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GeoVax Labs, Inc. (GOVXD - OTC)

Convertible Preferred Shares a Barrier to Advancement

Based on our DCF model and a 15% discount rate, GOVX is valued at approximately $5.00 per share. Our model applies a 15% probability of eventual sales for GOVX-B11 based on historical Phase 2 success ratios. Our valuation includes geographic contributions from the US, and outside the US. We do not include any value for the preclinical programs.

Current Price (6/7/2019)	$0.76
Valuation	**$5.00**

OUTLOOK

GeoVax boasts a pipeline with over ten vaccines in various stages of development. The company's lead candidate is a preventative vaccine for HIV which is currently in Phase II clinical trials conducted by the HIV Vaccine Trials Network (HVTN) with funding from the National Institute of Allergy and Infectious Diseases (NIAID) of the National Institutes of Health (NIH). The company is also developing approaches for hemorrhagic fevers including Ebola, Marburg, Lassa and Sudan viruses.

GeoVax employs the Modified Vaccinia Ankara (MVA) Virus-Like Particle (VLP) platform technology which uses recombinant DNA to produce VLPs. Preclinical and clinical work has shown the VLPs are safe and elicit a strong and durable humoral and cellular immune response.

Collaborations are a backbone of the company's approach and work with governmental, academic and private companies are helping advance the portfolio of vaccines. The list of collaborators includes the DoD, Emory University, Vaxeal, ViaMune, AGT, the NIH, the CDC and many others.

SUMMARY DATA

52-Week High	**25.00**
52-Week Low	**0.76**
One-Year Return (%)	**-96.2**
Beta	**0.71**
Average Daily Volume (sh)	**1,502,180**
Shares Outstanding (,000)	**610**
Market Capitalization ($mil)	**0.5**
Short Interest Ratio (days)	**0.0**
Institutional Ownership (%)	**8.7**
Insider Ownership (%)	**0.5**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**N/A**
P/E using 2019 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	$0.2 A	$0.1 A	$0.3 A	$0.3 A	$1.0 A
2019	$0.4 A	$0.3 E	$0.3 A	$0.3 A	$1.2 E
2020					$1.0 E
2021					$1.0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$2.50 A	-$2.05 A	-$1.99 A	-$0.00 A	-$7.82 A
2019	-$1.43 A	-$0.98 E	-$0.81 E	-$0.52 E	-$3.30 E
2020					-$1.95 E
2021					-$1.48 E

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What's New

GeoVax Labs, Inc. (OTC: GOVXD) filed its first quarter 2019 10-Q and issued the accompanying press release on May 14, 2019 providing an operational and financial update on the company's performance. Since the year began, GeoVax announced collaborations with Enesi Pharma, expanded a collaboration with Leidos, was published in the Atlas of Science and effected a 1:500 reverse stock split. Looking forward to the rest of 2019, we expect a capital raise which will enable the advancement of the HIV and Zika programs, the start of the Phase IIb HVTN efficacy trial and the launch of a Phase I collaboration with AGT for an HIV cure.

Grant and collaboration revenues for 1Q:19 were $364,000, representing a 65% increase over 1Q:18 levels. A substantial ramp up in the Zika SBIR grant, the initiation of the Lassa Fever SBIR and US Army grants since the comparable period explained the increase. We also note that revenues from the HIV SBIR grant which appeared in 1Q:18 did not appear in 2019. Total expenditures for the first quarter were $1.1 million, up 26% from prior year levels. R&D expenditures of $0.6 million compared to $0.5 million in the prior year. G&A was $0.5 million, increasing from $0.4 million in 1Q:18 with the increase attributable to costs associated with investment banking arrangements, investor relations activities and travel.

As of March 31, cash on the balance sheet was $176,000 and notes outstanding totaled $48,000. Cash burn for the three month period was ($0.3) million, which compares to ($0.4) million last year. GeoVax received $240,000 in proceeds from sale of preferred stock and also paid down a small portion of the notes outstanding in the quarter. On April 26, 2019, GeoVax received $250,000 from the sale of 250 shares of Series G Preferred Stock. The company issued additional Series I Warrants to purchase 33,334 shares of common stock as part of this transaction.

GeoVax executed a reverse stock split on May 2, 2019, issuing one share for each 500 outstanding. The ticker symbol temporarily changed to GOVXD for the month of May to reflect the post-split price. During the first week of June the shares reverted to trading under the symbol GOVX. Total shares post-split and as of May 13, 2019 were 610,098.

Convertible Preferred Stock

GeoVax issued Series F and G convertible preferred stock in return for the exchange of outstanding Series C and E preferred stock and $500,000 of additional capital during February 2019. The lack of other alternatives led to the difficult terms of the financing. The purchase agreement also included the option for GeoVax to raise an additional $500,000 in subsequent closings for an additional 500 shares of Series G convertible preferred stock. The terms for the convertible stock allow the holder to convert shares at the lesser of $7.50 (adjusted for reverse stock split) or at a 10% discount to trading price. The lack of a floor for the convertible preferred stock has the effect of diluting outstanding shares as the share price declines.[1] This has raised concerns for new investors who are at risk of being diluted if the share price continues to decline following their new investment. We believe that this structure has led to the severe drop in share price below a market cap of $1 million.

In our opinion, the convertible preferred stock needs to be retired prior to new investment being made and a new investment must be sufficient to achieve the next program milestone. Based on our discussions with the company, we developed several estimates for the cost to retire the Series F and G convertible preferred stock. Additional costs for operations and clinical work are also included. Given the terms of the convertible preferred stock, the securities are expected to grant the buyer majority control of the company. Our enterprise value for the company, assuming sufficient capital is obtained to advance the HIV assets, is approximately $80 million. This value is diluted among warrant, option and anticipated new shares to raise capital, which yields our $5.00 target price. We think that an investor who could provide from $8.5 to $10 million in capital in the near term and a commitment to invest $5 million more in a non-dilutive way at a later date could unlock this trapped value. This action would allow GeoVax to also pursue its cancer indication which would merit additional value on top of our current valuation. Our opinion is that it is the fear of dilution and the lack of reliable capital on favorable terms to the enterprise which is limiting the realization of value.

[1] As the share price declines, each unit of convertible preferred converts into a greater number of outstanding shares.

The Series F/G convertible preferred stock has a cost basis of approximately $3.5 million and we believe that an additional $1 million (or ~30%) premium to this amount would be sufficient to incent the retirement of these securities. Discussions with management suggest that $2 million is sufficient to fund G&A costs over the next year and an additional $2 million would be sufficient to start a Phase I.

Exhibit I – Investment to Retire Preferred Stock and Advance Oncology Candidate

Item	Value ($MM)	Note
Series F/G Conv Pf Stk	$3.5	Cost basis for investment
Premium to Retire Conv Pf Stk	$1.0	Our estimate
Annual Baseline Operations	$2.0	G&A costs per annum
Phase I Oncology Study	$2.0	Phase I Development Cost estimate
Est. Add. Capital Needed	**$8.5**	

Programs

GeoVax has a full pipeline of programs with HIV holding the most advanced position with Phase II work being done. The remainder of the portfolio is centered on infectious disease and immuno-oncology preclinical work. Below, we summarize current status of the programs.

HIV Immunotherapy – In 2018, GeoVax received $256,000 for its HIV program from the NIH Small Business Innovative Research (SBIR) grant. Clinical trials for HIV are ongoing. The company plans another Phase I study in the near future with further evaluation of the protein boost. Looking forward, we anticipate a Phase IIb HVTN efficacy trial to being in the next few months. We also foresee human clinical trials starting with the AGT collaboration in 2H:19 where GeoVax's vaccine will be used to prime T cells in a Phase I study seeking a cure.

Ebola – An ongoing outbreak in Congo has highlighted the need for a safe, effective and durable vaccine that can remain viable at room temperatures. GeoVax has had several publications of its preclinical Ebola trial results published in Atlas of Science and Nature. The study demonstrated 100% single-dose protection in a large primate model. We discuss the details of the articles here.

Lassa fever – A $300,000 Fast Track Phase I/II SBIR grant was received in support of further advancing the Lassa fever development program. Total project budget is $1.9 million for a Phase II award, which we anticipate will be secured. A U.S. Department of Defense (DoD) award for $2,442,307 was also granted in a cooperative agreement to develop Lassa vaccine. The Lassa vaccine has demonstrated 100% single dose protection in a mouse model.

Zika – A two year, $600,000 Small Business Innovative Research (SBIR) grant was awarded in June 2017 in support of the development program. Efforts will focus on preclinical testing of the Zika vaccine in nonhuman primates in preparation for human clinical trials. The Zika program is likely to be advanced into human clinical trials if sufficient funding is raised. Furthermore, there are ongoing discussions with Brazilian entities which may yield additional collaborations.

Malaria – An ongoing collaboration with the Australian Burnet Institute is underway to develop a vaccine using the MVA-VLP platform. A second collaboration is with Leidos, which was announced in February 2019. Leidos is developing candidates against *Plasmodium falciparum* malaria and will use the MVA-VLP platform in its development efforts.

Hepatitis B – Collaborations with Georgia State University Research Foundation (GSURF) and CaroGen Corporation are advancing work in this area.

Vaccine Delivery – A collaboration was announced with Enesi Pharma in January 2019 to develop needle free vaccine formulations. The formulations will be used in conjunction with Enesi's ImplaVax device which may provide better consistency, stability in the vaccine administration and minimization of vaccination and needle phobia.

Cancer Immunotherapy – Collaborations with University of Pittsburgh and ViaMune are underway. The academic collaboration is focused on MUC1 with the goal of raising protective anti-tumor antibodies and T cell responses in cancer patients. Efforts with ViaMune are also centered on MUC1 and is seeking to combine a MUC1 vaccine for use with checkpoint inhibitors. Preclinical work in animal models have shown efficacy. Additional work with Vaxeal,

Emory Vaccine Center, Virometrix and Leidos are also taking place in immuno-oncology. The immuno-oncology program is likely to be advanced into the clinic if sufficient capital is raised.

Exhibit II – GeoVax Vaccine Pipeline

Indication	Vaccine Type	Designation	Stage of Development				Collaborator/ Funding
			Discovery	Preclinical	Phase 1	Phase 2	
HIV							
HIV – Clade B	Preventive	GOVX-B11					NIH, HVTN
HIV – Clade B	Therapeutic	GOVX-B01					AGT
HIV – Clade C	Preventive	GOVX-C55					NIH
Other Infectious Diseases							
Ebola virus	Preventive	GEO-EM01					NIH, USAMRIID
Marburg virus	Preventive	GEO-EM05					
Sudan virus	Preventive	GEO-EM03					
Lassa virus	Preventive	GEO-LM01					NIH, Scripps, UMD, USNRL, UTMB
Zika virus	Preventive	GEO-ZM02					NIH, CDC
Hepatitis B	Therapeutic						Georgia State Univ., CaroGen
Malaria	Preventive						Burnet Institute
Human Papillomavirus	Preventive						Emory University
Cancer							
Immuno-oncology	Therapeutic	GEO-CM01					Univ. of Pittsburgh, ViaMune, Vaxeal

NIH Funded Internally Funded

Year to Date Highlights

- Collaboration with Enesi Pharma to develop vaccines using ImplaVax – January 2019
- Ebola vaccine study published in Atlas of Science – March 2019
- Expansion of Leidos collaboration in malaria – March 2019
- Execution of 500:1 reverse stock split – May 2019

Summary

GeoVax continues to develop programs with a variety of grants while they seek a partner and funding for later phase development of its HIV projects. The company has been focused on preclinical work in other pipeline programs while seeking funding or partnerships to pursue a registrational trial in HIV. The value of vaccines to global health should not be ignored and they can be a fundamental part of eliminating the HIV epidemic in the US. Additionally, the public health value of preventing the spread of Ebola, Lassa fever, Zika or any of the other infectious diseases targeted by the company's MVA-VLP programs is immense. GeoVax plans to allocate additional resources towards its immuno-oncology indication if it can obtain sufficient financing. In our opinion, the largest hurdles to achieving this goal and advancing the portfolio are related to the convertible preferred shares outstanding, which have the unintended effect of depressing the share price and diluting existing shares. We adjust our price target to reflect the reverse stock split to $5.00 per share.

PROJECTED FINANCIALS

GeoVax Labs, Inc. - Income Statement

GeoVax Labs, Inc.	2018 A	Q1 A	Q2 E	Q3 E	Q4 E	2019 E	2020 E	2021 E
Total Revenues	**$1.0**	**$0.4**	**$0.3**	**$0.3**	**$0.3**	**$1.2**	**$1.0**	**$1.0**
R&D	$1.9	$0.6	$0.5	$0.5	$0.5	$2.1	$2.0	$2.2
G&A	$1.6	$0.5	$0.4	$0.4	$0.4	$1.7	$1.6	$1.8
Operating Income	($2.6)	($0.7)	($0.6)	($0.7)	($0.7)	($2.6)	($2.6)	($3.0)
Operating Margin	*-266.1%*	*-192.6%*	*-200.0%*	*-260.0%*	*-260.0%*	*-223.5%*	*-260.0%*	
Interest Expense	($0.0)	($0.0)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($2.6)	($0.7)	($0.6)	($0.7)	($0.7)	($2.6)	($2.6)	($3.0)
Taxes & Other	$0.0	$0.0				$0.0	$0.0	
Tax Rate	-	-	-	-	-	-	-	
Net Income	($2.6)	($0.7)	($0.6)	($0.7)	($0.7)	($2.6)	($2.6)	($3.0)
Reported EPS	**($7.82)**	**($1.43)**	**($0.98)**	**($0.81)**	**($0.52)**	**($3.30)**	**($1.95)**	**($1.48)**
YOY Growth	*24637.3%*					*-57.8%*	*-40.8%*	
Shares Outstanding	327.2	491.7	610.0	800.0	1,250.0	787.9	1,330.0	2,000.0

Source: Company Filing // Zacks Investment Research, Inc. Esti

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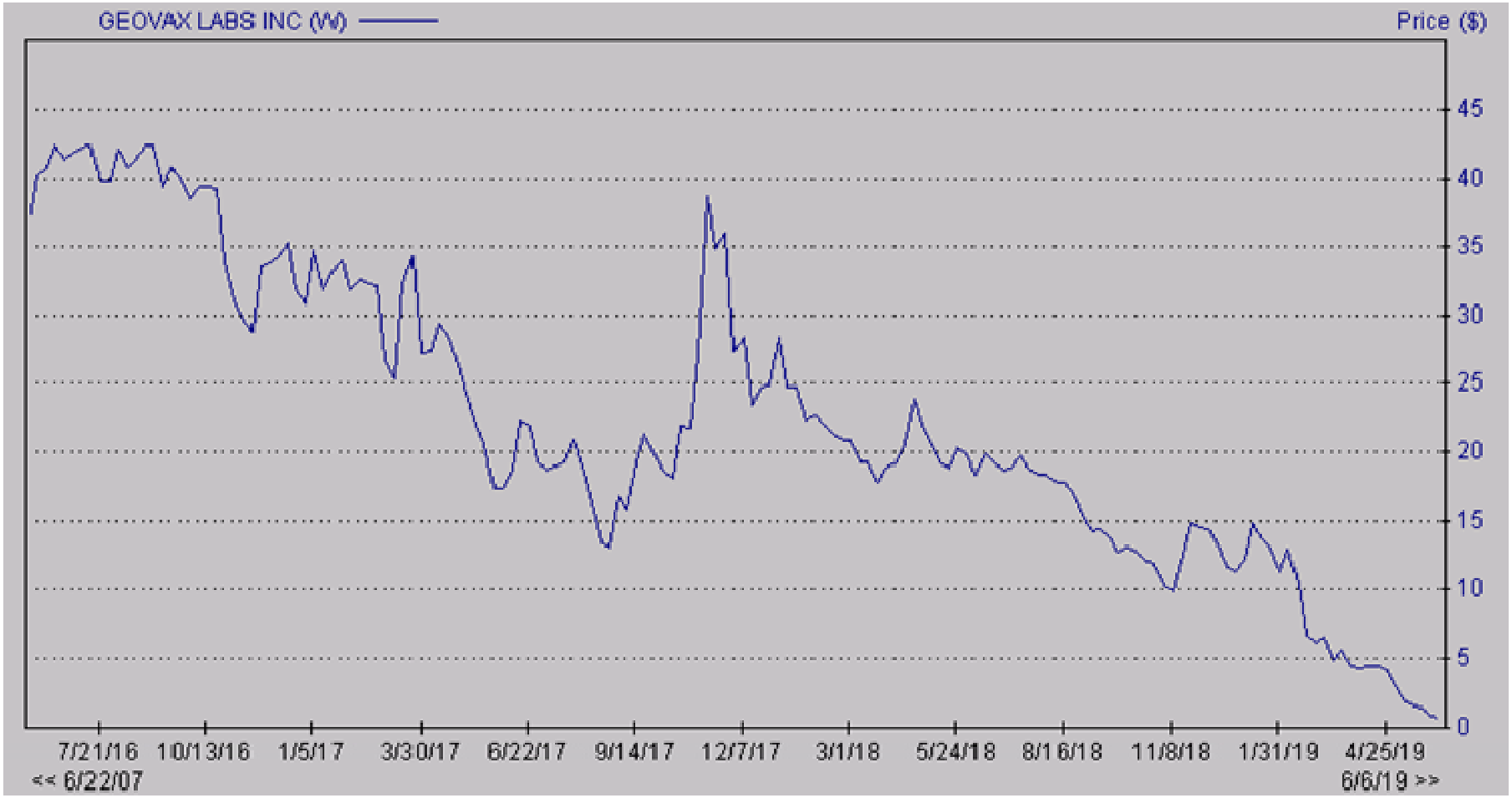
HISTORICAL STOCK PRICE

GeoVax Labs, Inc. – Historical Price Chart



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