Zacks Small-Cap Research

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GeoVax Labs Inc. (GOVX-OTC)

GOVX: Positive data reported of GOVX-B11 Phase I trial, balance sheet boosted with new financing, 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 (01/14/14)	$0.56
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	**$0.89**
52-Week Low	**$0.37**
One-Year Return (%)	**-23.29**
Beta	**1.69**
Average Daily Volume (sh)	**153,700**
Shares Outstanding (mil)	**22**
Market Capitalization ($mil)	**$12**
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)
2012	0.86 A	0.71 A	0.64 A	0.46 A	2.66 A
2013	0.80 A	0.44 A	1.00 A	0.50 E	2.74 E
2014					2.50 E
2015					7.50 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.04 A	-$0.03 A	-$0.02 A	-$0.03 A	-$0.12 A
2013	-$0.03 A	-$0.02 A	-$0.01 A	-$0.04 E	-$0.11 E
2014					-$0.18 E
2015					-$0.20 E

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

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WHAT'S NEW

Top-Line Results for Phase I HIV Therapeutic Vaccine GOVX-B11 Announced

On Jan 13, 2014, GeoVax announced preliminary top-line results from **GV-TH-01**, a **Phase I** clinical trial investigating the ability of the Company's GOVX-B11 vaccine to control HIV infections in patients who initiated antiretroviral drug treatment within 18 months of seroconversion.

GV-TH-01 is an open label Phase I treatment interruption trial investigating the safety and immunogenicity of the Company's novel 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.

Preliminary data have demonstrated that during the vaccination phase of the trial, enhanced CD8+ T cells were elicited in 8 of 9 patients and enhanced CD4+ T cell and antibody responses in 4 of 9 participants. Preliminary analyses in the first 7 patients who completed the treatment interruption phase of the trial demonstrated expanded antiviral T cell and antibody responses associated with re-emergent virus. There was a trend toward enhanced viral control in individuals with the best CD4+ and CD8+ T cell responses.

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

The Company expects to release **additional results** from this trial as final analyses are completed, and in conjunction with scientific presentations and publications.

GOVX-B11 consists of a recombinant DNA to prime the immune response and a recombinant poxvirus vector (modified vaccinia Ankara, or "MVA") to boost the primed response. Both the DNA and MVA express the three major proteins of HIV: Gag, Pol and Env, to elicit anti-HIV T cells and anti-HIV antibodies. Elicited CD8+ T cells have the potential to recognize and kill virus infected cells whereas elicited Ab can block spreading infections as well as identify infected cells for destruction by innate immune responses such as complement and natural killer cells. Elicited CD4+ T cells are "helper" cells that support the generation of CD8+ T cells and antibody-producing B cells. Infected patients who control infections in the absence of drugs typically exhibit robust anti-Gag CD8+ and CD4+ T cell responses.

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-B11lies 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.

GeoVax plans to initiate a placebo-controlled trial.

Balance Sheet Boosted with New Financing

On December 12, 2013, GeoVax announced that it has entered into definitive agreements with certain institutional investors, pursuant to which the Company has agreed to sell shares of its Series B convertible preferred stock at an aggregate purchase price of $1.65 million. No stock purchase warrants were issued in conjunction with the transaction.

The Series B convertible preferred stock is convertible at any time into common shares of GeoVax at a conversion price of $0.35 per share. In conjunction with this transaction, the Company also agreed to adjust the conversion price of its outstanding Series A convertible preferred stock held by the aforementioned investors to match that of the Series B convertible preferred stock. The exercise price of the related warrants will also adjust.

As of September 30, 2013, GeoVax held $1,720,616 in cash and cash equivalents. Plus the $1.6 million proceeds from the new financing, GeoVax should have cash of $2.5 million at the end of 2013. Current cash could last through the middle of 2014.

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.

On Track to Advance Other HIV/AIDS Vaccine Programs

Therapeutic HIV Vaccine Program

- In a follow-on study, GeoVax plans to initiate a **Phase I** clinical trial with GeoVax's second-generation vaccine in combination with standard-of-care antiretroviral drug therapy. The primary endpoint will be to evaluate the safety and immunogenicity of GeoVax's DNA/MVA vaccine. An exploratory objective will investigate the vaccine's effect on clearing viral reservoirs. GeoVax expects to begin this trial **in mid-2014**.

Preventive HIV Vaccine Program

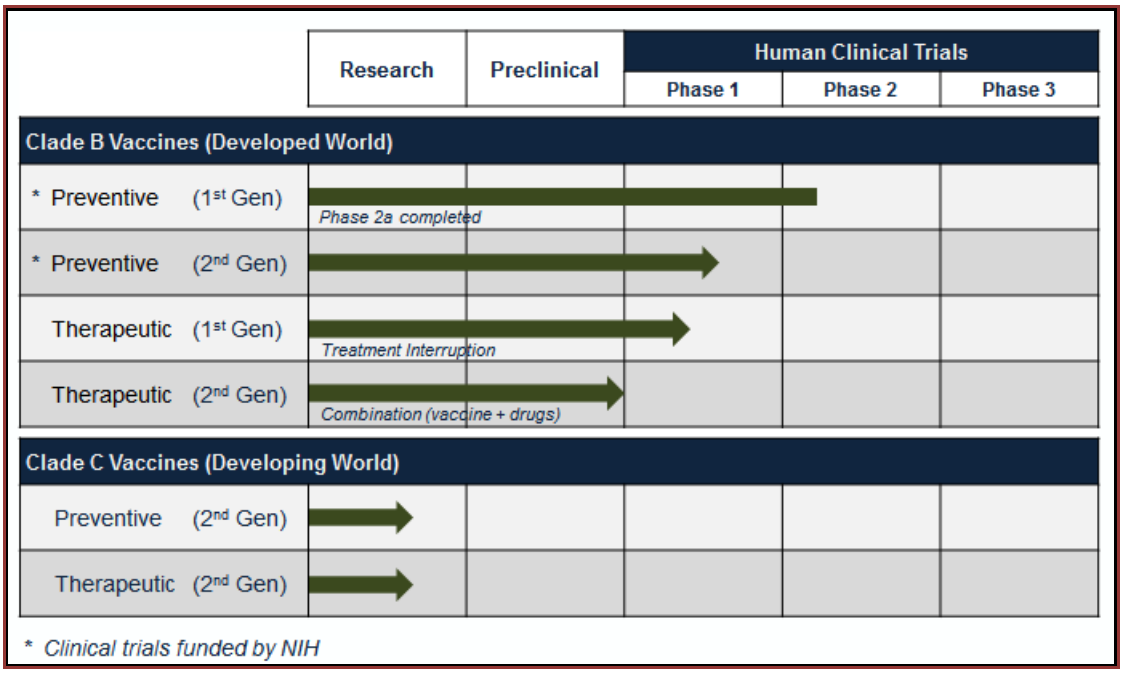
- In October 2013, GeoVax presented additional results from HVTN 205, a multicenter, randomized **Phase IIa** trial, at the 2013 AIDS Vaccine Meeting in Barcelona, Spain. HVTN 205 evaluated the safety and immunogenicity of the Company's first generation preventive HIV vaccine. At 6 months post-vaccination, patient antibody levels had declined less than 3-fold, indicating significant durability of the antibody response. The antibody responses after vaccination also had high affinity binding, a characteristic which has been associated with prevention of HIV infection in preclinical models.

- GeoVax expects to complete HVTN094, a 48-patient **Phase I** clinical trial testing the safety and immunogenicity of its **second-generation vaccine**, in early 2014. Top-line results should be available during the first quarter of 2014. This study is being conducted by the HIV Vaccine Trials Network (HVTN) with financial support from the National Institute of Allergy and Infectious Disease (NIAID) of the National Institutes of Health (NIH). GeoVax is actively engaged in discussions with the HVTN regarding the design of a **Phase II** clinical trial following the successful

completion of HVTN094. GeoVax currently anticipates the trial to include a Phase IIa study, with the primary endpoint of expanding the safety profile of the Company's second-generation vaccine.

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.

GeoVax has important near-term milestones, including the completion of two key **Phase I** clinical trials. Entering 2014, the company will continue to place emphasis in advancing its clinical progress. GeoVax should be entering into a **Phase IIa** trial with its preventive vaccine in mid-2014. The company also plans to initiate a second **Phase I** trial with its therapeutic vaccine in 2014. 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.



Valuation Attractive Now

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 $12 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 $33 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 can only last through the middle of 2014. 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	Q3A	Q4E	FYE	FYE	FYE	FYE	FYE	FYE
Grant revenue	$0.85	$0.71	$0.64	0.46	$2.66	$0.80	$0.44	$1.00	$0.50	$2.74	$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	$0.00	$5.00	$15.00	$25.00
Total Revenues	**$0.86**	**$0.71**	**$0.64**	**$0.46**	**$2.66**	**$0.80**	**$0.44**	**$1.00**	**$0.50**	**$2.74**	**$2.50**	**$2.50**	**$7.50**	**$17.50**	**$27.50**
YOY Growth	-4.2%	-59.6%	-50.7%	-51.8%	-45.8%	-6.9%	-37.7%	57.0%	8.4%	3.2%	-8.9%	0.0%	200.0%	133.3%	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**	**$1.00**	**$0.50**	**$2.74**	**$2.50**	**$2.50**	**$7.50**	**$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	$0.88	$1.00	$3.31	$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%	87.5%	200.0%	120.8%	200.0%	260.0%	100.0%	51.4%	40.0%
SG&A	$0.51	$0.49	$0.33	$0.41	$1.75	$0.61	$0.42	$0.32	$0.45	$1.80	$2.30	$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)**	**($0.2)**	**($1.0)**	**($2.4)**	**($4.8)**	**($6.8)**	**($4.0)**	**$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)**	**($0.2)**	**($1.0)**	**($2.4)**	**($4.8)**	**($6.9)**	**($4.1)**	**$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)**	**($0.2)**	**($1.0)**	**($2.4)**	**($4.8)**	**($6.9)**	**($4.1)**	**$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	21.7	23.5	21.6	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)**	**($0.01)**	**($0.04)**	**($0.11)**	**($0.18)**	**($0.20)**	**($0.10)**	**$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)**	**($0.2)**	**($1.0)**	**($2.4)**	**($4.8)**	**($6.9)**	**($4.1)**	**$0.9**	**$5.9**
Non GAAP EPS	**($0.04)**	**($0.03)**	**($0.02)**	**($0.03)**	**($0.12)**	**($0.03)**	**($0.02)**	**($0.01)**	**($0.04)**	**($0.11)**	**($0.18)**	**($0.20)**	**($0.10)**	**$0.02**	**$0.12**

Source: Company filings and Zacks Research estimates

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