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Genmab: Looking To Manage My Position Around Q3 Earnings

Nov. 06, 2024 3:17 AM ET [Genmab A/S \(GMAB\) Stock](#)



[Biologics](#)

[Investing Group Leader](#)

(12min)

Summary

- Genmab's robust pipeline, strategic partnerships, and strong 2023 performance, led by DARZALEX and EPKINLY, bolster my bullish conviction despite ongoing legal disputes with Johnson & Johnson.
- The company's Q3 earnings on November 6th are crucial, with expectations of \$817M in revenue and \$0.33 EPS, potentially reversing the recent 20% share price drop.
- Investors should watch for updates on Genmab's pipeline, OpEx, and DARZALEX royalty trends, as well as the impact of the ProfoundBio acquisition.

- Despite risks, including competition and regulatory challenges, I maintain a strong conviction in GMAB, planning to add shares if positive earnings trigger a price move above \$24.



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It has been roughly eight months since my last **Genmab** ([GMAB](#)) [article](#), where I highlighted the company's robust pipeline progress, strategic partnerships, and a strong 2023 performance, led by DARZALEX and their new product, EPKINLY. Genmab's revenue and profit growth along with a notable cash reserve improved the company's long-term prospects. In addition, the high royalty and product sales expectations, along with a recently launched share buyback program, bolstered my bullish conviction on GMAB. On the other hand, I acknowledged that Genmab still faces risks, including the legal dispute over DARZALEX royalties with Johnson & Johnson ([JNJ](#)), which has weighed on the ticker. As a result, I held off on adding to my GMAB position until either the company makes some progress in the court battle over DARZALEX, or the ticker's valuation is too attractive to pass by. Since then, the ticker has dropped over 20% despite the company still reporting double-digit growth, and beating the Street's earnings expectations. Indeed, the DARZALEX issues continue to weigh on the share price, however, the GARP prospects still have me checking in on GMAB as we approach their Q3 earnings on November 6th. An earnings beat along with strong numbers from EPKINLY and TIVDAK could be enough to trigger a potential reversal in the share price. In

addition, I am looking forward to the company's views on their recent [acquisition](#) of ProfoundBio.

I intend to recap the company's earnings history and highlight what investors should be looking for in the company's Q3 earnings. Then, I will take a look at what the Street is forecasting for Genmab in the coming quarters as DARZALEX continues to grow. Furthermore, I discuss some downside risks that investors need to think through when managing their GMAB position. Finally, I disclose the conditions needed for me to grab some GMAB shares following the company's Q3 earnings.

Genmab's Recent Earnings

Genmab has shown a strong revenue growth trend over recent quarters, with several periods achieving double-digit year-over-year increases. This indicates consistent demand for its products and a solid market position. However, profitability has been somewhat inconsistent, with undulating EPS marks and occasional misses, especially noticeable in late 2022 and early 2023. Recently, Genmab's performance appears to be acquiring a stable growth trajectory. In fact, the first half of 2024 showed both revenue and EPS beats, with double-digit year-over-year growth.

Earnings History

Period	EPS	Beat / Miss	Revenue	YoY	Beat / Miss
▼ FQ2 2024 (Jun 2024)	0.32	0.03	790.21M	28.17%	69.17M
▼ FQ1 2024 (Mar 2024)	0.29	0.11	595.87M	41.56%	23.51M
▼ FQ4 2023 (Dec 2023)	0.14	-0.14	673.22M	-9.57%	6.86M
▼ FQ3 2023 (Sep 2023)	0.46	0.17	680.25M	23.68%	46.61M
▼ FQ2 2023 (Jun 2023)	0.30	0.08	616.53M	40.81%	15.91M
▼ FQ1 2023 (Mar 2023)	0.05	-0.11	420.93M	40.53%	5.63M
▼ FQ4 2022 (Dec 2022)	0.13	-0.22	744.45M	85.81%	62.91M
▼ FQ3 2022 (Sep 2022)	0.53	0.31	550.01M	54.27%	73.89M

Genmab Earnings History (Seeking Alpha)

Digging into Genmab's recent [income statements](#) supports the company's earnings trends with a steady upward path in revenue over recent quarters. Notably, the company has managed to achieve solid gross profits, however, SG&A costs and R&D expenses have increased significantly since Q4 of 2021. This rise in OpEx has been tied to strategic investments and progressing their pipeline, but the company has been able to keep their operating income in the green, thus allowing them to continue putting the pedal down on R&D, and possibly looking for additional acquisitions to help boost the company's long-term growth potential.

Q3 Expectations

Genmab is scheduled to report their Q3 earnings on November 6th. The Street is expecting the company to report around \$817M in revenue, with \$0.33 for EPS and \$0.31 for GAAP EPS.

Upcoming Quarter's Earnings

Announce Date	11/6/2024 (Post-Market)
EPS Normalized Estimate	\$0.33
EPS GAAP Estimate	\$0.31
Revenue Estimate	\$816.97M
EPS Revisions (Last 90 Days)*	▲2 ▼1

Genmab Q3 Earnings Estimates (Seeking Alpha)

It appears as if there have been two upward revisions over the past 90 days, with one downward revision. Genmab has already announced that the Q3 net sales of DARZALEX came in at \$3.016B, which should help them achieve their [updated](#) 2024 guidance of \$1.95B to \$2.03B in royalty revenue from DARZALEX, and hit \$3B to \$3.2B in total revenue for 2024. In addition, the company raised their total royalty guidance with EPKINLY, and Tivdak is expected to bring in over \$190M in growth. On the cost side, Genmab expects their OpEx to come in around \$2B to \$2.1B, driven by R&D spending on Rina-S and acasunlimab. Despite their elevated spending, Genmab expects their operating profit to be around \$925M, which would be up 17% from last year. I believe it is imperative that the company's Q3 earnings keep them on track to hit their previous guidance and achieve their adjusted growth expectations.

I am also looking forward to any updates regarding their [acquisition](#) of ProfoundBio, which provided them with worldwide rights to three clinical-stage antibody-drug conjugates (ADCs), including Rina-S for FR α -expressing solid tumors. This acquisition appears to complement Genmab's existing technology and bolsters their oncology portfolio. Notably, Rina-S has been granted [FDA Fast Track](#) status for FR α -expressing high-grade serous or endometrioid platinum-resistant ovarian cancer, which would put Genmab in the advanced ovarian cancer therapeutic market that is [expected](#) to hit \$5.45B by 2033. So, any update on their plans to progress Rina-S, or any timeline could give investors an idea about when they could see Rina-S hit the market. In addition, one should expect this to require increased R&D expenses, so any clarity on how these new assets will impact their OpEx in the coming quarters.

So, investors need to keep an eye out if the company can hit the Street's earnings expectations and is on track to hit their full-year guidance estimates. In addition, I'll be looking for updates on Genmab's pipeline developments and OpEx updates, along with any additional insights into DARZALEX's royalty revenue trends.

Looking Ahead

Indeed, every earnings report is a vital piece of information about the company's current condition, while providing some insight into what is expected in the coming quarters, or years. For Genmab, the Q3 earnings could reveal that the company is still pulling in substantial partnership revenue, along with showing momentum from their own products. In addition, Genmab needs to start showing that they have answers for the expected loss of DARZALEX royalties at some point next decade. Admittedly, those items don't have to be completely addressed this quarter... or even partially addressed. However, I believe it is

imperative that investors walk away from the Q3 earnings confident that Genmab is still growing and already has the ingredients to form their next growth chapter.

At the moment, the Street expects Genmab to report solid double-digit growth for both EPS and revenue for the remainder of the decade.

Fiscal Period Ending	EPS Estimate	YoY Growth	Forward PE	Low	High	# of Analysts
Dec 2024	1.28	35.27%	18.01	1.14	1.58	5
Dec 2025	1.61	25.54%	14.35	1.38	2.00	5
Dec 2026	2.32	44.11%	9.95	1.99	2.65	2
Dec 2027	3.35	44.08%	6.91	3.35	3.35	1
Dec 2028	4.66	39.32%	4.96	4.66	4.66	1
Dec 2029	5.89	26.38%	3.92	5.89	5.89	1
Dec 2030	4.56	-22.52%	5.07	4.56	4.56	1
Dec 2031	4.92	7.82%	4.70	4.92	4.92	1
Dec 2032	4.89	-0.56%	4.72	4.89	4.89	1
Dec 2033	3.48	-28.91%	6.65	3.48	3.48	1

Genmab Annual EPS Estimates (Seeking Alpha)

Fiscal Period Ending	Revenue Estimate	YoY Growth	FWD Price/Sales	Low	High	# of Analysts
Dec 2024	3.02B	27.42%	4.81	2.67B	3.17B	24
Dec 2025	3.55B	17.45%	4.10	3.21B	3.89B	23
Dec 2026	4.14B	16.69%	3.51	3.67B	4.51B	16
Dec 2027	4.73B	14.19%	3.07	4.23B	5.39B	7
Dec 2028	5.36B	13.31%	2.71	4.65B	6.71B	7
Dec 2029	5.93B	10.77%	2.45	4.99B	7.82B	5
Dec 2030	5.63B	-5.04%	2.58	4.90B	6.87B	4
Dec 2031	6.43B	14.10%	2.26	5.56B	7.30B	2
Dec 2032	6.45B	0.28%	2.25	5.51B	7.39B	2
Dec 2033	5.90B	-8.53%	2.46	5.47B	6.32B	2

Genmab Revenue Estimates (Seeking Alpha)

However, analysts are expecting the company's growth to be muddy going into the 2030s, with a significant disparity between the low and high revenue estimates. The low end is probably predicated on the loss of DARZALEX royalties, with the high end probably being based on either a positive outcome in future DARZALEX litigation or the company's ability to fill the void left by the loss of royalties.

What is My Point?

Well, contrary to what the ticker's recent performance would suggest, I think Genmab's long-term bullish outlook is not completely dried up... with some analysts expecting Genmab to continue an upward trajectory into the next decade. Again, strong Q3 earnings with positive

updates and optimistic commentary in the earnings call could suggest the company can steer toward more bullish forecasts in the coming years.

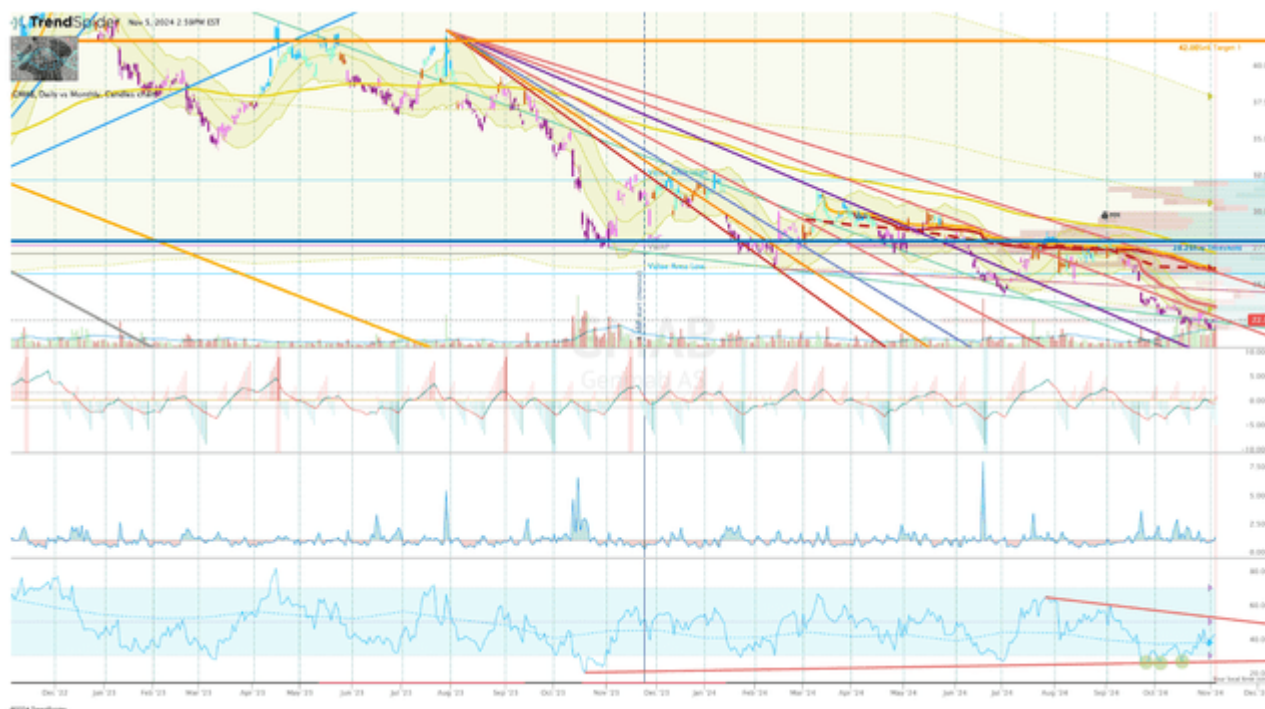
Lingering Risks

I think it is clear that the lingering risks have weighed on GMAB's share price, despite the company's ongoing success. The company does have to deal with hallmark risks associated with the biotech arena including competition, clinical trial results, regulatory challenges, and IP fears. However, the legal skirmish with their partner, Johnson & Johnson, over DARZALEX remains a focal point. In the [recent](#) court decision regarding DARZALEX royalties between Janssen Pharmaceuticals (Johnson & Johnson) and Genmab, an arbitration tribunal sided with Janssen, ruling that Janssen must pay royalties to Genmab until the expiration of Genmab's patents on DARZALEX, but not beyond that point, even if Janssen holds its own patents on the drug, essentially giving Janssen a win in the dispute over royalty payments. Genmab should have continued to [receive](#) royalties into the 2030s, but the company received [\\$1.84B-\\$1.94B](#) from DARZALEX royalties in 2023. Considering [83%](#) of Genmab's 2023 revenue came from royalties, the conclusion concerning DARZALEX is going to determine where GMAB goes for the foreseeable future.

Despite these risks, I am still maintaining my GMAB conviction level at 4 out of 5 and the ticker will remain a "Top Idea" in the Compounding Healthcare Investing Group.

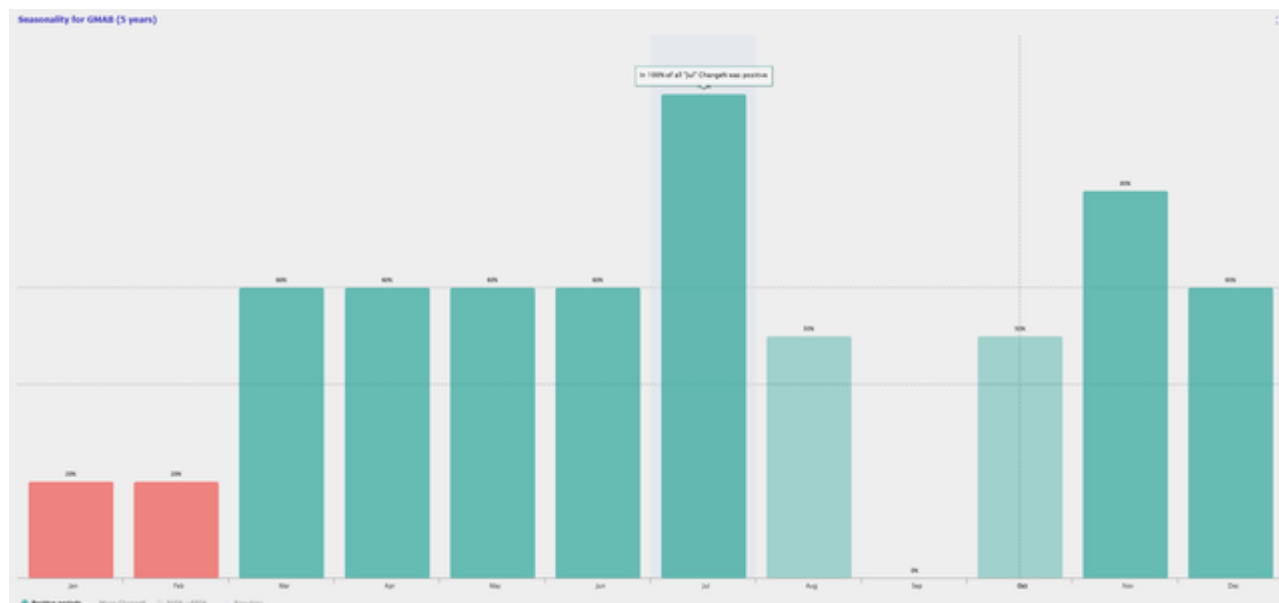
My Plan

Regardless of how bullish I am on Genmab's long-term outlook, I am not looking to haphazardly hit the buy button while the ticker continues to trade lower even though GMAB is trading below my Buy Threshold of \$28.25, as well as my Buy Level 1 of \$23.11. I am going to need a strong positive reaction from the company's earnings that moves the ticker above the anchored VWAP (~\$24 per share) before.



GMAB Daily Chart (Trendspider)

Thankfully, GMAB's seasonality shows that November is a bullish month for the ticker, so perhaps the market environment will support a positive move in the share price in the coming days and weeks.



GMAB Seasonality (Trendspider)

If the ticker is able to hold above the anchored VWAP, I will make a small addition. Then, I will look to make another addition if the ticker is able to break the downtrend ray from the August 2023 high. Subsequently, I will set equivalent sell orders around my Sell Target 1 of \$42 per share in order to book profits and move my position back to a "house money" condition.

On the other hand, if the company falls short of expectations and the market punishes the ticker, I will stay away from the ticker until it establishes a new trading range, where I can adjust my trading levels.

Long term, I still expect to trade GMAB for at least five more years to generate profit, while growing a core position for a long-term investment.

This article was written by



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I have combined years of education and experience in healthcare with equity markets in order to forge my methods. Methods that have generated a system that has provided several multi-baggers over the past few years that comprises some of the best-performing stocks in recent times as well as some acquisitions. Although not all of my picks have hit multi-bagger status, however, you will be overburdened to locate another system that has produced the number of multi-baggers in speculative healthcare stocks. Moreover, I believe it would be even more arduous to locate a system that has secured profits from these trades/investments and has since compounded them several times in less risky growth stocks such as blue-chip dividend stocks. I took an immense amount of time researching to develop a gradational trading system that allows members to capitalize on these opportunities while remaining resolute in their positions during periods of extreme volatility.

Analyst's Disclosure: I/we have a beneficial long position in the shares of GMAB, JNJ either through stock ownership, options, or other derivatives. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

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