

Berkshire and Lilly race to shake tech's grip on trillion-dollar club

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Big Tech stocks created, and have so far dominated, the trillion-dollar club in the U.S. For the first time, there's a race brewing for an outsider

to join their ranks.

Rallies since the start of the year in Warren Buffett's Berkshire Hathaway Inc.—which has its hands in businesses ranging from Dairy Queen to Fruit of the Loom—and weight-loss drug darling Eli Lilly & Co. have the two jockeying for a spot in that top echelon of S&P 500 stocks.

The two firms couldn't be more different—from each other and the [tech giants](#) they're chasing.

The Omaha, Nebraska-based conglomerate has slowly but steadily marched upward to command a market valuation of nearly \$900 billion. In contrast, the world's largest drugmaker has momentum on its side after rapidly tripling in value over the past two years. A recent paradigm shift in how the world treats obesity has left Lilly's value standing at more than \$700 billion.

As Wall Street obsesses over the narrow breadth of the stock market's ascent, the two firms provide a key foil for the so-called Magnificent Seven which have held sway over the market.

Fascination with the tech giants has juiced their valuations and shot the S&P 500 well ahead of an equal-weighted version of the benchmark that dilutes the megacaps' impact, leaving investors searching for fresh narratives outside of all things artificial intelligence-related.

"You've got two other companies besides the tech names that are exciting to talk about," said Matt Orton, chief market strategist at Raymond James Investment Management. "It gets the conversation started that there's a lot working within the market besides megacap tech."

"That's generally a good thing—to highlight that there is in fact non-tech breadth out there," he added.

Tortoise vs. hare

Berkshire and Lilly have taken very different paths to their current valuations, climbing roughly 15% and 59% last year, respectively. While Buffett's firm reported growing operating earnings from its medley of insurance, energy, railroad and other businesses, Lilly has skyrocketed on hopes for demand for its blockbuster weight-loss drugs, Mounjaro and Zepbound.

If either stock were to replicate its 2023 gains in the months ahead, they would surpass a [market capitalization](#) of \$1 trillion, joining the ranks of tech giants including Apple Inc., Microsoft Corp. and Nvidia Corp.

Such returns are never guaranteed, not even for the Oracle of Omaha, who reminded investors of that recently.

"All in all, we have no possibility of eye-popping performance," Buffett wrote in his annual letter to shareholders over the weekend, cautioning that the company's size constrains its ability to make needle-moving deals.

Still, a deal could be one catalyst for the stock. "If it's seen by the market as a smart play—which Warren Buffett typically does—they could make that bounce over the trillion-dollar goal line," said Quincy Krosby, chief global strategist for LPL Financial.

Meanwhile, optimism about Lilly's prospects rose at Morgan Stanley where earlier this month analysts lifted their price target to \$950 on the drugmaker, the highest on the Street. The bank's analysts speculated on if Lilly would become the first trillion-dollar biopharmaceutical

company, signaling there's room for the stock to run higher.

Consensus still implies a long road for Lilly to hit the \$1 trillion milestone. Analysts tracked by Bloomberg have an average price target of \$777 on Lilly, putting it at a less than \$750 billion valuation over the next year, according to Bloomberg calculations.

Sky high

Lilly's valuation premium may be behind Wall Street's skepticism. The stock currently trades above its five-year average at about 57 times forward earnings, far higher than that of the front-runner of the AI revolution, Nvidia, or any of the other names in the Magnificent Seven with the exception of Tesla Inc. Meanwhile, Berkshire trades below most of the group on a price-to-earnings basis.

The promise of new markets for its weight-loss treatments—ranging from [heart failure](#) to sleep apnea—is a likely factor in propelling Lilly toward the one trillion milestone, according to Shams Afzal, a portfolio manager at Carnegie Investment Counsel.

"Lilly has truly become the unicorn in the space," Afzal said. "It may not touch a trillion dollars this year, but the milestone is not an improbable one."

Crossing the line

If Berkshire breaks into \$1 trillion territory, it will be in part due to the success of one of the tech giants it's chasing: Apple is the top holding in the firm's stocks portfolio after Buffett amassed a roughly \$165 billion stake. Last year's 48% rally in Apple shares bolstered that position.

At least some analysts are projecting stock gains that would push Berkshire across the line. A 12-month [price target](#) boosted last week by a CFRA analyst implies a sufficiently steep advance, and UBS doled out a fresh Street high in a note this week.

In the U.S., tech giants have long ruled the thirteen-digit ranks. Apple first broke the ceiling in 2018. Microsoft recently eclipsed the \$3 trillion mark and currently commands the highest market capitalization in the S&P 500.

Nvidia has been flirting with the \$2 trillion mark, while Amazon.com Inc., Alphabet Inc. and Meta Platforms Inc. all trade above a \$1 trillion valuation. Tesla joined the club's elite ranks amid its feverish 2021 rally, but has since dropped out—a warning to future new conscripts.

"When valuations become richer and richer, it doesn't matter which company it is, which sector, the market becomes much more discerning and therefore more critical—and demanding more positive guidance during the earnings season," said LPL's Krosby.

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