Eli Lilly and Company Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from John Boris - Citi.

John Boris - Citi

First question just has to do with the revised guidance. If I just take the midpoint of that range and assign a 10% or 15% growth rate to that, coming up with an estimate that could me in the $4.75 to $5.00 range, I guess not looking for specific guidance, I know you will deliver that in December, but can you help us understand what some of the pushes and pulls are going into 2010 that we should be thinking about from a modeling standpoint?

The second question just has to do with formulary uptake on Effient, both on the hospital side and PBM side. Any color you can give there.

And then the last question just has to do with IDENTITY I. Can you provide an update on IDENTITY II and when do you think you will have data available for presentation and how we communicate the results from the IDENTITY Alzheimer's program with your gamma-secretase?

Derica W. Rice

First of all, in regards to 2010, we will provide more color on that at our December 10 analyst meeting. But let me at least provide some insight in terms of our outlook for the remainder of the year. As you've seen and stated, we have revised our guidance on a pro forma non-GAAP basis to $4.30 to $4.40. Within that we still expect to continue the solid, volume-driven revenue growth that we have seen for the first nine months of this year, and that is the sustainable part of our business.

And so that's where we focused because with that we get great leverage through the remainder of our operations, both in our manufacturing facilities, in terms of full absorption, as well as getting the full return on our marketing and sales investments.

With that, you also heard me speak about the effect of FX on our operating performance, in terms of our financials. Given where current FX rates are, I anticipate having a very significant cost impact to our cost of sales in the fourth quarter of 2009.

As I stated, this time last year, we had a significant benefit to cost of sales in the fourth quarter because the rates were going the other way. If you were to go back and look at history, you can basically track the impact of FX on our cost of goods sold line for the last three years. So in Q4 of 2007 was when we had a significant cost of sales due to FX in our gross margin.