

## Summary of the financial reports for Eli Lilly from 2003-2015

By David Belk

First, some definitions:

*-Sales/revenue:* Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

*-Profit:* Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

*-Research* includes research and development and purchased in-process research.

*-Marketing* is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

*-Revisions:* Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

**Eli Lilly** is one of the few pharmaceutical companies that actually spent more on research than they made in total profits. One reason for this was that Eli Lilly invested a considerable amount on “acquired in-process research”. Eli Lilly spent over \$6.5 billion on in-process research. This includes the purchase of ImClone in 2008 for \$4.8 billion.

In-process research is when a small pharmaceutical company (perhaps one that has yet to market any drugs) is bought by a larger pharmaceutical company. This usually occurs when a drug the smaller company has developed is starting to show promise. Buying “in-process research” often saves the larger company money in the long run because there’s less risk in taking over the development of a drug that’s shown promise in it’s initial trials. This allows big pharmaceutical companies to cherry pick the new medications they wish to invest in and not waste money on as many dead end trials.

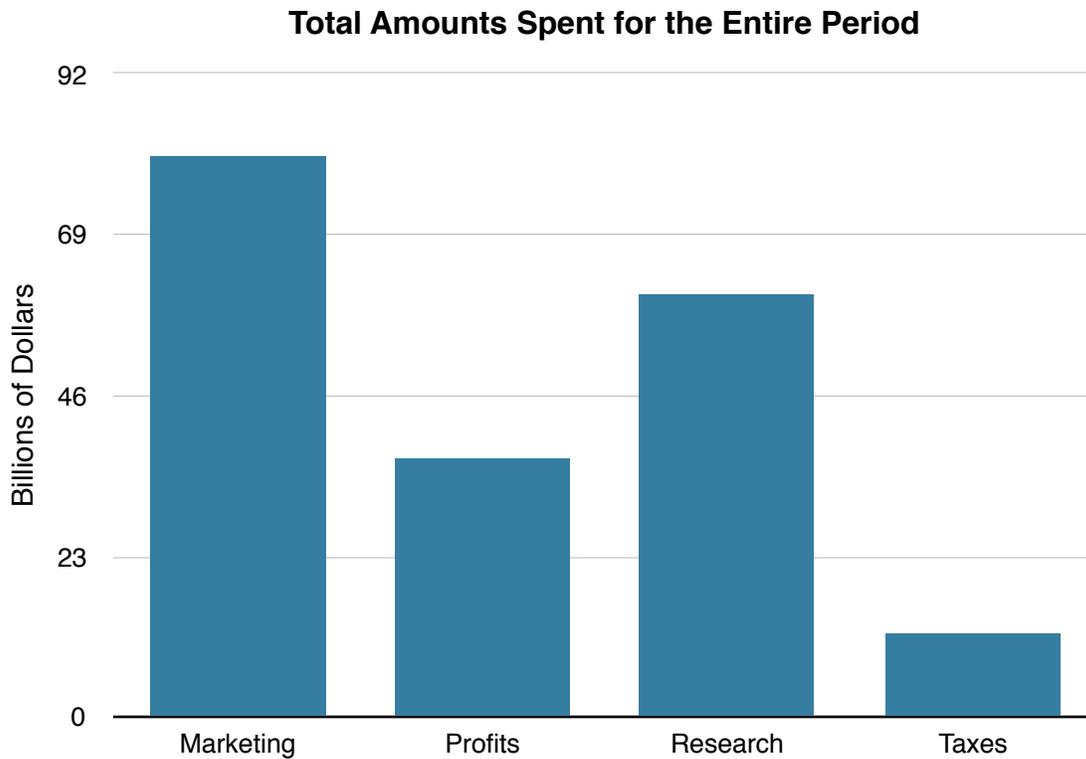
There were almost no revisions in any of Eli Lilly’s financial statements. They were among the most consistent year over year financial statements that I went over. Seriously Eli Lilly, I love your accountants!

Here are the composite numbers for Eli Lilly from 2003-2015:

Total Revenue (Sales):	\$250 Billion
Total Profit:	\$37 Billion
Total Spent on Research:	\$60 Billion
Total Spent on Marketing:	\$80 Billion
Total Spent in Taxes:	\$12 Billion
US Revenue:	\$135 Billion
Revenue from All Other Countries:	\$115 Billion

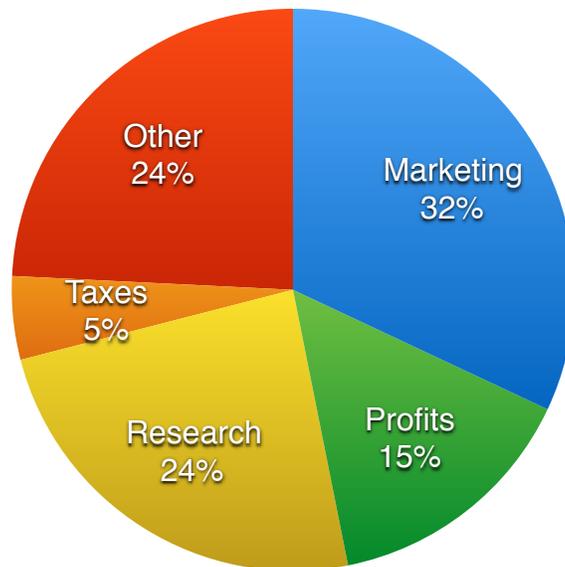
Total Executive pay for Eli Lilly was \$38.9 million in 2015 with \$16.6 million going to their CEO John C. Lechleiter.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=LLY>  
[http://truecostofhealthcare.net/pharmaceutical\\_financial\\_index/](http://truecostofhealthcare.net/pharmaceutical_financial_index/)

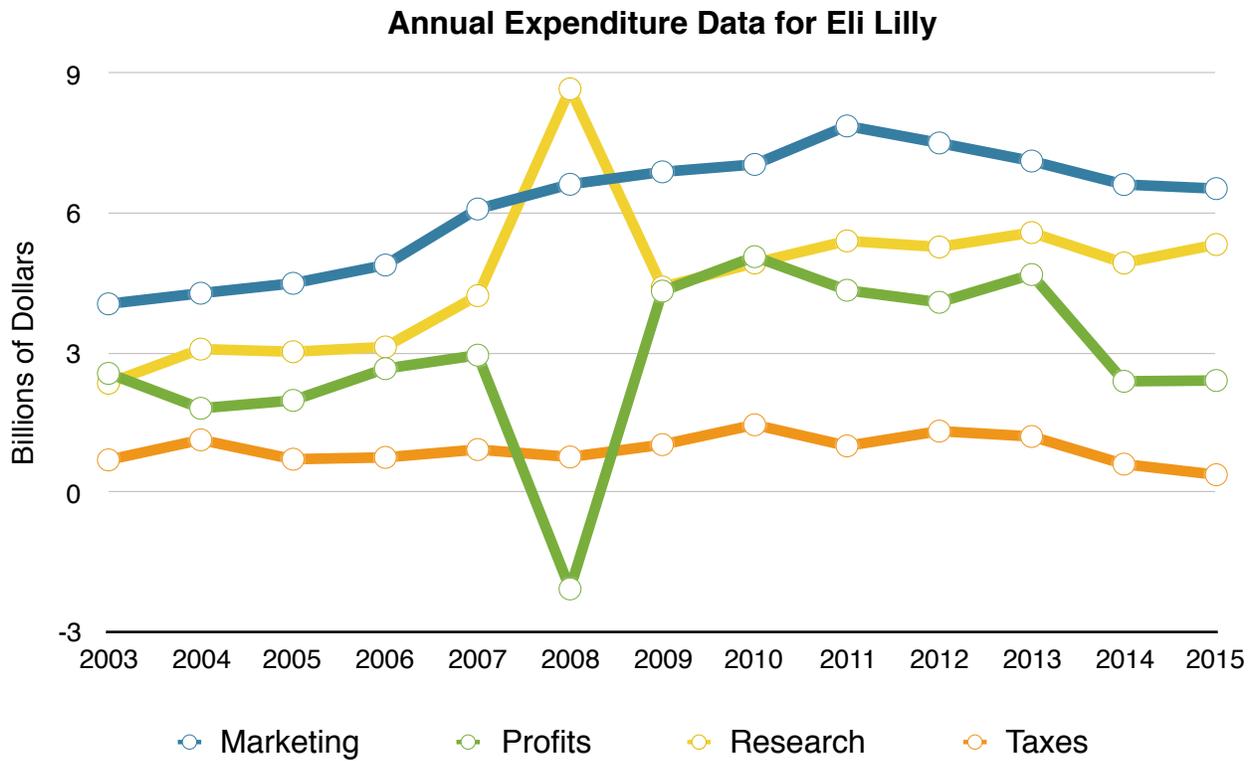


**Figure 1:** Total amount Eli Lilly earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of Eli Lilly’s total revenue that was allocated toward research, marketing, profits and taxes.

### Proportional Allocation of Revenue 2003-2015

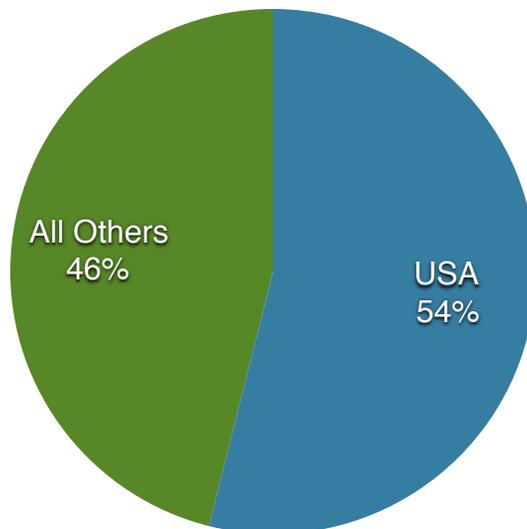


**Figure 2**

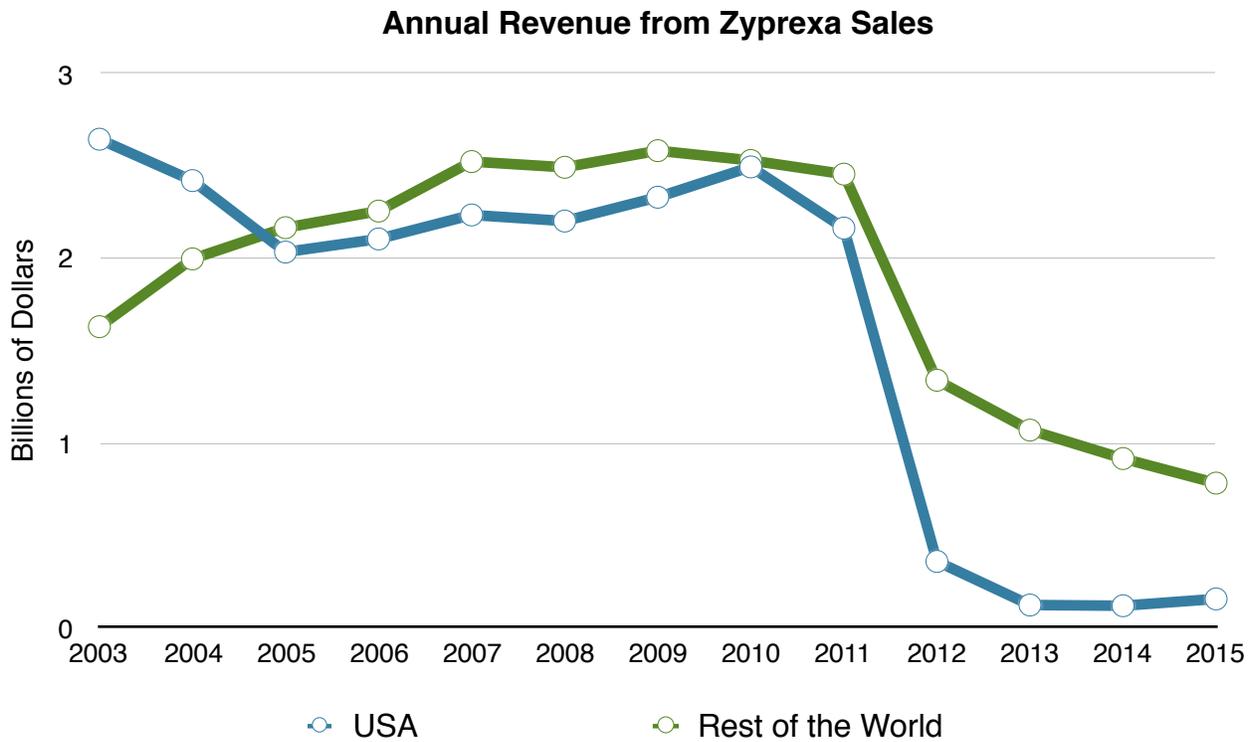


**Figure 3:** Eli Lilly’s profit compared with amount spent on research, marketing and taxes each year from 2003-2015.

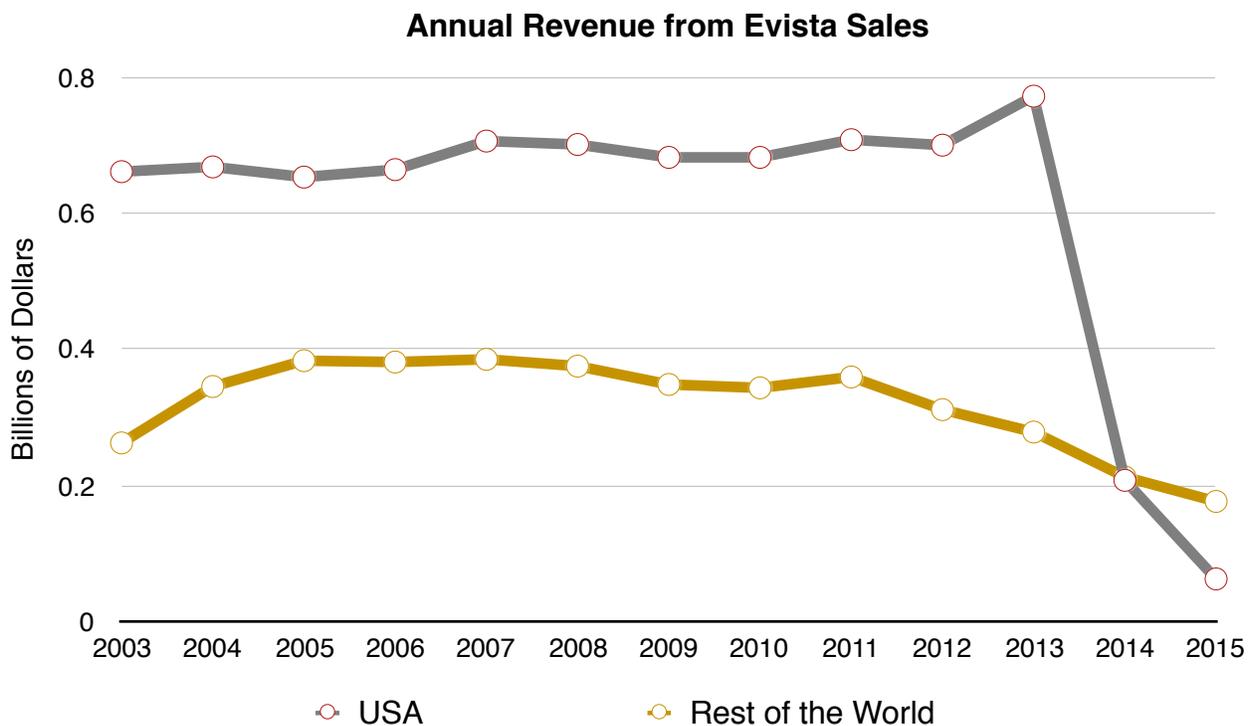
### Proportion of Revenue from US vs. All Other Countries



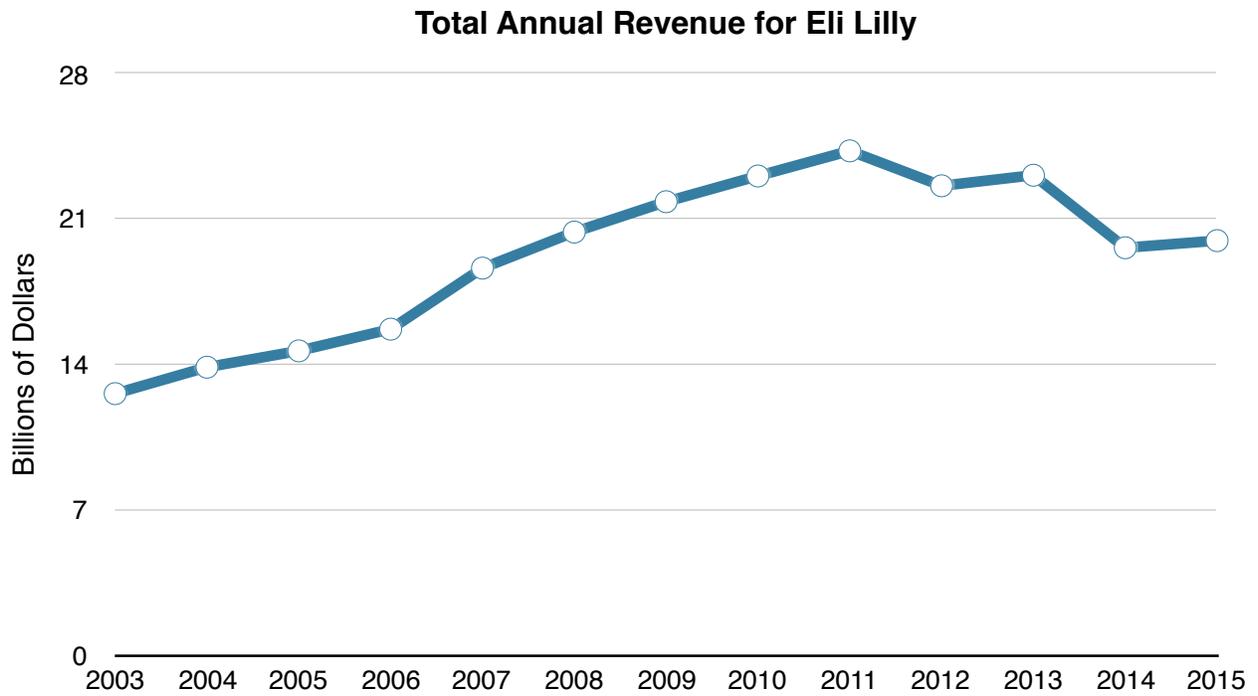
**Figure 4:** 54% of Eli Lilly’s revenue since 2003 came from sales in the US.



**Figures 5&6:** Revenue from sales of Zyprexa (above) and Evista (below) in both the US and the rest of the World. Eli Lilly lost the patent protection for Zyprexa in 2012 and Evista in 2013 which had a dramatic effect on their revenues.



**Figure 6**



**Figure 7** Annual total revenue for Eli Lilly has declined considerably since 2011 in spite of the fact that the cost of their medications has risen dramatically in recent years.

<http://truecostofhealthcare.net/brand-name-medication-prices/>