Zacks Small-Cap Research

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GeoVax Labs Inc. (GOVX-OTC)

GOVX: On track to advance both preventive and therapeutic HIV vaccines, New Ebola vaccine program added--Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	01/15/2013
Current Price (11/19/14)	$0.24
Twelve- Month Target Price	**$1.50**

OUTLOOK

GOVX is a unique developer for both preventive and therapeutic HIV vaccines. The Company's preventive HIV vaccine is one of the most advanced in development. Both HIV/AIDS vaccine and treatment markets are huge and GOVX has the potential to be a key player in the two markets. The addition of Ebola vaccine program further expands its pipeline.

Management will continue to create shareholder value by generating new clinical data, bringing in government support and partnership.

We believe valuation is attractive with the potential for substantial returns.

SUMMARY DATA

52-Week High	**$0.89**
52-Week Low	**$0.20**
One-Year Return (%)	**-38.46**
Beta	**1.64**
Average Daily Volume (sh)	**119,613**
Shares Outstanding (mil)	**32**
Market Capitalization ($mil)	**$8**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**36.8**
Insider Ownership (%)	**7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**10.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2012 Estimate	**N/A**
P/E using 2013 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	0.80 A	0.44 A	1.00 A	0.18 A	2.42 A
2014	0.16 A	0.18 A	0.32 A	0.30 E	0.96 E
2015					1.50 E
2016					1.50 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.03 A	-$0.02 A	-$0.01 A	-$0.04 A	-$0.11 A
2014	-$0.02 A	-$0.03 A	-$0.02 A	-$0.02 E	-$0.09 E
2015					-$0.09 E
2016					-$0.11 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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WHAT'S NEW

- ***Financials for 3Q14 reported with conservative cash burn;***
- ***Positive data from Phase I therapeutic HIV vaccine reported, Phase Ib planned;***
- ***Phase IIb trial for preventive HIV vaccine planned for 2015;***
- ***Ebola program further expands pipeline;***
- ***Maintain Outperform rating;***

GeoVax Reports 2014 Third Quarter Financial Results with Conservative Cash Burn

Revenue for 3Q14 ended September 2014 was $322,086, compared to net revenue of $1,004,211 for 3Q13. These revenues were related to grants from the NIH in support of its HIV/AIDS vaccine development efforts.

As of September 30, 2014, GeoVax reported approximately $452,000 in unused grant funds remaining and available for use.

R&D expenses were $425,498 for the three-month ended September 30, 2014, as compared to $879,104 for the comparable periods of 2013. R&D expenses include direct costs funded by NIH grants, as well as vaccine manufacturing and testing costs and expenses related to the Company's HIV immunotherapy program.

General and administrative (G&A) expenses were $411,814 for 3Q14, as compared to $316,452 for the comparable periods of 2013.

Net loss was $514,515 ($0.02 per share) for the three months ended September 30, 2014, compared to $190,148 ($0.01 per share) for the same period in 2013.

As of September 30, 2014, GeoVax held a cash balance of $862,191. The Company received $873,400 in October 2014 related to stock warrant exercises.

GeoVax Presents Therapeutic HIV Vaccine Clinical Trial Data

In October, GeoVax gave an oral presentation entitled "*Elicitation of Immune Responses by a DNA/MVA Vaccine in ART Treated Patients in a Treatment Interruption Trial*" at the HIV Research for Prevention 2014: AIDS Vaccine, Microbicide and ARV-based Prevention Science (HIVR4P) conference in Cape Town, South Africa.

The presentation was focused on GeoVax's **Phase I trial (GV-TH-01)** investigating the therapeutic potential of its DNA/MVA vaccine regimen **(GOVX-B11)** in HIV-infected patients, which was completed earlier in 2014.

GV-TH-01 is an open label Phase I treatment interruption trial investigating the safety and immunogenicity of the Company's DNA/MVA vaccine in **9 HIV-infected patients** who had initiated drug treatment within 18 months of seroconversion and had stably controlled virus for at least 6 months. Patients were vaccinated with two DNA inoculations followed by two MVA inoculations at intervals of two months. Eight weeks following the last inoculation, patients suspended drug therapy for a 12 week period. Vaccinated patients' ability to control the time and temporal height of re-emergent virus in the absence of drugs was then observed. Drug treatment was re-instituted after 12 weeks, and trial participants were observed for an additional 6 months.

The **primary endpoint** of this study is to evaluate the safety of GOVX-B11 in HIV-positive patients with well-controlled infections who are being treated with oral HIV medications. A **secondary objective** is to

evaluate the immunogenicity of the GOVX-B11 vaccine during the vaccination phase of the trial. An **exploratory objective** of the study is to evaluate the ability of the vaccinated patient to control re-emergent virus during a 12-week drug treatment interruption period.

Excellent safety was observed throughout the trial, with none of the 9 participants needing to reinstate antiretroviral drugs during the treatment interruption phase of the trial.

Final analysis of the study concluded that GOVX-B11 enhanced CD8+ T cell responses in essentially all participants and that most vaccine-elicited CD8+ T cells recognized re-emergent virus. CD8+ T cell responses are critical for the recognition and killing of cells harboring a reactivated infection. However, GOVX-B11 did not prevent viral re-emergence or control re-emergent virus to levels that minimize immune escape.

GeoVax believes that its DNA/MVA vaccines, or a component subset, may be effective as **shock agents**, and plans to evaluate the concept in a **Phase Ib** clinical trial. Success in this trial will be a first step toward commercialization of the GeoVax vaccines for use as the shock agent in **shock and kill protocols** for curing HIV infections. The Company's commercialization strategy will include use of its vaccines in combination with kill agents being developed by others as well as those undergoing development by GeoVax.

The positive data from the Phase I trial of GOVX-B11 is another achievement for GeoVax. We are very pleased with the safety of the vaccine and its ability to enhance immune responses in infected and drug-treated patients. The opportunity for GOVX-B11/proprietary agent lies in its ability to **complement drug therapies**, which can control virus spread but not recognize and kill infected cells, with a vaccine response capable of recognizing and eradicating infected cells.

Preventive HIV Vaccine Update

GeoVax's most clinically advanced vaccine development program is a DNA/MVA vaccine regimen for the prevention of clade B HIV infection. The Company has completed **multiple Phase I trials and a Phase IIa** trial of various dosing regimens and formulations of its vaccines. These vaccines have been evaluated in nearly 500 humans.

All of the clinical trials of GeoVax's preventive vaccines have been conducted by the HIV Vaccine Trials Network, and fully funded by the National Institute of Allergy and Infectious Diseases (NIAID), part of the NIH. GeoVax is actively engaged in discussions with the HVTN and NIAID regarding the design of its next clinical study and various trial designs are being considered.

GeoVax expects that HVTN would advance its DNA/MVA preventive HIV vaccine (**GOVX-B11**) directly into a large **Phase IIb efficacy study in 2015**, but recent discussions have now included the concept of adding another component (**protein boost**) to the Company's vaccine regimen, a concept that has been proposed before. If so, this will change the nature of the next clinical trial, which now may be a smaller study to evaluate the effect of a protein boost in individuals who participated in the Company's previously completed Phase IIa trial.

GeoVax is continuing discussions with the HVTN about future efficacy studies.

Since GeoVax's preventive HIV vaccine program is shepherded by the HVTN, which requires minimal resources on the part of GeoVax, the Company intends to focus its internal efforts on HIV immunotherapy program and on the acceleration of the Ebola vaccine development.

GeoVax Expands Pipeline by Initiating Ebola Vaccine Development Program

On October 2, 2014, GeoVax (GOVX) announced that it had initiated a new program for the development of **Ebola vaccine** to prevent Ebola infection.

This initiative follows recent **Ebola epidemic** in Africa and an Ebola case in the US. Currently there is no proven therapy available for Ebola virus. A safe and effective vaccine against Ebola is desperately needed.

According to the Company's news release, GeoVax is developing two Ebola vaccines, **GOVX-E301** and **GOVX-E302**. Both are recombinant MVA (modified vaccinia Ankara) vaccines designed to produce non-infectious virus-like particles (VLPs) displaying the Ebola virus glycoprotein. GOVX-E301 is being developed as a single-dose vaccine for epidemic response against the ZEBOV strain of Ebola, the virus responsible for the current outbreak. GOVX-E302 is being developed for routine immunization and is designed to protect against all three versions of Ebola known to be lethal in humans. GOVX-E302 is anticipated to be used in a two-dose regimen.

The development of the new Ebola vaccine program is based on the Company's unique recombinant **MVA platform**. GeoVax is using the platform to develop both preventive and therapeutic HIV vaccines. So far, GeoVax's recombinant MVA vaccines have been successfully evaluated in clinical trials against HIV, in which they have shown excellent **safety** and **immunogenicity**. GeoVax's rMVA technology also raises highly **durable** vaccine responses, by far the most durable in the field of HIV vaccines. One more advantage of rMVA technology is that GeoVax's rMVA vector is based on an attenuated smallpox virus. Following smallpox eradication in 1980, smallpox vaccinations were stopped, leaving all but the elderly unvaccinated and without **pre-existing immunity**.

Based on these findings from HIV clinical trials, we think the MVA platform is also suited to develop the Ebola vaccine. MVA-vectored Ebola vaccines have the unique attributes required for success and may offer superior results over other Ebola vaccines in development.

GeoVax is progressing in the product development stage for both GOVX-E301 and GOVX-E302, but will require additional funding to conduct preclinical animal studies and manufacturing, which it will seek from governmental and/or private sources. The Company's immediate goal is to develop GOVX-E301 as quickly as possible, with production of the first vaccine lot available for clinical testing in humans anticipated in **2016.**

GeoVax's Ebola vaccine development efforts will be facilitated by the Company's close proximity to, and collaboration with, the U.S. Centers for Disease Control (CDC) in Atlanta and its experts and Biosafety Level 4 (BSL-4) facilities for testing vaccine responses against lethal hemorrhagic viruses.

We think GeoVax's Ebola vaccine program is a natural extension of its MVA vaccine delivery platform. It is a complementary asset to its HIV vaccine programs and further **expands** the Company's pipeline.

We Maintain Our Outperform Rating

We maintain our Outperform rating on GeoVax and reiterate our 12-month price target of $1.50 per share.

GeoVax has developed the technology for the development of both **preventive** and **therapeutic** HIV/AIDS vaccines. The Company's preventive vaccine is one of the most advanced under development, which has completed Phase IIa and will enter into Phase IIb clinical trials soon.

The Company's preventive HIV vaccine is the only HIV vaccines for America/Europe entering efficacy trial.

GeoVax plans to initiate a second **Phase Ib** trial with its 2nd generation therapeutic vaccine soon and will be entering into a **Phase IIb** trial with its preventive vaccine (GOVX B11) in 2015. As other HIV vaccines have fallen by the wayside over the past several years, GeoVax continues to move forward with its unique approach to HIV prevention and treatment through effective vaccination.

The addition of the new **Ebola vaccine** program further expands the Company's pipeline.

The Company has a modest cash burn rate ($4 to $5 million annually) due to generous government support. Down the road, we believe GeoVax will continue to seek non-dilutive government and non-government support for its HIV vaccine development. If the planned Phase IIb trial for preventive HIV vaccine proves to be positive, we believe it would be likely for the Company to find a partner from big pharma or biotech companies who seek to boost or enter into the anti-HIV/AIDS market.

Based on the current fundamentals of the Company, we believe current valuation is very attractive. With a decent pipeline and mid-stage candidates, GeoVax is only valued at about $8.0 million in market cap. This is a deep discount in our view. We understand that HIV/AIDS vaccines are tough to develop and that this is a high risk area for any biotech company especially for smaller ones with limited resources. However, we think GeoVax has done great job so far in the HIV/AIDS vaccine area. With the addition of Ebola vaccine program, the Company is well positioned to continue to create shareholder value down the road.

We see GeoVax as a risk reward opportunity with significant long term positive returns. Our price target of $1.50 represents a market cap of $38 million.

Two Major Risks

Risk must be taken into account when investors add positions.

One major risk is **development/regulatory risk**. We remind investors that GeoVax's HIV/AIDS vaccines are still in mid-stage development and the Company still needs to navigate through the regulatory process in the US and around the world, which proves to be long and tough. When it comes to HIV/AIDS vaccine, investors should be aware that this has been a tough area to tackle considering the failed developments already.

Cash burn is still a concern. Although most of GeoVax's clinical trials have been supported by the government grants, there is no guarantee that the Company will continue to get enough support to continue late stage clinical studies. In such a case, the Company needs alternative financing measures, which include equity or debt financing. Current cash can only last through the 1Q15. We remind investors that equity financing will dilute existing shareholder base.

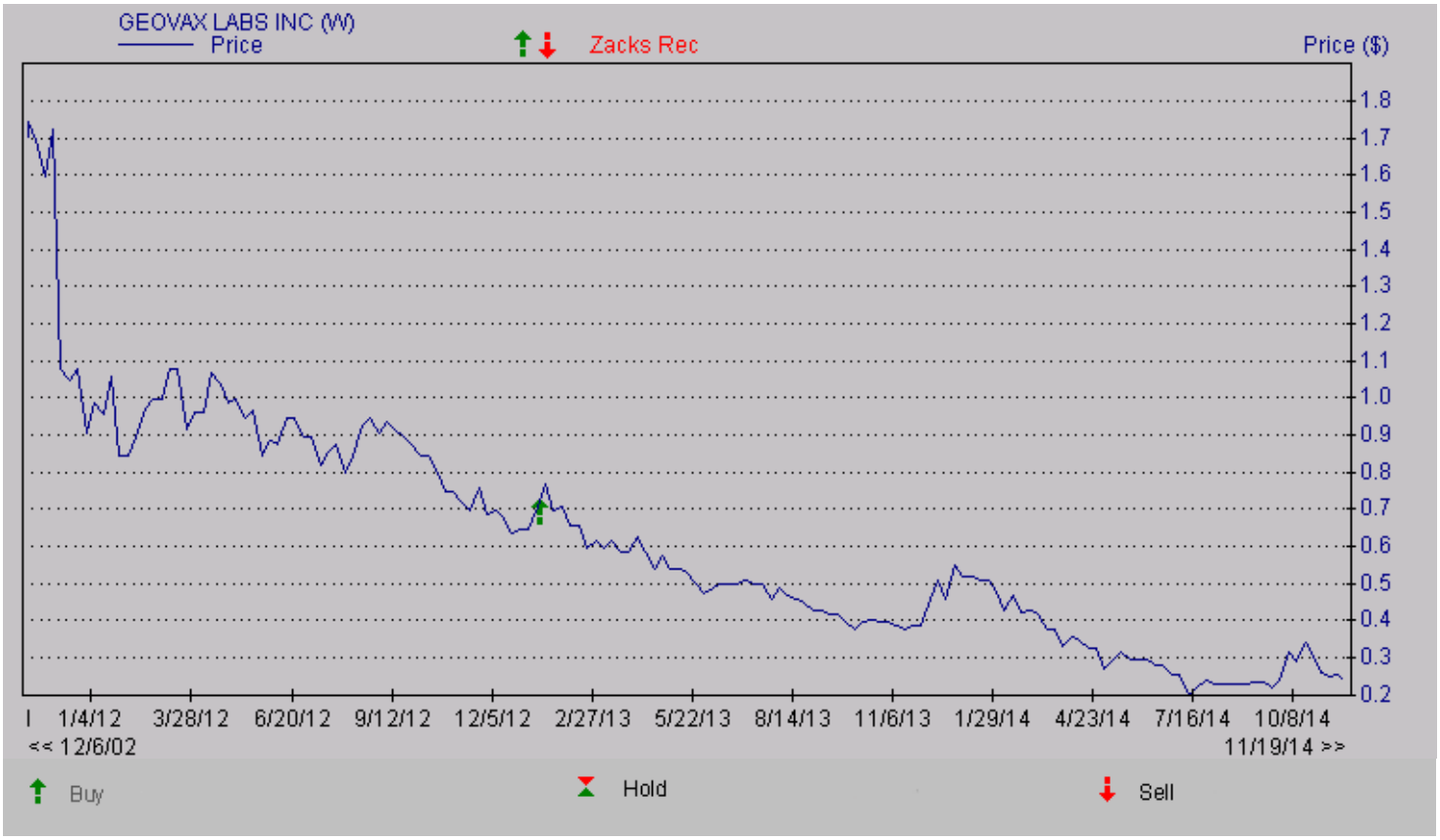
PROJECTED INCOME STATEMENT

	2013A (Dec)					2014E (Dec)					2015E (Dec)	2016E (Dec)	2017E (Dec)	2018E (Dec)
$ in million except per share data	Q1A	Q2A	Q3A	Q4A	FYA	Q1	Q2	Q3	Q4	FYE	FYE	FYE	FYE	FYE
Grant revenue	$0.80	$0.44	$1.00	$0.18	$2.42	$0.16	$0.18	$0.32	$0.30	$0.96	$1.50	$1.50	$2.50	$2.50
Product Revenue	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$20.00
Total Revenues	**$0.80**	**$0.44**	**$1.00**	**$0.18**	**$2.42**	**$0.16**	**$0.18**	**$0.32**	**$0.30**	**$0.96**	**$1.50**	**$1.50**	**$2.50**	**$22.50**
YOY Growth	-6.9%	-37.7%	57.0%	-62.0%	-9.0%	-80.3%	-59.2%	-67.9%	71.2%	-60.3%	56.4%	0.0%	66.7%	800.0%
CoGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross Income	**$0.80**	**$0.44**	**$1.00**	**$0.18**	**$2.42**	**$0.16**	**$0.18**	**$0.32**	**$0.30**	**$0.96**	**$1.50**	**$1.50**	**$2.50**	**$22.50**
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
R&D	$0.88	$0.55	$0.88	$0.60	$2.92	$0.40	$0.52	$0.43	$0.50	$1.84	$2.75	$3.50	$5.50	$8.00
% R&D	110.7%	125.3%	87.5%	342.8%	120.6%	256.7%	286.7%	132.1%	166.7%	192.3%	183.3%	233.3%	220.0%	35.6%
SG&A	$0.61	$0.42	$0.32	$0.45	$1.79	$0.37	$0.35	$0.41	$0.43	$1.56	$2.00	$2.50	$5.50	$8.50
%SG&A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	**($0.7)**	**($0.5)**	**($0.2)**	**($0.9)**	**($2.3)**	**($0.6)**	**($0.7)**	**($0.5)**	**($0.6)**	**($2.4)**	**($3.3)**	**($4.5)**	**($8.5)**	**$6.0**
Operating Margin	-	-	-	-	-	-	-	-	-	-	-	-	-340.00%	26.67%
Other Net	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	**($0.7)**	**($0.5)**	**($0.2)**	**($0.9)**	**($2.3)**	**($0.6)**	**($0.7)**	**($0.5)**	**($0.6)**	**($2.4)**	**($3.3)**	**($4.5)**	**($8.5)**	**$6.0**
Income taxes(benefit)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.5
Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reported Net Income	**($0.7)**	**($0.5)**	**($0.2)**	**($0.9)**	**($2.3)**	**($0.6)**	**($0.7)**	**($0.5)**	**($0.6)**	**($2.4)**	**($3.3)**	**($4.5)**	**($8.5)**	**$5.5**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-164.7%
Net Margin	-	-	-	-	-	-	-	-	-	-	-	-	-340.0%	24.4%
Diluted Shares Out	20.2	21.1	21.7	21.9	21.2	24.8	25.0	25.3	31.0	26.5	35.0	40.0	45.0	50.0
Reported EPS	**($0.03)**	**($0.02)**	**($0.01)**	**($0.04)**	**($0.11)**	**($0.02)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.09)**	**($0.09)**	**($0.11)**	**($0.19)**	**$0.11**
One time charge	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($0.7)**	**($0.5)**	**($0.2)**	**($0.9)**	**($2.3)**	**($0.6)**	**($0.7)**	**($0.5)**	**($0.6)**	**($2.4)**	**($3.3)**	**($4.5)**	**($8.5)**	**$5.5**
Non GAAP EPS	**($0.03)**	**($0.02)**	**($0.01)**	**($0.04)**	**($0.11)**	**($0.02)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.09)**	**($0.09)**	**($0.11)**	**($0.19)**	**$0.11**

Source: Company filings and Zacks Research estimates

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Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 17.2%, Hold/Neutral- 76.6%, Sell/Underperform – 5.5%. Data is as of midnight on the business day immediately prior to this publication.