Zacks Small-Cap Research

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GeoVax Labs Inc. (GOVX-OTC)

GOVX: on track to advance its HIV vaccine programs--Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	01/15/2013
Current Price (08/13/13)	$0.46
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 among the only 5 candidates out of more than 90 vaccines entering HVTN Phase I testing chosen to progress to Phase II clinical trials.

Both HIV/AIDS vaccine and treatment markets are huge and GOVX has the potential to be a key player in the two markets. 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	**$0.95**
52-Week Low	**$0.43**
One-Year Return (%)	**-49.45**
Beta	**1.06**
Average Daily Volume (sh)	**25,750**
Shares Outstanding (mil)	**21**
Market Capitalization ($mil)	**$9**
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)
2011	0.89 A	1.75 A	1.30 A	0.96 A	4.90 A
2012	0.86 A	0.71 A	0.64 A	0.46 A	2.66 A
2013	0.80 A	0.44 A	0.50 E	0.50 E	2.24 E
2014					2.50 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.04 A	-$0.01 A	-$0.02 A	-$0.07 A	-$0.15 A
2012	-$0.04 A	-$0.03 A	-$0.02 A	-$0.03 A	-$0.12 A
2013	-$0.03 A	-$0.02 A	-$0.05 E	-$0.05 E	-$0.17 E
2014					-$0.19 E

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

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WHAT'S NEW

GeoVax Reports 2Q13 Financial Results

On Aug 12, 2013, GeoVax Labs, Inc. (GOVX) announced its financial results for the second quarter ended June 30, 2013.

Net revenues for second quarter of 2013 were $441,561, related to grants from the National Institutes of Health (NIH) in support of its HIV/AIDS vaccine development efforts. This compares to $705,698 of grant revenue reported for the comparable period of 2012. As of June 30, 2013, there is approximately $1.8 million in unused grant funds remaining and available for use.

Research and development (R&D) expenses were $553,199 for the three-month period of 2013, as compared to $712,416 for the comparable period of 2012. R&D expenses include direct costs funded by NIH grants, as well as vaccine manufacturing costs and expenses related to the Phase I clinical trial of the Company's therapeutic HIV vaccine. Costs associated with the ongoing Phase 1 clinical trial of GeoVax's preventive HIV vaccine, being conducted by the HVTN, are funded directly by the NIH and are not reflected in GeoVax's financial statements.

General and administrative (G&A) expenses were $415,784 for the three-month period of 2013, as compared to $492,316 for the comparable period of 2012.

Net loss was $526,284 ($0.02 per share) for the three months ended June 30, 2013, compared to $497,763 ($0.03 per share) for the same period in 2012.

Cash balance was $1,881,393 at June 30, 2013, as compared to $1,035,925 at December 31, 2012.

We believe fundraising will be an area of focus for management for the remainder of 2013. Management has indicated that in addition to equity capital, they are also seeking other sources of funding through additional government and/or third party support of its programs.

GeoVax Awarded Small Business Innovative Research Grant From National Institutes of Health

On Aug 1, 2013, GeoVax announced that it has received a Notice of Award from the U.S. National Institutes of Health for a Small Business Innovative Research (SBIR) grant entitled "Enhancing Protective Antibody Responses for a GM-CSF Adjuvanted HIV Vaccine."

The grant award of approximately $277,000 is for the first year of a two-year project period. Subject to availability of funds and satisfactory progress of the project, GeoVax expects a similar award for the second year of the project period.

This grant will support preclinical studies evaluating the ability of protein boosts to augment antibody responses that can block virus infections (neutralizing antibody) and cause antibody dependent cellular cytotoxicity (ADCC antibody). The protein boosts will test gp120 and gp140 subunits of the HIV envelope. Suefen Kwa, Ph.D., GeoVax's Assistant Director for HIV Vaccine Development, is the Principal Investigator for the grant.

This grant not only provides cash for the company, but also validates GeoVax's vaccine technology.

GeoVax is On Track to Advance its HIV/AIDS Vaccine Programs

Therapeutic Vaccine Program

- **Phase I "Treatment Interruption" Trial** - GeoVax completed at the end of 2012 patient enrollment for the **Phase I/II** "treatment interruption" clinical trial, investigating the Company's therapeutic vaccine's ability to treat individuals already infected with HIV. **Data are expected in 2H2013 and final results and evaluation of trends are expected in the first half 2014.** The primary endpoint of this 9-patient study is to document the safety and immunogenicity of GeoVax's vaccine in HIV-positive patients with well-controlled infections who are being treated with oral HIV medications. Following the vaccination series, the trial includes a short period of drug treatment interruption to evaluate the vaccine's ability to control the infection in the absence of continuing drug therapy. The combined vaccination period, treatment interruption period and treatment reinstitution period for each patient is approximately 11 months. Vaccine efficacy will be directly assessed through a brief period of anti-retroviral drug cessation. These results might indicate the vaccine's potential ability to treat HIV infection either as a standalone therapy or in conjunction with an oral drug regimen.

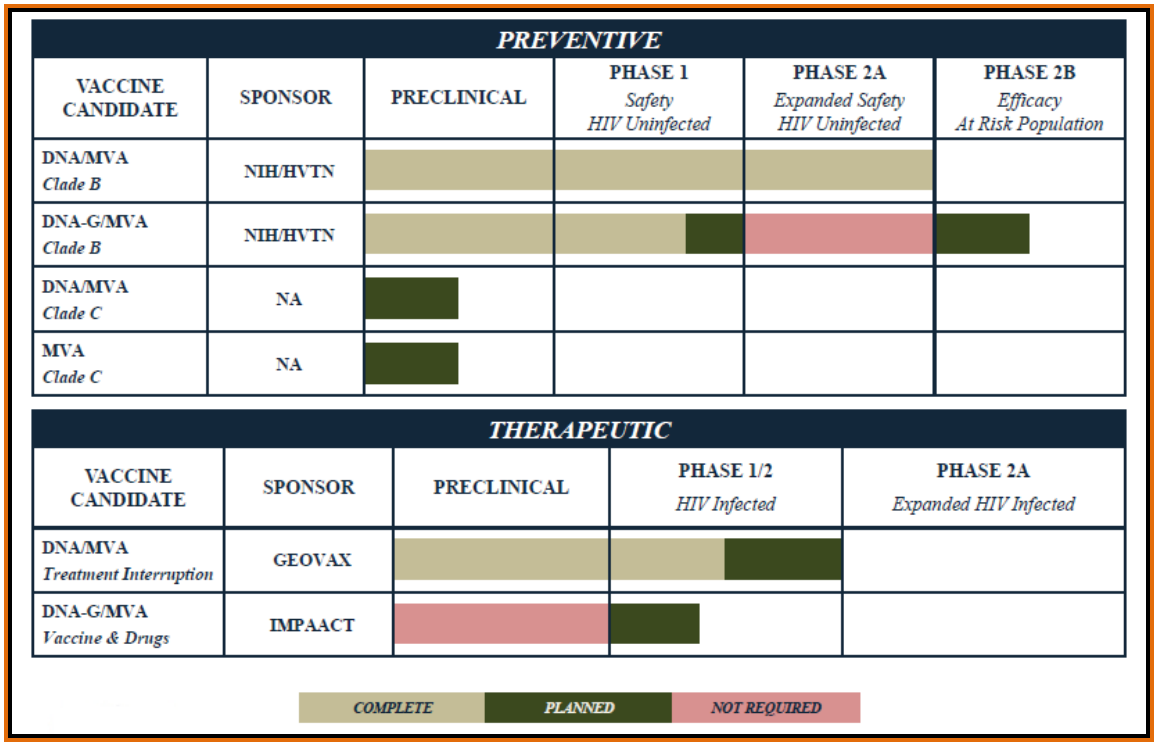
- **Phase I "Combination" Trial** - GeoVax has been in discussions with the International Maternal Pediatric Adolescent AIDS Clinical Trial Group (IMPAACT) regarding a potential Phase I clinical trial investigating the treatment of HIV-positive young adults with GeoVax's vaccine in combination with standard-of-care antiretroviral drug therapy. However, IMPAACT has recently conducted a review of its core resources in light of current budget constraints and has now informed GeoVax that it will be unable to support this trial with its available resources. This decision by IMPAACT has no effect on NIH's support for GeoVax's preventive vaccine program. GeoVax intends to explore other options for advancing and financing its vaccine + antiretrovirals therapeutic vaccine program.

Preventive Vaccine Program

- **Phase I HVTN Trial** - Patient enrollment for HVTN094, a Phase I clinical trial testing the safety and immunogenicity of GeoVax's second-generation vaccine, was completed in the first half 2013. This vaccine co-expresses granulocyte-macrophage colony-stimulating factor (GM-CSF) as an adjuvant and in non-human primate testing achieved a much higher level of prevention of infection than the Company's first-generation unadjuvanted vaccine. HVTN094 is being conducted by the HIV Vaccine Trials Network (HVTN) with financial support from the NIH. This trial is ongoing and will be completed in 2013.

- **Phase II HVTN Trial** - GeoVax is actively engaged in discussions with the HVTN regarding the design of a Phase II clinical trial of GeoVax's second-generation preventive HIV vaccine. The Company expects trial initiation in 2014, following successful completion of HVTN094.

We think GeoVax has made great progress in its HIV/AIDS vaccine clinical programs. The recent failure of HVTN505, a 2500-patient Phase IIb trial conducted by the National Institutes of Allergy and Infectious Disease (NIAID), strengthened our confidence in GeoVax's vaccine technology. The vaccine studied in HVTN 505 used an adenovirus vector of genetic material from the HIV virus, similar to the vaccine used in the Merck trial (STEP/Phambili) that was halted in 2007. In contrast, GeoVax's boosting vaccine uses a poxvirus vector (modified vaccine Ankara) which has been associated with clinical success.



INVESTMENT HIGHLIGHTS

- We maintain our Outperform rating on GeoVax (GOVX) and reiterate our 12-month price target of $1.5 per share.
- GeoVax has developed the technology for both preventive and therapeutic HIV/AIDS vaccines. Based on this unique technology, the Company has established a pipeline with multiple candidates in different stage of development.
- The Company's preventive HIV vaccine is among the only 5 candidates out of more than 90 vaccines entering HVTN Phase I testing chosen to progress to Phase II clinical trials. GOVX's preventive vaccine is the only HIV vaccine for America/Europe entering efficacy trial.
- We are impressed with the data from the Company's preventive vaccine DNA/MVA, which has completed a Phase IIa clinical trial. The vaccine is safe and has demonstrated preliminary immune response data which is better in some features when compared to Sanofi's Alvac/gp120 vaccine.
- The Company's second generation of preventive HIV vaccine DNA-G/MVA has completed enrollment of Phase I clinical trial and data will be available in 2013. GOVX plans to initiate a Phase IIb clinical trial of this vaccine in mid-2014.
- GeoVax is also testing its therapeutic HIV/AIDS vaccines in Phase I/II clinical trials. Initial data will be available in 2H2013.
- Both markets for preventive and therapeutic HIV/AIDS vaccines are huge. With multiple candidates targeting both markets, GeoVax has the potential to become a key player in the two markets in our view.

- Cash burn is conservative due to generous government support. Management will continue to seek non-dilutive financing for its clinical studies. Shareholder value will be created by generating new clinical data and forming potential partnerships in our view.

- We think valuation is attractive at this time. GOVX represents a risk reward opportunity with potential for substantial positive returns.

VALUATION AND RECOMMENDATION

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

GeoVax has developed the technology for the development of both **preventive** and **therapeutic** HIV/AIDS vaccines. The Company's vaccine candidates have completed Phase IIa and will enter into Phase IIb clinical trials soon, which are the only HIV vaccines for America/Europe entering efficacy trial.

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 Phase IIb trial 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.

GeoVax has a strong position in intellectual property. The excellent relationship with Emory University put the Company in a better position to get the most advanced vaccine technology in the first hand, therefore providing a sustainable growth engine for the Company.

Based on the current fundamentals of the Company, we believe current valuation is attractive. With a decent pipeline and mid-stage candidates, GeoVax is only valued at about $10 million in market cap. This is a huge discount in our view. We understand that HIV/AIDS vaccines have been 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 and 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 $30 million.

But Keep in Mind the 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 as of June 30, 2013 stood at $1.9 million, which can only last through the 4Q2013. We remind investors that equity financing will dilute existing shareholder base.

PROJECTED INCOME STATEMENT

	2012E (Dec)					2013E (Dec)					2014E (Dec)	2015E (Dec)	2016E (Dec)	2017E (Dec)	2018E (Dec)
$ in million except per share data	Q1	Q2	Q3	Q4	FYA	Q1A	Q2A	Q3E	Q4E	FYE	FYE	FYE	FYE	FYE	FYE
Grant revenue	$0.85	$0.71	$0.64	0.46	$2.66	$0.80	$0.44	$0.50	$0.50	$2.24	$2.50	$2.50	$2.50	$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	$5.00	$10.00	$15.00	$25.00
Total Revenues	**$0.86**	**$0.71**	**$0.64**	**$0.46**	**$2.66**	**$0.80**	**$0.44**	**$0.50**	**$0.50**	**$2.24**	**$2.50**	**$7.50**	**$12.50**	**$17.50**	**$27.50**
YOY Growth	-4.2%	-59.6%	-50.7%	-51.8%	-45.8%	-6.9%	-37.7%	-21.8%	8.4%	-15.7%	11.7%	200.0%	66.7%	40.0%	57.1%
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	0.00
Gross Income	**$0.86**	**$0.71**	**$0.64**	**$0.46**	**$2.66**	**$0.80**	**$0.44**	**$0.50**	**$0.50**	**$2.24**	**$2.50**	**$7.50**	**$12.50**	**$17.50**	**$27.50**
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%	100.0%
R&D	$1.07	$0.71	$0.60	$0.66	$3.04	$0.88	$0.55	$1.00	$1.10	$3.54	$5.00	$6.50	$7.50	$9.00	$11.00
% R&D	125.3%	100.5%	94.1%	142.3%	114.5%	110.7%	125.3%	200.0%	220.0%	157.9%	200.0%	86.7%	60.0%	51.4%	40.0%
SG&A	$0.51	$0.49	$0.33	$0.41	$1.75	$0.61	$0.42	$0.62	$0.64	$2.29	$2.60	$2.80	$4.00	$7.50	$10.00
%SG&A	60%	69%	52%	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	**($0.7)**	**($0.5)**	**($0.3)**	**($0.6)**	**($2.1)**	**($0.7)**	**($0.5)**	**($1.1)**	**($1.2)**	**($3.6)**	**($5.1)**	**($1.8)**	**$1.0**	**$1.0**	**$6.5**
Operating Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	5.71%	23.64%
Other Net	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	($0.0)	($0.0)	($0.0)	($0.0)	($0.1)	($0.1)	($0.1)	($0.1)
Pre-Tax Income	**($0.7)**	**($0.5)**	**($0.3)**	**($0.6)**	**($2.1)**	**($0.7)**	**($0.5)**	**($1.1)**	**($1.3)**	**($3.6)**	**($5.1)**	**($1.9)**	**$0.9**	**$0.9**	**$6.4**
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	$0.0	$0.5
Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reported Net Income	**($0.7)**	**($0.5)**	**($0.3)**	**($0.6)**	**($2.1)**	**($0.7)**	**($0.5)**	**($1.1)**	**($1.3)**	**($3.6)**	**($5.1)**	**($1.9)**	**$0.9**	**$0.9**	**$5.9**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	531.9%
Net Margin	-	-	-	-	-	-	-	-	-	-	-	-			
Diluted Shares Out	16.7	17.8	18.5	20.2	18.3	20.2	21.1	22.5	23.5	21.8	27.5	35.0	40.0	45.0	50.0
Reported EPS	**($0.04)**	**($0.03)**	**($0.02)**	**($0.03)**	**($0.12)**	**($0.03)**	**($0.02)**	**($0.05)**	**($0.05)**	**($0.17)**	**($0.19)**	**($0.05)**	**$0.02**	**$0.02**	**$0.12**
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*	*$0.00*
Non GAAP Net Income	**($0.7)**	**($0.5)**	**($0.3)**	**($0.6)**	**($2.1)**	**($0.7)**	**($0.5)**	**($1.1)**	**($1.3)**	**($3.6)**	**($5.1)**	**($1.9)**	**$0.9**	**$0.9**	**$5.9**
Non GAAP EPS	**($0.04)**	**($0.03)**	**($0.02)**	**($0.03)**	**($0.12)**	**($0.03)**	**($0.02)**	**($0.05)**	**($0.05)**	**($0.17)**	**($0.19)**	**($0.05)**	**$0.02**	**$0.02**	**$0.12**

Source: Company filings and Zacks Research estimates

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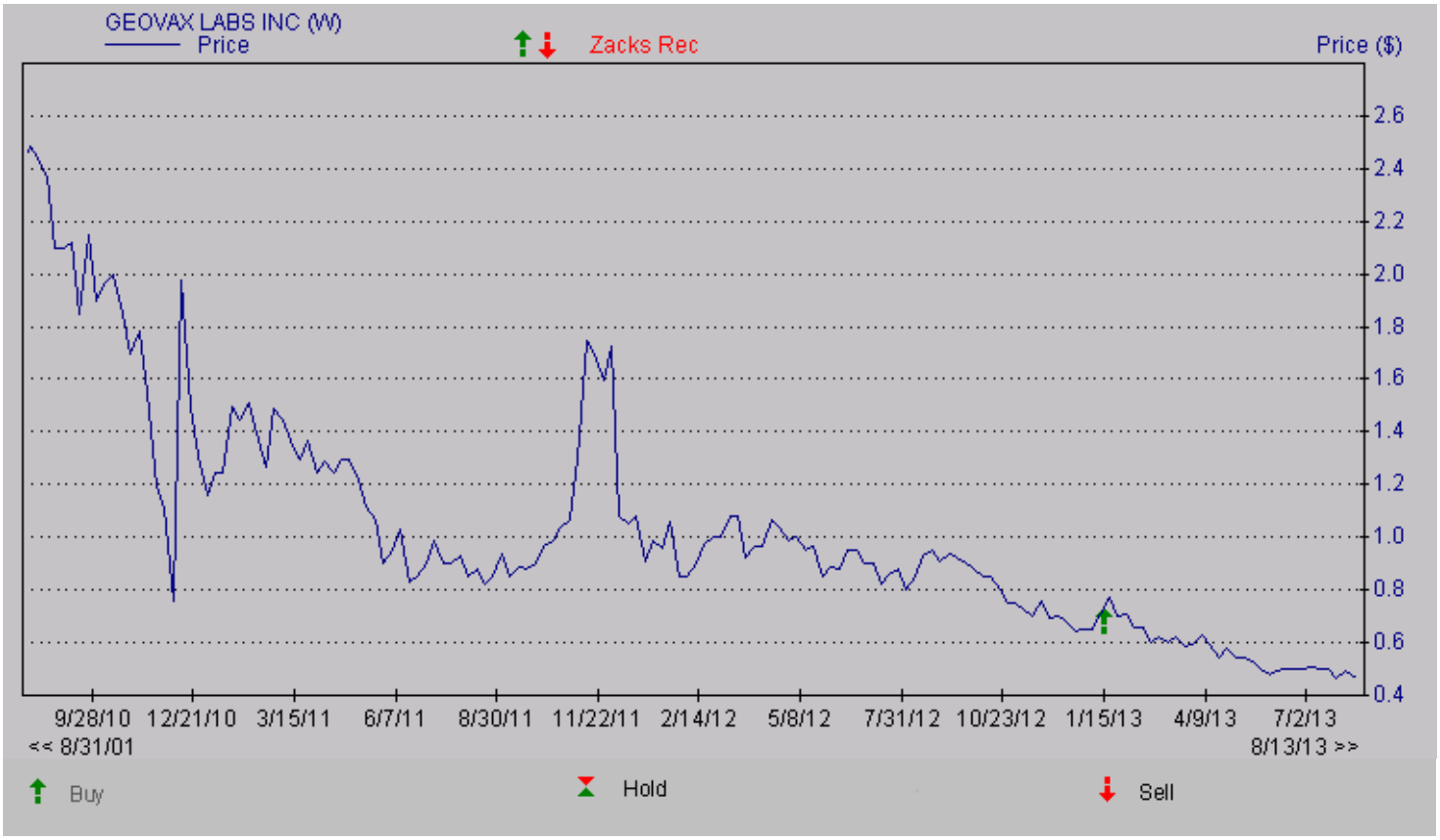
HISTORICAL ZACKS RECOMMENDATIONS



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