

# Is Novavax a Buy Now?

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The stock has dropped 98% over the past three years.

**Novavax** (NVAX 0.17%) has taken investors on a roller coaster ride over the past week or so. The stock soared after the company settled a dispute with a big customer, then sank as it reported lower-than-expected earnings.

The vaccine maker has struggled to win over the investment community after entering the coronavirus vaccine market late with its initial vaccine -- and commercializing its updated vaccine after rivals this past fall.

The initial late entry meant Novavax missed out on the biggest revenue opportunity, and as a result, the company was forced to reconsider its cost structure. Management launched a cost-cutting plan last year, and on a bright note, the biotech is making progress there. In more positive news, the vaccine maker plans on launching a phase 3 trial this year for its combined coronavirus/flu vaccine, a product that could attract a significant number of users.

Today, Novavax trades at a fraction of its price a few years ago, and the company is advancing toward its goals. Does this make the stock a buy?

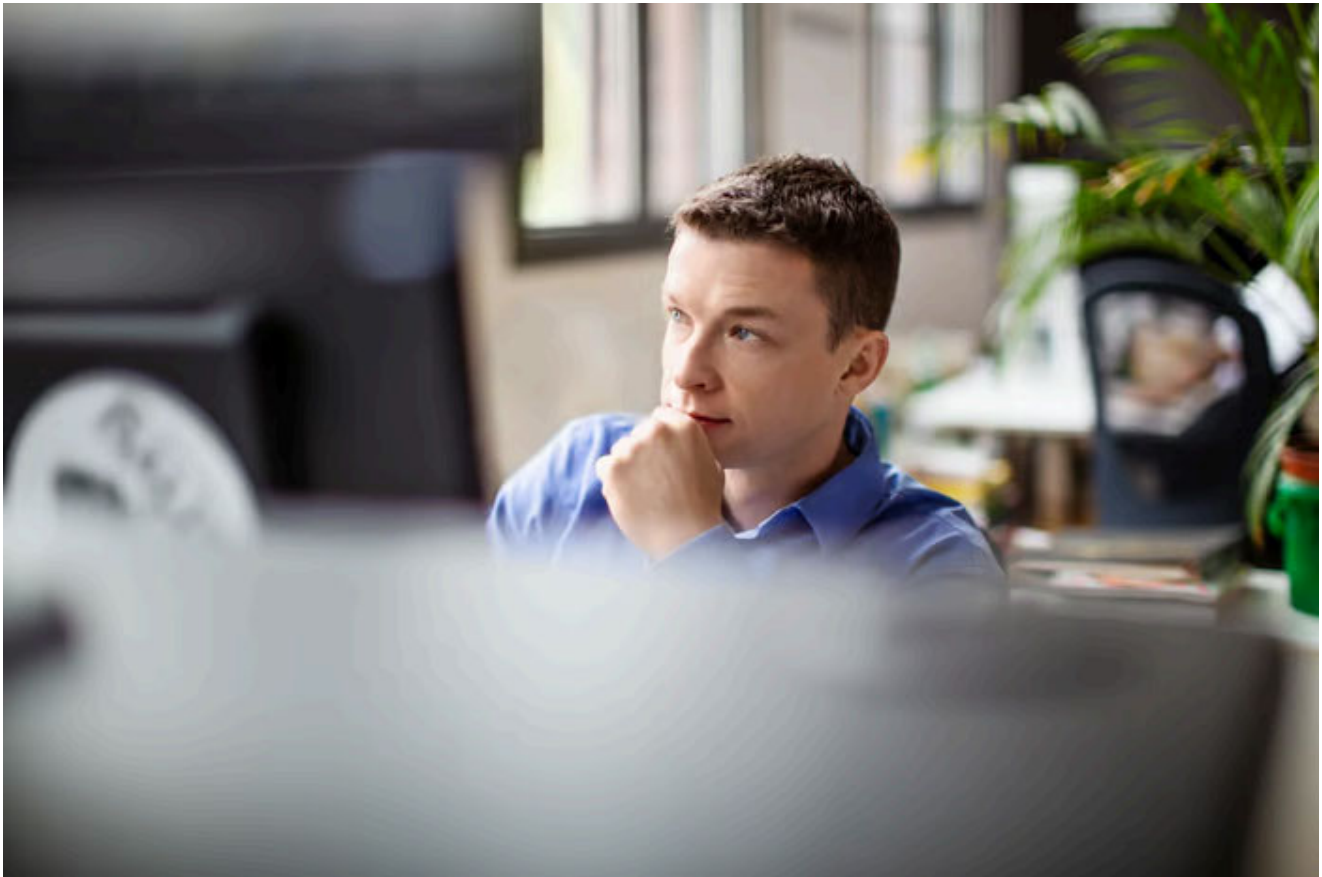


Image source: Getty Images.

## An alternative to mRNA vaccines

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First, a bit of background on Novavax. The biotech competes in the coronavirus vaccine market with a product that's different from **Pfizer's** and **Moderna's** messenger RNA vaccines.

Novavax makes a protein subunit vaccine, based on a more traditional technology that's been used in other commercialized vaccines. So the product offers healthcare providers and people who want a vaccination an option besides the newer mRNA technology or if they had side effects from an earlier mRNA shot.

Novavax's clinical trials and its use in the real world have produced positive results, scoring another win for the company.

But the vaccine maker has faced one big problem: its speed to market. Novavax, entering the coronavirus treatment market behind rivals, lost out on the initial revenue opportunity -- the moment when everyone rushes to get vaccinated.

Today, with coronavirus vaccines becoming an annual routine, the good news is that Novavax has a renewed opportunity each fall to launch its updated vaccine at the same time as its rivals. If the company can take advantage, it should have a better chance of carving out market share.

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## Novavax's plan for vaccine season

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In more good news, Novavax said in its recent earnings report that it has a plan to improve its performance during the next vaccine season. The goal is to enter the market in early September, the start of the vaccine season, in order to capture that first wave of vaccine demand.

The company also noted that most vaccinations last fall took place in retail pharmacies, so it has focused on ensuring its vaccine will be broadly available in those locations. It says it aims to offer it in a pre-filled syringe this fall, making it faster and easier to use. This could greatly appeal to pharmacies.

Lastly, Novavax recently settled a dispute with its customer Gavi, the public/private vaccine alliance, avoiding a potential total reimbursement that could have put the company in financial danger. The agreement calls for annual payments to Gavi totaling as much as \$400 million instead of the nearly \$700 million reimbursement Gavi originally requested.

At the same time, Novavax surpassed its cost reduction goal for 2023. And for 2024, it aims to keep research and development costs as well as selling, general, and administrative expenses between \$700 million and \$800 million. That's down from more than \$1 billion in 2022.

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Meanwhile, after fluctuating greatly last week amid the Gavi news and recent earnings report, the shares still have lost 98% over the past three years.



### NASDAQ: NVAX

Novavax

Today's Change

(0.17%) \$0.02

Current Price

\$11.98



✓ NVAX

Key Data Points

Market Cap

\$2B

Day's Range

\$11.77 - \$12.22

52wk Range

\$3.53 - \$23.86

Volume

3,589,148

Avg Vol

10,637,072

Gross Margin

66.32%

Dividend Yield

N/A

## Consider your investing style

So, let's get back to our question: Is Novavax a buy now? This depends on your comfort with risk.

If you're a cautious investor, it's best to watch this biotech player from the sidelines for now. The company, with a pipeline focused on flu and coronavirus, depends on its current vaccine and the potential combined vaccine.

If demand for coronavirus vaccines fizzles in the coming years, Novavax shares could sink. So it will be important to monitor trends during the coming vaccination season and the next to see if demand stabilizes at a certain level.

But if you're an aggressive investor looking for a recovery story, you might want to take a chance on this beaten-down biotech and open a small position. Potential progress along the path to recovery, improvement in sales during the next vaccine season, and possible positive news from the combined vaccine program could drive the shares significantly higher. But it's important to remember Novavax remains a high-risk bet.

## Should you invest \$1,000 in Novavax right now?

Before you buy stock in Novavax, consider this:

The Motley Fool *Stock Advisor* analyst team just identified what they believe are the **10 best stocks** for investors to buy now... and Novavax wasn't one of them. The 10 stocks that made the cut could produce monster returns in the coming years.

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**Now, it's worth noting *Stock Advisor's* total average return is 752% — a market-crushing outperformance compared to 163% for the S&P 500. Don't miss out on the latest top 10 list.**

See the 10 stocks

*\*Stock Advisor returns as of August 22, 2024*

*Adria Cimino has no position in any of the stocks mentioned. The Motley Fool has positions in and recommends Pfizer. The Motley Fool recommends Moderna. The Motley Fool has a disclosure policy.*

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