

A black and white portrait of Anat Ashkenazi, a woman with dark, curly hair, wearing a dark blazer. The background is a blurred office setting. On the left side of the image, there is a decorative graphic of a molecular structure with white circles and lines.

**ANAT ASHKENAZI**

Chief Financial Officer

*Lilly*

2021 INVESTMENT COMMUNITY MEETING

# SAFE HARBOR PROVISION



The presentations for Eli Lilly's investment community meeting contain forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research and development; competitive developments; regulatory actions; the extent and duration of the effects of the COVID-19 pandemic; litigation and investigations; business development transactions; economic conditions; and changes in laws and regulations, including health care reform.

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**The company undertakes no duty to update forward-looking statements  
except as required by applicable law**

# MID- TO LONG-TERM OUTLOOK

ROBUST GROWTH AND MARGIN EXPANSION OPPORTUNITY THROUGHOUT THE DECADE



**Revenue:** Top-tier, volume-driven revenue growth through the balance of the decade

- Continued growth of marketed products
- Multiple new launches
- Limited patent exposure in the next five years
- Mid-single digit annual net price declines, on average



**Gross Margin %:** Maintain ~80% gross margin as manufacturing productivity actions offset pricing headwinds, increasing product mix of biologics and expanded footprint to support robust growth



**Operating Margin:** Continued opportunity for expansion

- SG&A: Lever for margin expansion over time
- R&D: Prioritizing long-term growth and continued investment in innovation



**Capital Allocation Priorities:**

- Fund pipeline and execute new launches
- Leverage external innovation
- Increase dividend, in line with earnings growth over time
- Return excess capital to shareholders via share repurchase

# INTERNATIONAL GROWTH OUTLOOK

## GROWTH OUTLOOK BY GEOGRAPHY



### Europe

- Key growth products drive double-digit volume growth
- Mid-single digit net price declines
- Limited patent expiry for key growth products until end of the decade

### Japan

- Key growth products drive solid volume-driven growth
- Increasing frequency of government price cuts
- Off-cycle LOE impacts 2022 with return to growth in 2023

### China

- Strong double-digit growth driven by key growth products, including Tyvyt
- Significant volume growth partially offset by double-digit price declines which vary by year

Global markets a key engine of growth with continued scaling of key growth products

# POTENTIAL KEY EVENTS 2022



## Phase 3 Initiations

**Abemaciclib** for prostate cancer (CYCLONE-3)  
**Basal Insulin- Fc** for type 2 diabetes (QWINT-1)  
**Basal Insulin- Fc** for type 2 diabetes (QWINT-2)  
**Basal Insulin- Fc** for type 2 diabetes (QWINT-3)  
**Basal Insulin- Fc** for type 2 diabetes (QWINT-4)  
**Basal Insulin- Fc** for type 1 diabetes (QWINT-5)  
**N3PG-IV** for early Alzheimer's disease  
**Pirtobrutinib** for CLL BTKi naïve H2H vs ibrutinib  
**Tirzepatide** for morbidity/mortality in obesity (SURMOUNT-MMO)  
**Tirzepatide** for obstructive sleep apnea (SURMOUNT-OSA)

## Phase 3 & Other Key Data Disclosures

**Donanemab** for plaque clearance in early AD (H2H vs aducanumab)  
**Empagliflozin** for chronic kidney disease  
**Galcanezumab** for episodic migraine (H2H vs rimegepant)  
**Lebrikizumab** for atopic dermatitis (maintenance data)  
**Tirzepatide** for obesity (SURMOUNT-1)

## Medical Meeting Presentations

**Lebrikizumab** for atopic dermatitis  
**Mirikizumab** for ulcerative colitis

## Regulatory Submissions

**Donanemab** for early Alzheimer's disease<sup>1</sup>  
**Lebrikizumab** for atopic dermatitis  
**Mirikizumab** for ulcerative colitis  
**Pirtobrutinib** for MCL prior BTKi<sup>1</sup>  
**Selpercatinib** for metastatic tumor agnostic RET fusion+

## Regulatory Actions

**Abemaciclib** for high-risk HR+, HER2- early breast cancer (EU)  
**Baricitinib** for atopic dermatitis (US)  
**Baricitinib** for alopecia areata (US/EU/J)  
**Donanemab** for early Alzheimer's disease (US)  
**Empagliflozin** for HFpEF (US/EU/J)<sup>2</sup>  
**Selpercatinib** for metastatic RET fusion-positive NSCLC (US)<sup>3</sup>  
**Sintilimab** for 1L NSCLC (US)  
**Tirzepatide** for type 2 diabetes (US /EU/J)

<sup>1</sup> Completion of rolling U.S. submission; <sup>2</sup> in collaboration with Boehringer Ingelheim; <sup>3</sup> Full NDA approval  
AD = Alzheimer's disease

# DYNAMICS AFFECTING 2022 OUTLOOK



## UNFAVORABLE

- ⊗ ~\$1.7B decrease in COVID-19 antibody revenue
- ⊗ Loss of patent exclusivity for Alimta® in the U.S. and ongoing impact of LOE in Europe and Japan
- ⊗ Ongoing global pricing headwinds :
  - Impact of updated 340B distribution program
  - High double-digit net price decline in China driven by NRDL, primarily Tyvyt
- ⊗ Investment in tirzepatide and donanemab

## FAVORABLE

- ✓ Continued uptake of key growth products:

Trulicity®	Jardiance®	Tyvyt®
Verzenio®	Cyramza®	Retevmo™
Taltz®	Emgality®	Olumiant®
- ✓ Recent and upcoming NME & NILEX launches:
  - Tirzepatide for type 2 diabetes
  - Verzenio for certain people with high-risk EBC
  - Jardiance for HFrEF & HFpEF
- ✓ Significant volume growth in China driven by NRDL, primarily Tyvyt
- ✓ Repurpose COVID-19 therapy R&D investments and leverage efficiencies in our commercial footprint

LOE = loss of exclusivity; EBC = early breast cancer; HFrEF = heart failure with reduced ejection fraction; HFpEF = heart failure with preserved ejection fraction

# STRATEGIC DELIVERABLES

## 2022 GUIDANCE



### Grow Revenue



- Flat year-on-year revenue growth\*
  - Mid-single digit growth ex-COVID-19 mAb
  - Double-digit growth ex-COVID-19 mAb and Alimta LOE
- Revenue growth driven by:
  - Volume growth of newer medicines

### Improve Productivity



- Non-GAAP operating margin of ~32%
- Represents ~200 bp improvement over 2021\*

### Create Long-Term Value



- Investment in external innovation in our core therapeutic areas
- 15% dividend increase

### Speed Life-Changing Medicines



- Potential launches for tirzepatide and donanemab
- Potential submissions for mirikizumab and lebrikizumab, and completion of donanemab and pirtobrutinib rolling submission for MCL
- Initial readout for tirzepatide Phase 3 obesity program

# UPDATED 2021 GUIDANCE



	<u>Prior</u>	<u>Updated</u>	<u>Comments</u>
<b>TOTAL REVENUE</b>	\$27.2 – \$27.6 billion	\$28.0 – \$28.3 billion	Reflects ~\$840M additional revenue from COVID-19 antibodies and China 2022 NRDL price impact on channel inventory
<b>GROSS MARGIN % (GAAP)</b>	Approx. 75%	Unchanged	
<b>GROSS MARGIN % (NON-GAAP)</b>	Approx. 79%	Approx. 78%	Reflects gross margin % impact from additional COVID-19 antibodies revenue
<b>MKTG, SELLING &amp; ADMIN.</b>	\$6.2 – \$6.4 billion	Unchanged	
<b>RESEARCH &amp; DEVELOPMENT</b>	\$6.9 – \$7.1 billion	Unchanged	
<b>OTHER INCOME/(EXPENSE) (GAAP)</b>	\$(250) – \$(150) million	Unchanged	Does not reflect Q4 mark-to-market activity for equity investments
<b>OTHER INCOME/(EXPENSE) (NON-GAAP)</b>	\$(100) million – \$0	Unchanged	
<b>TAX RATE (GAAP)</b>	Approx. 11%	Unchanged	
<b>TAX RATE (NON-GAAP)</b>	Approx. 13%	Unchanged	
<b>EARNINGS PER SHARE (GAAP)</b>	\$6.38 – \$6.48	\$6.18 – \$6.23	Reflects additional revenue from COVID-19 antibodies and China 2022 NRDL price impact on channel inventory, charges associated with acquired IPR&D, and charges associated with impairment of a contract-based asset from our Loxo acquisition
<b>EARNINGS PER SHARE (NON-GAAP)</b>	\$7.95 – \$8.05	\$8.15 – \$8.20	Reflects additional revenue from COVID-19 antibodies and China 2022 NRDL price impact on channel inventory
<b>OPERATING INCOME % (GAAP)</b>	Approx. 24%	Approx. 23%	Reflects charges associated with acquired IPR&D, and charges associated with impairment of a contract-based asset from our Loxo acquisition
<b>OPERATING INCOME % (NON-GAAP)</b>	Approx. 30%	Unchanged	

Assumes GAAP and non-GAAP shares outstanding of 911 million

Updated FX assumptions of 1.17 (Euro), 112 (Yen) and 6.50 (Renminbi)

# UPDATED 2021 AND FIRST TIME 2022 GUIDANCE



	2021	2022	Comments
<b>TOTAL REVENUE</b>	\$28.0 – \$28.3 billion	\$27.8 – \$28.3 billion	Assumes ~\$425M of COVID-19 antibody revenue in 2022, potential mid-year launch for tirzepatide, and very modest sales of donanemab after potential approval later in the year
<b>GROSS MARGIN % (GAAP)</b>	Approx. 75%	Approx. 78%	~200 bps improvement primarily driven by lower COVID-19 antibody revenue and also reflects lower amortization of intangible assets
<b>GROSS MARGIN % (NON-GAAP)</b>	Approx. 78%	Approx. 80%	~200 bps improvement primarily driven by lower COVID-19 antibody revenue
<b>MKTG, SELLING &amp; ADMIN.</b>	\$6.2 – \$6.4 billion	\$6.4 – \$6.6 billion	Increased investment in tirzepatide, donanemab, and Verzenio
<b>RESEARCH &amp; DEVELOPMENT</b>	\$6.9 – \$7.1 billion	\$7.0 – \$7.2 billion	Reflects increased investment in donanemab, pirtobrutinib, and Verzenio, as well as research and early-phase portfolio, partially offset by decreased investment in COVID-19 therapies
<b>OTHER INCOME/(EXPENSE) (GAAP)</b>	\$(250) – \$(150) million	\$(100) – \$0 million	Assumes 2022 equity investment gains and losses net to zero
<b>OTHER INCOME/(EXPENSE) (NON-GAAP)</b>	\$(100) million – \$0	\$(100) – \$0 million	
<b>TAX RATE (GAAP)</b>	Approx. 11%	Approx. 13 – 14%	Assumes current U.S. tax structure in place in 2022
<b>TAX RATE (NON-GAAP)</b>	Approx. 13%	Approx. 13 – 14%	Assumes current U.S. tax structure in place in 2022
<b>EARNINGS PER SHARE (GAAP)</b>	\$6.18 – \$6.23	\$8.00 – \$8.15	Includes amortization of intangible assets
<b>EARNINGS PER SHARE (NON-GAAP)</b>	\$8.15 – \$8.20	\$8.50 – \$8.65	Mid-single digit growth at midpoint of ranges driven by margin improvement
<b>OPERATING INCOME % (GAAP)</b>	Approx. 23%	Approx. 30%	
<b>OPERATING INCOME % (NON-GAAP)</b>	Approx. 30%	Approx. 32%	~200 bps improvement primarily driven by improved gross margin percent

2022 assumes GAAP and non-GAAP shares outstanding of 908 million

Updated FX assumptions of 1.17 (Euro), 112 (Yen) and 6.50 (Renminbi)

# 2022 GAAP WALKTHROUGH



	GAAP GUIDANCE	EXCLUSION OF AMORTIZATION	NON-GAAP GUIDANCE
<b>TOTAL REVENUE</b>	\$27.8 – \$28.3 billion		\$27.8 – \$28.3 billion
<b>COST OF SALES</b>		Approx. \$600 million	
<b>GROSS MARGIN % OF REVENUE</b>	Approx. 78%		Approx. 80%
<b>MKTG, SELLING &amp; ADMIN.</b>	\$6.4 – \$6.6 billion		\$6.4 – \$6.6 billion
<b>RESEARCH &amp; DEVELOPMENT</b>	\$7.0 – \$7.2 billion		\$7.0 – \$7.2 billion
<b>OTHER INCOME / (EXPENSE)</b>	\$(100) – \$0 million		\$(100) – \$0 million
<b>TAX RATE</b>	Approx. 13 – 14%		Approx. 13 – 14%
<b>EARNINGS PER SHARE</b>	\$8.00 – \$8.15	Approx. \$0.50	\$8.50 – \$8.65

# SUMMARY



- **Double-digit revenue growth in 2022**, excluding COVID-19 therapies and Alimta LOE, with **top-tier revenue growth expected through 2030**.
- **Operating margin of ~32% in 2022** driven by improved gross margin, with SG&A primary lever for **continued expansion over time**.
- **Innovation-based strategy** continues to deliver results, with potential in 2022 for tirzepatide and donanemab launches, new FDA submissions for pirtobrutinib, mirikizumab, and lebrikizumab, as well as multiple data read outs and study initiations.
- 2022 dividend increase of 15% for the fourth consecutive year is in line with recent and projected income growth.

## Grow Revenue



Expect to deliver top-tier revenue growth through the balance of the decade

## Improve Productivity



Non-GAAP operating margin expansion to the mid-to-high 30%s

## Speed Life-Changing Medicines



Potential to launch 20+ new molecules in 10 years (2014-2023)

## Create Long-Term Value



- Fund existing marketed and pipeline products
- Bolster growth prospects via business development
- Annual dividend increases



**DAVE RICKS**

Chairman and Chief  
Executive Officer



**ANAT ASHKENAZI**

Chief Financial Officer



**ILYA YUFFA**

President, Lilly International

