

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 13, 2017

ELI LILLY AND COMPANY
(Exact name of registrant as specified in its charter)

Indiana
(State or Other Jurisdiction
of Incorporation)

Lilly Corporate Center
Indianapolis, Indiana
(Address of Principal
Executive Offices)

001-06351
(Commission
File Number)

35-0470950
(I.R.S. Employer
Identification No.)

46285
(Zip Code)

Registrant's telephone number, including area code: (317) 276-2000

No Change

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition

On December 13, 2017, the Company issued a press release updating financial guidance for 2017, reaffirming financial expectations through the remainder of the decade, and announcing financial guidance for 2018. In addition, on the same day, the Company held a teleconference for analysts and media to discuss this guidance. The teleconference was web cast on the Company's web site. The press release is attached to this Form 8-K as Exhibit 99.1.

The Company uses non-GAAP financial measures that differ from financial statements reported in conformity with U.S. generally accepted accounting principles (GAAP), and the attached press release includes a description of certain non-GAAP items that may affect our financial expectations for 2017 and 2018. The Company's non-GAAP financial measures adjust reported results to exclude amortization of intangibles and items that are typically highly variable, difficult to predict, and/or of a size that could have a substantial impact on the Company's reported operations for a period. The Company believes that these non-GAAP financial measures provide useful information to investors. Among other things, they may help investors evaluate the Company's ongoing operations. They can assist in making meaningful period-over-period comparisons and in identifying operating trends that would otherwise be masked or distorted by the items subject to the adjustments. Management uses these non-GAAP financial measures internally to evaluate the performance of the business, including to allocate resources and to evaluate results relative to incentive compensation targets. Investors should consider these non-GAAP financial measures in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP.

The information in this Item 2.02, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liabilities of that Section and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise expressly stated in such filing.

Item 9.01. Financial Statements and Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated December 13, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELI LILLY AND COMPANY
(Registrant)

By: /s/ Donald A. Zakrowski
Title: Vice President, Finance and Chief Accounting Officer

Dated: December 13, 2017



December 13, 2017

Eli Lilly and Company

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For Release: Immediately

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Lilly Announces 2018 Financial Guidance and Enhances Outlook Through 2020

- *2018 revenue is expected to be between \$23.0 billion and \$23.5 billion, representing low-single-digit growth driven by volume from recently launched products, including Trulicity, Taltz, Basaglar, Jardiance, Verzenio, Cyramza, Olumiant and Lartruvo.*
- *Earnings per share (EPS) for 2018 are expected to be in the range of \$4.24 to \$4.34 on a reported basis and \$4.60 to \$4.70 on a non-GAAP basis.*
- *In 2018, the company is expecting continued pipeline progress, including U.S. regulatory action for baricitinib for the treatment of rheumatoid arthritis, galcanezumab for the treatment of migraine and a new indication for Verzenio in breast cancer, as well as the launch of a new indication for Taltz in psoriatic arthritis.*
- *The company reaffirmed its expectation of at least 5 percent average annual revenue growth from 2015 to 2020, on a constant currency basis. In addition, the company expects operating margin as a percent of revenue to be at least 30 percent in 2020, excluding the effect of foreign exchange on international inventories sold.*
- *The company now expects 2017 EPS to be in the range of \$1.56 to \$1.66 on a reported basis. On a non-GAAP basis, the company has reaffirmed 2017 EPS to be in the range of \$4.15 to \$4.25.*

INDIANAPOLIS, IN - Eli Lilly and Company (NYSE: LLY) today announced its 2018 financial guidance, including low-single-digit revenue growth driven by volume from recently launched pharmaceutical products. The company also highlighted key events for the upcoming year, including continued progress on its pipeline.

“Lilly is in the early stages of a growth period driven by revenue from recently launched products, including Trulicity, Taltz, Basaglar, Jardiance, Verzenio, Cyramza, Olumiant and Lartruvo. Additionally, progress on our productivity agenda is expected to further expand our operating margin,” said David A. Ricks, Lilly’s chairman and chief executive officer. “Looking to the future, the potential of our pipeline remains strong, including new medicines in development for the

treatment of migraine, rheumatoid arthritis, pain, cancer and diabetes, as well as additional indications for many of our recently launched products.”

“In 2018, we are expecting continued progress towards our financial objectives. We recently announced an 8 percent increase in our dividend based on revenue and margin growth and the advancement of our pipeline,” said Joshua Smiley, senior vice president and Lilly’s incoming chief financial officer.

Smiley continued, “We are confident in our future growth prospects and have reaffirmed our expectation of least 5 percent average annual revenue growth from 2015 to 2020, on a constant currency basis. In addition, we expect operating margin as a percent of revenue to be at least 30 percent in 2020, excluding the effect of foreign exchange on international inventories sold.”

2017 Financial Guidance

Earnings per share in 2017 are being decreased to be in the range of \$1.56 to \$1.66 on a reported basis. This revision is primarily due to changes in estimates related to asset impairment, restructuring and other special charges.

Non-GAAP earnings per share in 2017 are still expected to be in the range of \$4.15 to \$4.25.

	2017 Expectations	% Change from 2016
Earnings per share (reported)	\$1.56 to \$1.66	(40)% to (36)%
Asset impairment, restructuring and other special charges, including the U.S. voluntary early retirement program, global severance, facility closures and Novartis Animal Health integration costs	1.15	
Acquired in-process research and development charges related to the acquisition of CoLucid Pharmaceuticals and the collaborations with Nektar Therapeutics, KeyBioscience and CureVac	.97	
Amortization of intangible assets ⁽¹⁾	.44	
Inventory step-up costs associated with the acquisition of Boehringer Ingelheim Vetmedica’s U.S. feline, canine and rabies vaccines portfolio ⁽¹⁾	.03	
Earnings per share (non-GAAP)	\$4.15 to \$4.25	18% to 21%
⁽¹⁾ Subject to acquisition accounting adjustments		
Numbers may not add due to rounding		

The following table summarizes the company's 2017 financial guidance.

	2017 Guidance	
	Prior	Revised
Revenue	\$22.4 to \$22.7 billion	Unchanged
Gross Margin % of Revenue (reported)	Approx. 72.5%	Unchanged
Gross Margin % of Revenue (non-GAAP)	Approx. 76.0%	Unchanged
Marketing, Selling & Administrative	\$6.4 to \$6.6 billion	Unchanged
Research & Development	\$5.1 to \$5.2 billion	Unchanged
Other Income/(Expense)	\$0 to \$100 million	Unchanged
Tax Rate (reported)	Approx. 20.0%	Approx. 22.5%
Tax Rate (non-GAAP)	Approx. 21.0%	Unchanged
Earnings per Share (reported)	\$1.73 to \$1.83	\$1.56 to \$1.66
Earnings per Share (non-GAAP)	\$4.15 to \$4.25	Unchanged
Capital Expenditures	Approx. \$1.1 billion	Unchanged
Non-GAAP adjustments are consistent with the earnings per share table above.		

2018 Financial Guidance

Earnings per share for 2018 are expected to be in the range of \$4.24 to \$4.34 on a reported basis and \$4.60 to \$4.70 on a non-GAAP basis. Non-GAAP earnings per share for 2018 exclude amortization of intangible assets.

	2018 Expectations
<u>Earnings per share (reported)</u>	\$4.24 to \$4.34
Amortization of intangible assets	.37
<u>Earnings per share (non-GAAP)</u>	\$4.60 to \$4.70
Numbers may not add due to rounding	

The company anticipates 2018 revenue between \$23.0 billion and \$23.5 billion. The company expects revenue growth driven by new products including Trulicity[®], Taltz[®], Basaglar[®], Jardiance[®], Verzenio[™], Cyramza[®], Olumiant[®] and Lartruvo[™].

Other income (expense) is expected to be income between \$75 million and \$175 million on a reported and non-GAAP basis, which includes the adoption of a new accounting standard requiring the company to include certain components of retirement benefits in other income (expense). This new accounting standard will result in higher cost of sales and operating expenses, which will be offset by higher other income.

The following table summarizes the company's 2018 financial guidance.

	2018 Guidance	
	Reported	Non-GAAP
Revenue	\$23.0 to \$23.5 billion	\$23.0 to \$23.5 billion
Gross Margin % of Revenue	Approx. 73.0%	Approx. 75.0%
Marketing, Selling & Administrative	\$6.1 to \$6.4 billion	\$6.1 to \$6.4 billion
Research & Development	\$5.0 to \$5.2 billion	\$5.0 to \$5.2 billion
Other Income/(Expense)	\$75 to \$175 million	\$75 to \$175 million
Tax Rate	Approx. 20.5%	Approx. 21.5%
Earnings per Share	\$4.24 to \$4.34	\$4.60 to \$4.70
Capital Expenditures	Approx. \$1.2 billion	Approx. \$1.2 billion
Non-GAAP adjustments are consistent with the earnings per share table above.		

Webcast of Conference Call and Investor Materials

As previously announced, investors and the general public can access a live webcast of the 2018 financial guidance conference call and investor materials through a link on Lilly's website at www.investor.lilly.com. The conference call will be held today beginning at 10:00 a.m. Eastern time (ET) and will be available for replay via the website.

Lilly is a global healthcare leader that unites caring with discovery to make life better for people around the world. We were founded more than a century ago by a man committed to creating high-quality medicines that meet real needs, and today we remain true to that mission in all our work. Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and voluntarism. To learn more about Lilly, please visit us at www.lilly.com and <http://newsroom.lilly.com/social-channels>. F-LLY

This press release contains management’s current intentions and expectations for the future, all of which are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words “estimate,” “project,” “intend,” “expect,” “believe,” “target,” “anticipate,” and similar expressions are intended to identify forward-looking statements. Actual results may differ materially from these forward-looking statements due to various factors. There are significant risks and uncertainties in pharmaceutical research and development. There can be no guarantees that pipeline products will succeed in clinical testing, will receive the necessary clinical and manufacturing regulatory approvals, or will prove to be commercially successful. The company’s results may also be affected by such factors as the timing of anticipated regulatory approvals and launches of new products; market uptake of recently launched products; competitive developments affecting current products; the expiration of intellectual property protection for certain of the company’s products; the company’s ability to protect and enforce patents and other intellectual property; the impact of governmental actions regarding pricing, importation, and reimbursement for pharmaceuticals, including U.S. health care reform; regulatory compliance problems or government investigations; regulatory actions regarding currently marketed products; unexpected safety or efficacy concerns associated with the company’s products; issues with product supply stemming from manufacturing difficulties or disruptions; regulatory changes or other developments; changes in patent law or regulations related to data-package exclusivity; litigation involving current or future products; the extent to which third-party indemnification obligations relating to product liability litigation and similar matters will be performed; unauthorized disclosure of trade secrets or other confidential data stored in the company’s information systems and networks; changes in tax law and regulations; changes in inflation, interest rates, and foreign currency exchange rates; asset impairments and restructuring charges; changes in accounting standards promulgated by the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission (SEC); acquisitions and business development transactions and related integration considerations; and the impact of exchange rates and global macroeconomic conditions, including the effect of the pending exit of the United Kingdom from the European Union. For additional information about the factors that could cause actual results to differ materially from forward-looking statements, please see the company’s latest Form 10-K and subsequent Form 10-Qs filed with the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date of this release. Except as is required by law, the company expressly disclaims any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this release.

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Basaglar® (insulin glargine injection, Lilly)
Cyramza® (ramucirumab, Lilly)
Jardiance® (empagliflozin, Boehringer Ingelheim)
Lartruvo™ (olaratumab, Lilly)
Olumiant® (baricitinib, Lilly)
Taltz® (ixekizumab, Lilly)
Trulicity® (dulaglutide, Lilly)
Verzenio™ (abemaciclib, Lilly)