

High Conviction

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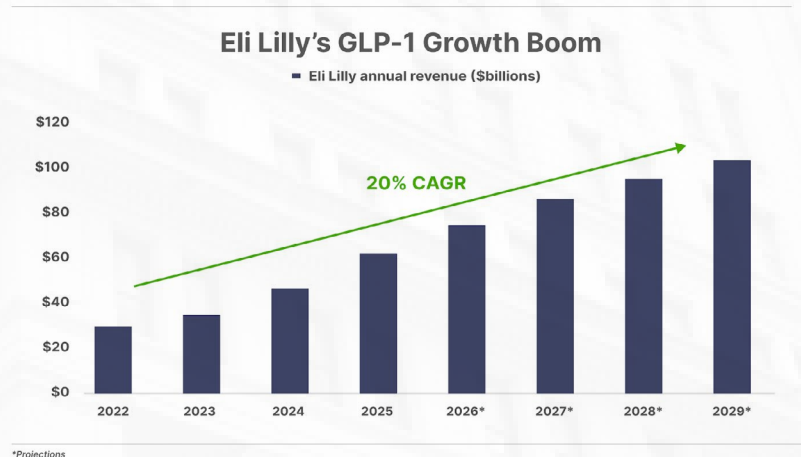
In July we lifted drugmaker **Eli Lilly (NYSE: LLY)** from our watchlist and into *The Big Secret On Wall Street* portfolio, removing the former industry leader, Novo Nordisk (NYSE: NVO), from our lineup.

And today, we are elevating Eli Lilly once again... into our *High Conviction* portfolio. As we wrote on October 13, when we placed **Mitsui & Co. (OTC: MITSY)** on our list of *High Conviction* recommendations, we do this rarely, and we only do this for opportunities where our conviction level is so high that we'd be prepared to invest 100% of our capital into a single stock (though, of course, we do not suggest this approach to asset allocation). Demand for their products is so entrenched – the moat, whatever form it assumes, is so broad and deep – that their success is not just likely – it's inevitable.

Why Eli Lilly Is High Conviction

What makes Eli Lilly's success inevitable is its dominant position at the epicenter of one of the biggest pharmaceutical revolutions of all time: GLP-1 drugs for weight loss and diabetes. Eli Lilly's blockbuster drugs Zepbound and Mounjaro dominate the GLP-1 market due to their superior efficacy, including 20% to 25% average weight loss in clinical trials.

The combined sales of Eli Lilly's GLP-1 drugs hit \$15 billion in the first half of 2025, or nearly as much as the \$16.5 billion generated in the full year of 2024. This is just the start of a rapid growth trajectory. Since 2022, the company's revenue has increased 20% each year, with the overall GLP-1 market expected to exceed \$100 billion by 2030. With more than 50% market share, Eli Lilly will become the biggest winner from the explosive growth in this massive new market.



But Lilly shares got bad news at the beginning of May. While the company reported strong quarterly results, that same day CVS Caremark announced that it was dropping Zepbound in favor of Novo Nordisk's Wegovy. That sent Lilly shares down almost 12%.

Shares of Lilly have rebounded, with the stock retracing the entire selloff from its last quarterly report in August. Of course, nothing was really wrong with the earnings to begin with. The drop in the stock seemed more driven by the latest data on Orforglipron, the company's disruptive weight-loss pill expected to reach the market next year. But when the dust settled, analysts generally appear to have concluded that the data was just fine. Panic can happen when investors are closely watching for the results of such an important drug as Orforglipron.

Weight-loss drugs are not their only game. The company had positive trial results on Jaypirca, an oral medication for certain types of cancers. And the company launched its TuneLab – an artificial-intelligence-powered platform giving biotech partners access to drug discovery models trained on proprietary data with a goal of accelerating early-stage drug development. But GLP-1s continue to be the biggest focus area for investors when it comes to Eli Lilly.

Lilly expects to launch Orforglipron at full scale in 2026. While likely contributing only a low-single-digit percentage of company sales at first, the potential ramp up for the drug is enormous. Bull case estimates have Orforglipron sales almost 10x larger by 2030 than 2027. At that point the drug would represent roughly 15% of company sales.

The market continues to underestimate Lilly's GLP-1 platform, and the industry shift that is occurring. The recent share-price drop represents a great entry point as portfolio growth takes hold.

Marching Toward A Catalyst

That really gets to the heart of why the stock has traded better in the last few weeks. The calendar is marching closer to important catalysts... like ultimate Food And Drug Administration ("FDA") approval of Orforglipron – a game changer for the GLP-1 industry. As a result, there is a bit of game theory at play here.

An investor might want to wait until it is a done deal before buying the stock. But, be warned, because by the time a highly-visible catalyst like this comes to fruition, a stock has often priced a lot of upside in already. Smart investors try to get out ahead of that and snap up the shares before the herd crowds in. And every day that passes is one day closer to approval for Orforglipron.

Lilly looks like a catalyst-rich stock already. The stock is flat relative to when the original trial results were released in early August, and also flat year to date – up about 5%. That means potential buyers haven't missed anything, which feels like a gift. Investors should get in ahead of the game on this stock and buy it here. Because once all of its drug pipelines are full and spreading globally, it looks like a strong upward run. Trading around \$820 per share, Eli Lilly has some room to grow.

Action to Take: Buy Eli Lilly (NYSE: LLY) up to \$900 per share