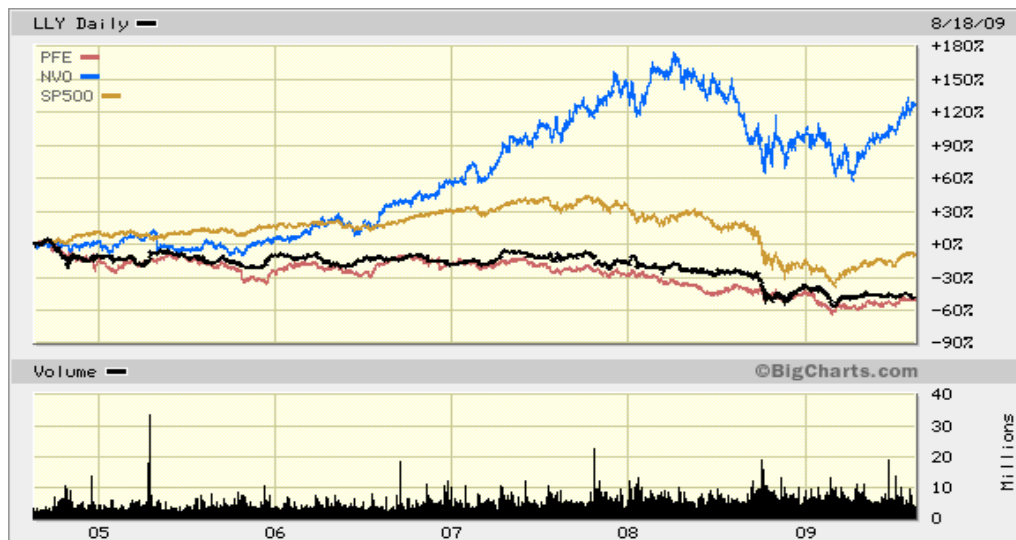


Eli Lilly & Co. (LLY) 8/18/09

Eli Lilly and Co develops, manufactures, and sells pharmaceutical products throughout the world. It offers a variety of products to help a wide variety of disorders effecting not only humans but also cattle, swine, and poultry. LLY distributes its products through independent wholesale distributors as well as directly to pharmacies. It has an alliance with MacroGenics and licensing agreements with TransPharma Medical and BioMS Medical. LLY was founded in 1876 and is located in Indianapolis, Indiana.

Current Price	\$32,82
52 Week High	\$48,82
52 Week Low	\$27,21
One Yr Target	\$35,25
Market Cap (in billions)	\$37,71
P/E (Trailing)	7,42
P/E(1 Yr Forward)	7,23
P/E/G	2,61
ROA	-5,94%
ROE	-13,93%
EPS	\$4,42
Beta	0,65
Annualized Dividend	\$1,96
Dividend Yield	5,97%
Analyst Consensus	3,00



Annual EPS

	2005	\$1,83	
	2006	\$2,45	33,88%
	2007	\$2,71	10,61%
	2008	-\$1,89	-169,74%
2009E		\$4,42	334,03%

Annual Revenue (in millions)

	2005	\$14 645,30	
	2006	\$15 691,00	7,14%
	2007	\$18 633,50	18,75%
	2008	\$20 378,00	9,36%

Annual Net Income (in millions)

	2005	\$1 979,60	
	2005	\$2 662,70	34,51%
	2007	\$2 953,00	10,90%
	2008	-\$2 071,90	-170,16%

Required Rate of Return

8,25%

Dividend Growth Model

Present Value of 2013 Price	\$30,91
Holding Period Return (5 years)	12,69%

Expected Annualized Return Model

Present Value of 2013 Price	\$88,25
Holding Period Return (5 years)	25,40%

Residual Income Model

Intrinsic Stock Price	\$20,73
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Analysis

Positives

Low Beta means stock price is stable compared with the market

Good dividend yield, especially for a cheaper stock

Vastly undervalued according to the EAR valuation model

Negatives

Negative ROA and ROE percentages are a negative sign of company management

Two of three valuation models show stock price as being overvalued

Higher PEG ratio and higher Analyst Consensus are signs the stock price is overvalued

Financial Statements

Very strong Balance Sheet until recent year's loss in equity

Increasing revenues for past 4 years but a recent loss in income due to increased expenses

High volatility in Cash Flows but have been positive for the past 3 years

Industry Analysis

Larger company in industry, largest to have negative ROE

Has greatest current Dividend Yield

Summary

LLY looks like an attractive company with its high dividend yield and low P/E ratio. Yet it has recent ROE and ROA ratios that are lower than industry average and 2 of 3 valuation ratios say the stock price is overvalued. The market seems not to expect much from LLY, which falls in line with its **hold** rating earned here.