single product ecosystem**. This multiplies addressable markets and creates cross-indication reinforcement around the same molecules, something competitors cannot easily replicate.

4. Clinical Development Speed and Execution Discipline

Lilly's ability to run large, fast, multi-arm cardiometabolic trials ahead of peers is a structural, not episodic, capability. This compresses timelines and extends the lead of high-impact assets.

STRATEGIC OUTLOOK AND FORWARD RISK PROFILE

Lilly's current strategy is centered on sustaining leadership in incretin-based therapies while building the manufacturing and commercial scale required for global treatment of obesity and cardiometabolic disease. The company is executing one of the largest biologics capacity expansions in the industry, supported by a deep pipeline that reinforces its concentration in metabolic and cardiovascular conditions.

The trajectory, however, is dependent on a few critical variables: the durability of long-term incretin demand, the evolution of global reimbursement conditions, and the pace at which manufacturing constraints resolve relative to competitors. In addition, the company faces the structural risks associated with rapid scale-up, elevated capital intensity, and a late-stage pipeline concentrated in a narrow therapeutic area.

Taken together, the analysis suggests that Lilly's position remains strong but exposed to meaningful execution and market risks. The company's long-term outcome will be shaped less by scientific uncertainty and more by operational reliability, payer dynamics, and competitive supply capacity. These factors should form the basis for evaluating the resilience and sustainability of Lilly's current growth profile.

ELI LILLY STRUCTURAL ANALYSIS, OPERATIONAL CONSTRAINTS, AND STRATEGIC OUTLOOK

Pierfrancesco Rosini