



# Buy: Eli Lilly (LLY)

JUNE 2025

HOLDINGS UPDATE

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## **The Jensen Investment Team has added a new position in Eli Lilly and Co (LLY) to the Jensen Quality Growth Strategy.**

Founded in 1876, **Eli Lilly and Co** is a global pharmaceutical leader with a long history of scientific innovation, strong execution and disciplined capital allocation. It exemplifies the qualities we seek in the **Jensen Quality Growth Strategy**: durable competitive advantages, consistently high returns on equity and a long runway for growth supported by strong fundamentals.

Lilly is helping lead a transformation in how chronic metabolic diseases — particularly obesity and Type 2 diabetes — are treated. Its most important innovation today is tirzepatide, a next-generation GLP-1-based therapy marketed as Mounjaro for diabetes and Zepbound for obesity. Tirzepatide has demonstrated superior clinical results compared to other approved GLP-1 treatments, driving rapid adoption and enabling Lilly to gain significant share in the overall GLP-1 market.

Lilly's strong momentum reflects meaningful product differentiation. Its dual-mechanism therapy has demonstrated greater efficacy and broader physician adoption compared to existing single-pathway treatments, including leading GLP-1 therapies. These clinical advantages are supported by early investments in manufacturing capacity and patient access infrastructure, which have enabled the company to meet demand and scale effectively.

Lilly's growth is underpinned by the continued expansion of its metabolic disease franchise, including new indications for tirzepatide and next-generation assets in development. The company is building on its success in obesity by targeting related conditions such as sleep apnea, cardiovascular disease and metabolic-associated fatty liver disease. It is also developing an oral GLP-1 and therapies with novel mechanisms of action, aimed at further improving outcomes and extending its leadership in the category. Beyond metabolic disease, Lilly continues to invest in earlier-stage programs in oncology, neuroscience and immunology that are positioned to drive longer-term growth. Its strong balance sheet supports sustained R&D investment and strategic flexibility across these therapeutic areas.

While Lilly trades at a premium relative to large-cap pharmaceutical peers, we believe the valuation is justified by its leadership in a large and underpenetrated category, a broad pipeline, and a superior outlook. The GLP-1 market is expanding rapidly, and Lilly is positioned to be its primary long-term beneficiary. With expected double-digit earnings growth over the next decade, the valuation, in our view, appears reasonable given the quality of the company and the durability of the opportunity.



Headlines around drug pricing, policy shifts and competition may introduce short-term volatility, but Lilly's clinical edge, execution strength and investment discipline position it well to sustain leadership over time. We contend that it remains one of the most compelling long-term opportunities in global healthcare, and is a strong addition to the Quality Growth Strategy.

This trade marks a continuation of deliberate actions in response to a dynamic market environment, ranging from managing risk exposures in an ebullient 2024 to subsequently taking advantage of recent market volatility and tariff-induced economic turbulence. As such, we have strategically upgraded both the quality and growth profile of the portfolio, as this heightened market instability and uncertainty reveals opportunities for disciplined active managers like ourselves.

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