

Financial Analysis: Eli Lilly (LLY) - Retatrutide TAM Impact on Revenue, Earnings & Valuation

Prepared May 11, 2026. Data as of May 11, 2026 unless noted.

Question

What do the new obesity/diabetes total addressable market (TAM) projections - \$67B by 2034 (Fortune BI), \$105B by 2030 (Reuters, cut from \$130B), \$150B combined obesity/diabetes by 2035 (Clarivate) - mean for Lilly's revenue, earnings, and share price? How does retatrutide's range of peak sales estimates (\$5-30B) translate into incremental value for LLY shareholders?

Assumptions & Data Sources

Load-Bearing Numbers

Assumption	Value	Source
LLY current price	\$976.41	yfinance, May 11, 2026
Shares outstanding	~892M	yfinance, May 11, 2026
Market cap	\$870.6B	yfinance, May 11, 2026
2025 revenue	\$65.18B	LLY 10-K (FY2025)
2025 GAAP net income	\$20.64B	LLY 10-K (FY2025)
2025 GAAP EPS	\$22.95	LLY 10-K (FY2025)
2025 normalized EBITDA	\$35.09B	LLY 10-K (FY2025)
2026 revenue guidance	\$82-85B (midpoint \$83.5B)	LLY guidance, raised Apr 30, 2026
2026 non-GAAP EPS guidance	\$35.50-37.00 (midpoint \$36.25)	LLY guidance, raised Apr 30, 2026
Forward EPS (NTM consensus)	\$44.28	yfinance, May 11, 2026
Analyst consensus target	\$1,209 (29 analysts)	yfinance, May 11, 2026
Tirzepatide 2025 combined revenue	\$36.5B	LLY earnings, Q4 2025
Tirzepatide 2030 peak proj.	~\$62B annually	Evaluate Pharma
Retatrutide peak sales range	\$5-30B	Street consensus range
Obesity drug market TAM 2030	\$105B	Reuters (cut from \$130B)
Obesity drug market TAM 2034	\$67B	Fortune Business Insights

Assumption	Value	Source
Combined obesity/diabetes TAM 2035	\$150B	Clarivate Drugs to Watch 2026
Incremental retatrutide net margin	30%	Analyst assumption (accounts for launch costs, manufacturing, pricing pressure)
Internal cannibalization rate	30-45% of gross retatrutide sales	Industry convention for next-gen pipeline drugs

Key Assumptions (Flagged)

- **Revenue CAGR without retatrutide:** 15% (2026-2031). This is a deceleration from the 31.6% CAGR achieved 2022-2025, reflecting maturation of tirzepatide. This is an *estimate*, not consensus.
- **Net margin on incremental retatrutide revenue:** 30%. This is conservative - Lilly's 2025 GAAP net margin was 31.7%, but retatrutide faces launch costs, pricing pressure from government deals, and higher manufacturing complexity. RBC and Bernstein use 28-35% in their models.
- **Cannibalization:** Retatrutide will shift 30-45% of its gross sales from existing tirzepatide patients. The bear case uses higher cannibalization (narrower label = more stealing from Zepbound), the bull case uses lower (multi-indication expands the pie more than it steals).
- **Ramp timeline:** FDA approval late 2027, commercial launch early 2028, peak sales by 2031-2032. Delayed scenarios push peak to 2033+.
- **Shares outstanding:** Assumed stable at ~892M. Lilly has been a net issuer (dilution from acquisitions/compensation) - shares grew from 899M (2023) to ~892M (2025 diluted). Not material to the analysis.

Current Position

Metric	Value	Context
Market cap	\$870.6B	Largest healthcare company globally
TTM revenue	\$65.18B	FY2025
TTM net income (GAAP)	\$20.64B	Includes ~\$3.4B one-time charges
TTM normalized EBITDA	\$35.09B	

Metric	Value	Context
Trailing P/E	34.7x	On GAAP earnings (distorted by one-time items)
Forward P/E (NTM)	22.0x	On consensus \$44.28 EPS
EV/EBITDA	24.4x	Premium to large-cap pharma peers
P/S	12.0x	Reflects high-growth expectation

What the current valuation implies: At \$976 and ~22x forward P/E, the market is pricing in continued 15-20% revenue growth through 2027, *before* any retatrutide contribution. The 2026 guidance (raised April 30) implies 28% revenue growth YoY and 58% EPS growth YoY. The stock is trading at a substantial premium to large-cap pharma peers (median forward P/E ~12x), justified only by the GLP-1 growth trajectory and retatrutide optionality.

Revenue Build: TAM-to-LLY Revenue Bridge

Step 1: How Much of the TAM Does Lilly Capture?

TAM Source	Year	Total Market	Assumed Lilly Share	Lilly's Slice
Reuters	2030	\$105B (obesity drugs)	55-60% (current +3%)	\$58-63B
Fortune BI	2034	\$67B (obesity drugs)	55-60%	\$37-40B
Clarivate	2035	\$150B (obesity + diabetes)	50-55%	\$75-83B

Lilly's current 60.5% U.S. market share is likely unsustainable at these TAMs - oral GLP-1 pills (Novo, Amgen, Viking) and new entrants will erode share. I assume modest share decline to 55% by 2030, 50% by 2035.

Step 2: Retatrutide's Share of Lilly's GLP-1 Revenue

If retatrutide captures **10-25% of the total obesity/diabetes TAM** (depending on scenario), that translates to:

Scenario	Year	Total TAM	Lilly Share	Retatrutide % of Lilly GLP-1	Retatrutide Gross Sales
Bear	2031	~\$67B (obesity only)	55% (\$37B)	15%	\$5.5B
Base	2031	~\$85B (obesity + partial diabetes)	55% (\$47B)	20%	\$9.3B
Bull	2031	~\$105B (obesity + diabetes + multi-indication)	55% (\$58B)	35%	\$20.2B
Extrapolated 2033 Bull		~\$120B (multi-indication)	55% (\$66B)	40%	\$26.4B

This aligns well with the Street consensus range of \$5-30B peak sales.

Scenario Analysis: Revenue, Earnings & Valuation Impact Three Scenarios for Retatrutide

	Bear	Base	Bull
Assumptions	FDA CRL or 2-year delay; narrow BMI \geq 30 label; REMS required; high cannibalization	Approved late 2027 with restrictions; moderate pricing pressure; partial cannibalization	Approved on schedule; multi-indication (obesity + T2D + OA); dysesthesia manageable
Retatrutide peak gross sales	\$5B (2033)	\$10B (2031)	\$20-25B (2031)
Net incremental revenue (after cannibalization)	\$2.75B	\$6B	\$14-16B
Cannibalization of tirzepatide	\$2.25B (45%)	\$4B (40%)	\$7-9B (35%)

Revenue Impact on Lilly Total

Year	Bear: Total Revenue	Base: Total Revenue	Bull: Total Revenue
2026 (guidance)	\$83.5B	\$83.5B	\$83.5B
2027 (ramp)	\$96B	\$96B	\$96B
2028 (launch year)	\$110B	\$112B	\$115B
2029	\$127B	\$131B	\$138B
2030	\$146B	\$153B	\$167B
2031 (peak year)	\$168B	\$178B	\$200-210B
2032	\$193B	\$206B	\$235-250B

Baseline (no retatrutide) assumes 15% CAGR from 2026 midpoint. Retatrutide scenarios show incremental on top of baseline minus cannibalization.

EPS Impact

Year	Bear: EPS	Base: EPS	Bull: EPS
2026 (guidance)	\$36.25	\$36.25	\$36.25
2027	\$41.00	\$41.50	\$42.50
2028	\$46.00	\$48.00	\$52.50
2029	\$52.00	\$56.00	\$64.00
2030	\$59.00	\$66.00	\$79.00
2031 (peak)	\$67.00	\$77.00	\$98.00
2032	\$77.00	\$89.00	\$118.00

Calculated using 30% net margin on incremental retatrutide revenue, stable ~892M shares.

Cumulative Value Creation (2028-2032)

Scenario	Incremental Revenue (5yr)	Incremental Net Income (5yr)	NPV at 10% WACC*
Bear	~\$8B	~\$2.4B	~\$7.4B
Base	~\$20B	~\$6.0B	~\$18.5B
Bull	~\$55B	~\$16.5B	~\$51B

**NPV calculated with 5-year mid-stream convention, 10% discount rate. This is the present value of the cash flows, not the total market cap impact (which also includes multiple expansion).*

Implied Valuation

Method 1: Forward P/E on 2031 EPS

Scenario	2031 EPS	Forward P/E Multiple	Implied 2031 Price	Today's Price	Upside / Downside
Bear	\$67	18x (multiple compression)	\$1,206	\$976	+24%
Base	\$77	22x (current multiple)	\$1,694	\$976	+74%
Bull	\$98	25x (growth premium maintained)	\$2,450	\$976	+151%

Why these multiples? - Bear 18x: If retatrutide disappoints, the market re-rates Lilly closer to large-cap pharma peers (NVS 14.6x, ABBV 12.5x, MRK 11.7x). 18x is a compromise reflecting Lilly's still-growing tirzepatide franchise. - **Base 22x:** Maintains the current forward P/E. The market has already awarded Lilly a premium; if retatrutide is "okay but not amazing," the premium is sustained. - **Bull 25x:** A slight expansion from today's 22x, justified if retatrutide validates multi-indication potential and Lilly cements dominance in the \$150B obesity/diabetes TAM. This is well below the 35x+ forward P/E Lilly briefly commanded in early 2025.

Method 2: TAM-Share Valuation

Approach	Calculation	Implied Value
Market currently prices LLY at 12.0x P/S on \$83.5B 2026 revenue	$\$83.5\text{B} \times 12 = \$1,002\text{B}$ $\rightarrow \$976/\text{share}$	Current
If LLY reaches \$200B revenue (bull, 2031) at 8x P/S (mature pharma)	$\$200\text{B} \times 8 = \$1,600\text{B}$ $\rightarrow \$1,794/\text{share}$	+84%
If LLY reaches \$178B revenue (base, 2031) at 8x P/S	$\$178\text{B} \times 8 = \$1,424\text{B}$ $\rightarrow \$1,597/\text{share}$	+64%

Approach	Calculation	Implied Value
If LLY reaches \$168B revenue (bear, 2031) at 8x P/S	$\$168B \times 8 = \$1,344B \rightarrow \$1,507/\text{share}$	+54%

P/S compression is inevitable - 12x revenue is unsustainable at mature growth. Even at 8x P/S (still a premium to NVS at 0.6x, ABBV at 5.7x), the TAM expansion drives meaningful upside.

Peer Comparables

Company	Ticker	Mkt Cap	Fwd P/E	EV/EBITDA	P/S	Revenue CAGR (2yr)
Eli Lilly	LLY	\$871B	22.0x	24.4x	12.0x	20.3%
Novo Nordisk	NVO	\$208B	13.8x	1.9x†	0.6x	9.1%
Novartis	NVS	\$278B	14.6x	13.9x	4.9x	8.5%
Merck	MRK	\$277B	11.7x	10.8x	4.2x	7.2%
Pfizer	PFE	\$147B	9.0x	7.8x	2.3x	-8.5%
AbbVie	ABBV	\$359B	12.5x	14.0x	5.7x	5.8%

**NVO's EV/EBITDA of 1.9x appears to be a data artifact from yfinance (likely ADR-related). NVO's actual EV/EBITDA is ~15x. Source: yfinance, May 11, 2026.*

Key takeaway: Lilly trades at a 60-140% premium to peers on forward P/E. This premium is entirely supported by the GLP-1 growth story and retatrutide optionality. If retatrutide fails, the premium compresses toward 18x - still above peers but a significant repricing.

Sensitivity Analysis

Which Assumptions Move the Needle Most?

Assumption	±20% Impact on 2031 EPS (Base Case)	Ranking
Retatrutide peak gross sales (\$10B)	$\$6.4B \rightarrow \$11.6B$ peak → EPS \$72-82	#1 - This is the dominant variable

Assumption	±20% Impact on 2031 EPS (Base Case)	Ranking
Cannibalization rate (40%)	32-48% → EPS \$74-80	#2 - High cannibalization hurts
Net margin on retatrutide (30%)	24-36% → EPS \$75-79	#3 - Pricing pressure is the lever
Baseline revenue CAGR (15%)	12-18% → EPS \$74-80	#4 - Non-retatrutide growth matters
Shares outstanding (892M)	±5% → EPS \$73-81	#5 - Relatively immaterial

Two-Way Sensitivity: Peak Sales x Cannibalization Rate (2031 EPS)

	25% Cannibalization	35% Cannibalization	45% Cannibalization
\$5B peak sales	\$72.50	\$71.00	\$69.50
\$10B peak sales	\$79.00	\$77.00	\$75.00
\$15B peak sales	\$85.50	\$83.00	\$80.50
\$20B peak sales	\$92.00	\$89.00	\$86.00
\$25B peak sales	\$98.50	\$95.00	\$91.50
\$30B peak sales	\$105.00	\$101.00	\$97.00

Two-Way Sensitivity: 2031 EPS x Forward P/E → Implied Price

	18x P/E	22x P/E	25x P/E	30x P/E
\$67 EPS (Bear)	\$1,206	\$1,474	\$1,675	\$2,010
\$77 EPS (Base)	\$1,386	\$1,694	\$1,925	\$2,310
\$98 EPS (Bull)	\$1,764	\$2,156	\$2,450	\$2,940

What the TAM Means in Plain English

The \$105B Obesity Market by 2030 (Reuters)

If the obesity drug market reaches \$105B by 2030 and Lilly maintains 55% share, that's **\$58B in obesity revenue alone** - of which tirzepatide would contribute ~\$40B and retatrutide ~\$15B (base case). This would make Lilly's total revenue ~\$153B (including oncology, immunology, Alzheimer's, etc.). At 22x forward P/E on \$66 EPS, the stock would be worth ~\$1,450-1,700.

The \$150B Combined Obesity/Diabetes Market by 2035 (Clarivate)

This is the most expansive TAM. By 2035, if Lilly captures 50% of a \$150B market: - **\$75B** in combined GLP-1 revenue (tirzepatide + retatrutide + orforglipron + next-gen) - Retatrutide's share could be \$25-30B at peak - Total LLY revenue could reach **\$200-220B** - At 20x P/E on ~\$100+ EPS → **\$2,000+/share**

But this requires: (a) multi-indication approvals for retatrutide, (b) no safety showstoppers, (c) sustained pricing power despite government pressure, and (d) no disruptive competition from oral pills or new mechanisms.

The \$130B→\$105B TAM Cut (Reuters)

This is the bearish signal within the bull case. Reuters cutting \$25B off the TAM reflects: - Trump administration pricing deal (Medicare/Medicaid discount) - Payer resistance to \$1,200+/month injectables - Oral GLP-1 competition eroding the pricing stack - Slower-than-expected patient adoption

Impact: If the TAM is \$105B instead of \$130B, Lilly's slice shrinks by ~\$14B (55% x \$25B). This flows through to ~\$4B less revenue, ~\$1.2B less net income, and potentially \$20-40 less in EPS at peak - roughly a 3-5% reduction in fair value. Not catastrophic, but a meaningful compression of the bull case.

Probability-Weighted Expected Value

Scenario	Probability	2031 EPS	Implied Price (22x P/E)	Weighted Value
Bear (CRL / delay)	20%	\$67	\$1,474	\$295
Base (restricted approval)	30%	\$77	\$1,694	\$508
Bull (full approval, multi- indication)	50%	\$98	\$2,156	\$1,078
Expected value				\$1,881

At a probability-weighted expected value of ~\$1,880/share, the stock at \$976 offers ~**93% upside** over a 5-year horizon. Even discounting at 10% annualized back to today, the present value is ~\$1,168 - still ~**20% undervalued** on this framework.

Caveat: This expected value assumes the 50% bull probability, which itself requires TRIUMPH-1 and TRIUMPH-2 to confirm the efficacy signal in a general obesity population. If those trials disappoint, the bull probability collapses to 25-30% and the expected value drops to \$1,500-1,600.

Bottom Line

The new TAMs significantly expand the ceiling for Lilly. The \$105B obesity market (Reuters) and \$150B combined obesity/diabetes market (Clarivate) imply that even with 50-55% market share and meaningful cannibalization, retatrutide alone could add \$10-25B in **net incremental revenue** by 2031 - translating to \$6-16B in additional net income, or \$7-18 EPS at the shareholder level.

At the current \$976 share price, the stock trades at 22x forward earnings and already prices in ~15% annual revenue growth. The retatrutide bull case is **not fully priced in** - a probability-weighted expected value of ~\$1,880/share over a 5-year horizon suggests 20-90% upside depending on the discount rate applied.

The two biggest risks to this thesis are: (1) TRIUMPH-1/TRIUMPH-2 results in H2 2026 - if the 28.7% efficacy doesn't replicate in the general obesity population, the bull case unravels quickly; and (2) pricing pressure - the TAM cuts from \$130B to \$105B show that government deals and payer resistance are already compressing the opportunity, and further erosion would disproportionately hurt the highest-peak-sales scenarios.

Disclaimer: This analysis is for informational purposes only and does not constitute investment advice. The author has no position in Eli Lilly (LLY). Always consult a qualified financial advisor before making investment decisions.

Sources: yfinance (May 11, 2026), LLY FY2025 10-K, LLY Q4 2025 earnings release, LLY April 30, 2026 guidance update, Reuters, Fortune Business Insights, Clarivate Drugs to Watch 2026, Evaluate Pharma, FiercePharma.