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Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

GeoVax Labs Inc. (GOVX) – Reports 4th Qtr.

March 24, 2023

Buy Rated: \$27.6 M in Cash at End of the Year

Jason H. Kolbert
Managing Director & Senior Analyst
jkolbert@dawsonjames.com

GeoVax reported 4th Quarter and full year results. The company spent \$14M last year and closed the period with \$27.6M on the balance sheet. The company is driving two key products, Gedeptin, gene therapy for solid tumors – head and neck cancers and a specialized vaccine for immune-compromised patients at risk for Covid where the traditional vaccines are not fully effective. We continue to see David Dodd, the new CEO who has a track record of turning companies around, driving the GeoVax story forward.

Gedeptin – Gene Therapy for Solid Tumors: Gedeptin is now in P1/2 trial in advanced head and neck squamous cell carcinoma (HNSCC). This trial is partially funded by the FDA’s Orphan Products Clinical Trials Grants Program. The trial is designed to inform the design of a larger patient trial that also may involve patients with other anatomically accessible oral and pharyngeal cancers, including cancers of the lip, tongue, gum, floor of the mouth, salivary gland, and other oral cavities. **What is it?** Gedeptin is a gene-directed enzyme prodrug therapy (GDEPT) that results in the formation of an oncolytic agent within the tumor itself. This agent then triggers tumor cell death while significantly limiting systemic exposure. Gedeptin is based upon a replication-deficient adenoviral vector that is injected directly into the tumor mass three times over a period of two days. The PNP enzyme, by itself, has no anti-cancer activity, but when used in combination with purine nucleoside prodrugs (Fludara), it generates an active chemotherapeutic agent within the tumor cells (in situ).

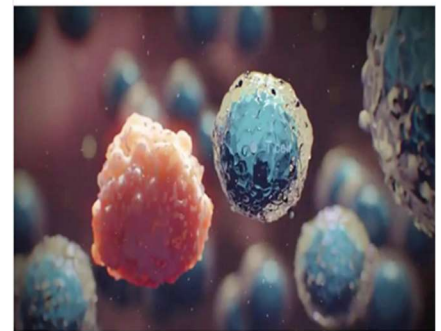
GEO-CM02 – A Covid vaccine for immunocompromised patients. The company is applying its novel Modified Virus Ankara - Virus-Like Particle (GV-MVA-VLPTM) platform to create an effective Covid vaccine for immunocompromised patients where the current vaccines fall short. This vaccine has been shown to induce a balanced antibody and cellular (T-cells) response against the multiple encoded immunogens, potentially limiting immune escape by emerging variants. Expression of the SARS-CoV-2 spike (S), membrane (M), and envelope (E) proteins by MVA supports the in vivo formation of virus-like particles (VLPs), which induce both antibody and T-cell responses.

High Yield Process: Management highlighted progress toward developing a high-yield, high-capacity, avian cell line system for manufacturing MVA-based vaccines. GeoVax is on course to expand MVA applications from stockpile-based solutions for niche medical markets to have the capability to respond to world needs on a timely basis. This positions the company to potentially become the first US-based supplier of the MVA vaccine to prevent MPox, Smallpox, and other pox-related viruses. **Additional Research Programs for Numerous Vaccines:** Monkey Pox, Hemorrhagic fever viruses (Ebola Zaire, Ebola Sudan, Marburg, and Lassa Fever), and malaria are at various stages of development. Expansion of the Gedeptin technology to other Cancers too.

Valuation: We project our model out to 2033. We apply a 30% success probability to our projected revenues in our product model in addition to our 30% risk rate applied in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models. We use a fully diluted out-year share count, assuming multiple raises. The result is equal-weighted and averaged, and rounded to the nearest whole number to derive our 12-month projected price target of \$4.0.

Risks to our thesis include: 1. Regulatory Approvals; 2. Capital Requirements 3. Adoption Rates 4. Intellectual Capital 5. Dilution.

Current Price \$0.66
Price Target \$4.00



Source: GeoVax Labs Inc.

Stock Data			
52-Week Range	\$0.53	-	\$4.30
Shares Outstanding (mil.)	26.3		
Market Capitalization (mil.)	\$17		
Enterprise Value (mil.)	-\$17		
Debt to Capital	0%		
Book Value/Share	-		
Price/Book	5.3		
Average Three Months Trading Volume (K)	280		
Insider Ownership	1.1%		
Institutional Ownership	8.1%		
Short interest (mil.)	3.4%		
Dividend / Yield	\$0.00/0.0%		



Our valuation for GeoVax is based on Gadeptin and the Covid vaccine programs only. We do this for conservatism with the understanding that proof of concept in either of the programs has broader implications for the market opportunity for the products and expansion of the platform. We provide our “simplified” product models and assumptions as follows:

Gadeptin

1. We assume a treatable patient population of 22,000.
2. We assume orphan-like drug pricing at \$125,000 per complete therapeutic course.
3. We apply just a 30% probability of success given the early nature of the program.

Covid – Immune Compromised Patients

1. We assume 10% of the total population is treatable for a multitude of reasons for a Covid vaccine that is effective in immune-compromised patients. Our thinking considers patients undergoing cancer treatment, organ transplants, and patients taking therapies such as those for psoriasis, arthritis, and other related therapies that put these groups at risk.
2. We assume a modest cost of therapy of just \$50.00.
3. We apply just a 30% probability of success given the early nature of the program.

Exhibit 1. Gadeptin Model

Head & Neck Cancers	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Disease Prevalence	66,470	67,135	67,806	68,484	69,169	69,861	70,559	71,265	71,977	72,697	73,424
3rd line	21,935	22,154	22,376	22,600	22,826	23,054	23,285	23,517	23,753	23,990	24,230
Market Share				10%	12%	14%	18%	22%	26%	33%	35%
Cost of Therapy				\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
Revenue (\$ - M)				282	342	403	524	647	772	990	1,060
Probability of Success				30%	30%	30%	30%	30%	30%	30%	30%
Risk Adjusted U.S. Revenue (\$M)				\$ 85	\$ 103	\$ 121	\$ 157	\$ 194	\$ 232	\$ 297	\$ 318

Exhibit 2. Gadeptin Model

Covid - Immune Compromised Patients	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Population	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000	325,000,000
Immune Compromised				10%	11%	12%	13%	14%	15%	15%	15%
Cost of Therapy	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Market Share	10%	10%	10%	10%	20%	30%	40%	50%	51%	52%	53%
Revenue (\$ - M)				\$ 163	\$ 358	\$ 585	\$ 845	\$ 1,138	\$ 1,243	\$ 1,268	\$ 1,292
Probability of Success				30%	30%	30%	30%	30%	30%	30%	30%
Risk Adjusted U.S. Revenue (\$M)				\$ 49	\$ 107	\$ 176	\$ 254	\$ 341	\$ 373	\$ 380	\$ 388

Valuation: Our valuation for GeoVax Labs is based on revenue projections to 2033. We apply a 30% risk cut in our therapeutic models. The subsequent revenues are then fed into our income statement. To the income statement metrics, we then model a target valuation. We assume the company does raise additional capital, and as such, our valuation math is based on 2033 fully diluted share count. We assume rising SG&A and R&D as the company commercializes its products and expands its pipeline. Our valuation models: Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP), use a 30% discount rate. This is in addition to the 30% risk cut in our revenue models. We select 30% for micro-capitalized growth companies, and this represents our highest risk rate. The result of these three models is then equal-weighted and averaged, and rounded to the nearest whole number to provide a 12-month target price.

Exhibit 3. Free Cash Flow Model

Average	\$	4
Price Target	\$	5
Year		2023

DCF Valuation Using FCF (min):

units ('000)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	(11,866)	(13,580)	(15,621)	(24,444)	67,466	117,173	185,919	274,825	369,576	419,126	470,240	484,702
Tax Rate	0%	0%	0%	0%	10%	20%	30%	35%	38%	38%	38%	38%
EBIT(1-t)	(11,866)	(13,580)	(15,621)	(24,444)	60,720	93,738	130,143	178,636	229,137	259,858	291,549	300,515
CapEx												
Depreciation												
Change in NWC												
FCF	(11,866)	(13,580)	(15,621)	(24,444)	60,720	93,738	130,143	178,636	229,137	259,858	291,549	300,515
PV of FCF	(15,426)	(13,580)	(12,016)	(14,464)	27,638	32,820	35,051	37,009	36,517	31,856	27,493	21,799
Discount Rate	30%											
Long Term Growth Rate	1%											
Terminal Cash Flow	1,046,621											
Terminal Value YE2033	75,920											
NPV	286,043											
NPV-Debt	-											
Shares out (thousands)	58,105	2033E										
NPV Per Share	\$ 4.92											

Source: Dawson James estimates

Exhibit 4. Discounted EPS Model

Current Year	2023
Year of EPS	2033
Earnings Multiple	10
Discount Factor	30%
Selected Year EPS	\$ 5.17
NPV	\$ 3.75

Source: Dawson James estimates

		Discount Rate and Earnings Multiple Varies, Year is Constant						
		2033 EPS						
Earnings Multiple		3.8	5%	10%	15%	20%	25%	30%
		5		\$15.88	\$9.97	\$6.39	\$4.18	\$2.78
	10		\$31.75	\$19.94	\$12.78	\$8.35	\$5.55	\$ 3.75
	15		\$47.63	\$29.91	\$19.18	\$12.53	\$8.33	\$ 5.63
	20		\$63.50	\$39.88	\$25.57	\$16.71	\$11.11	\$ 7.50
	25		\$79.38	\$49.85	\$31.96	\$20.88	\$13.88	\$ 9.38
	30		\$95.25	\$59.82	\$38.35	\$25.06	\$16.66	\$ 11.25
	35		\$111.13	\$69.79	\$44.74	\$29.24	\$19.44	\$ 13.13
	40		\$127.01	\$79.76	\$51.14	\$33.41	\$22.21	\$ 15.01

Exhibit 5. Sum-of-the-Parts Model

GeoVax Labs Inc.	LT Gr	Discount Rate	Yrs. to Mkt Peak	% Success	Peak Sales MM's	Term Val
Gadepin	1%	30%	5	30%	\$ 1,060	\$3,655
NPV						\$3.05
COVID Immuno-compromised	1%	30%	5	30%	\$ 1,292	\$4,455
NPV						\$3.72
Platform - Other Indication						
NPV						60%
MM Shrs OS (2030E)						58
Total						\$4.06

Source: Dawson James estimates

Risks to our thesis include 1. Regulatory Approvals; 2. Capital Requirements 3. Adoption Rates 4. Intellectual Capital 5. Dilution.

- **Regulatory Approvals.** The company's products require regulatory approvals, and there can be no assurances that the requirements to achieve these approvals can be met.
- **Capital Requirements:** The business requires continued funding; there can be no assurances that the company will be able to raise the needed capital to continue operations.
- **Adoption Rates:** There are no assurances that the projected market share can be met. A combination of factors from pricing and reimbursement to competitive performance are expected to be key factors in driving users to administer these drugs.
- **The Competitive Landscape & IP.** The company does have intellectual property and knows how to preserve its competitive position. However, the company may face competition from well-financed competitors who are already in position in the target markets.
- **Dilution:** The company is likely to incur losses for the foreseeable future until it is able to generate sufficient revenue from product sales. Our model assumes a rising share count. There can be no assurances that the company can successfully raise the capital required to execute its business strategy.

Exhibit 6. Income Statement

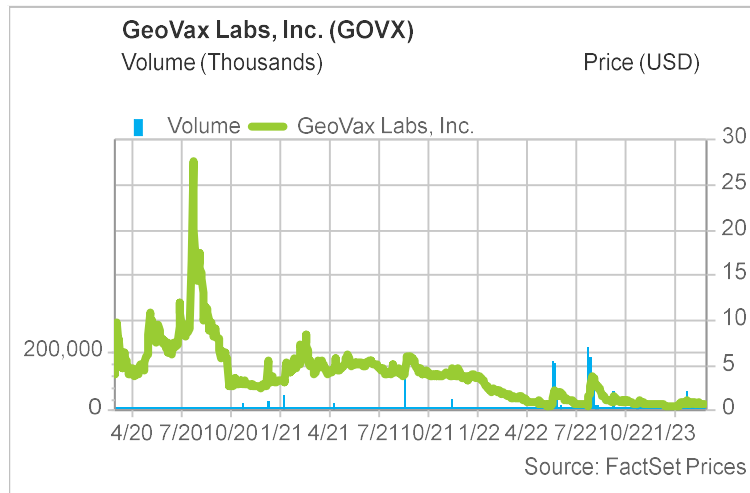
GeoVax: Income Statement '000																									
000 : YE December 31	1Q22A	2Q22A	3Q22A	4Q22A	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
Risk Adjusted Product sales Projections																									
Gadepitin																		84,749	102,716	121,034	157,171	194,019	231,588	296,877	318,019
COVID Immuno-compromised																		48,750	107,250	175,500	253,500	341,250	372,938	380,250	387,563
Grant Revenue	82	-	-	-	82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Sales	82	-	-	-	82	-	-	-	-	-	-	-	-	-	-	-	133,499	209,966	296,534	410,671	535,269	604,525	677,127	705,581	
Expenses																									
COGS																		26,700	41,993	59,307	82,134	107,054	120,905	135,425	141,116
COGS %	0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%			20%	20%	20%	20%	20%	20%	20%	20%	20%
Research and Development	1,331	1,307	2,721	3,765	9,123	2,628	2,737	2,737	2,847	10,948	3,153	3,284	3,284	3,416	13,138	15,765	18,918	22,702	22,929	25,222	30,266	36,320	43,584	52,300	
General and Administrative	1,179	935	1,249	1,623	4,987	1,209	1,259	1,259	1,309	5,036	1,221	1,272	1,272	1,323	5,087	10,000	22,000	30,000	30,300	30,603	30,909	31,218	31,530	31,846	
Total Operating Expenses	2,510	2,242	3,971	5,388	14,110	3,836	3,996	3,996	4,156	15,985	4,374	4,556	4,556	4,738	18,225	25,765	67,618	94,695	112,536	137,959	168,229	188,443	210,540	225,262	
Loss from Operations	(2,428)	(2,242)	(3,971)	(5,388)	(14,029)	(3,836)	(3,996)	(3,996)	(4,156)	(15,985)	(4,374)	(4,556)	(4,556)	(4,738)	(18,225)	(25,765)	65,881	115,271	183,998	272,712	367,039	416,082	466,588	480,319	
Other (Income) Expenses																									
Interest Income	1	1	2	4	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other (Income) expense	(1)	(1)	2	4	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Loss	(2,428)	(2,242)	(3,968)	(5,384)	(14,021)	(3,836)	(3,996)	(3,996)	(4,156)	(15,985)	(4,374)	(4,556)	(4,556)	(4,738)	(18,225)	(25,765)	65,881	115,271	183,998	272,712	367,039	416,082	466,588	480,319	
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	6,588	23,054	55,199	95,449	139,475	158,111	177,303	182,521	
GAAP Net Income (loss)	(2,428)	(2,242)	(3,968)	(5,384)	(14,021)	(3,836)	(3,996)	(3,996)	(4,156)	(15,985)	(4,374)	(4,556)	(4,556)	(4,738)	(18,225)	(25,765)	59,293	92,216	128,798	177,262	227,564	257,971	289,285	297,798	
GAAP-EPS	(0.34)	(0.18)	(0.17)	(0.14)	(0.83)	(0.16)	(0.16)	(0.11)	(0.12)	(0.55)	(0.13)	(0.10)	(0.10)	(0.11)	(0.43)	(0.57)	1.31	2.03	2.82	3.87	4.95	5.59	6.24	6.40	
GAAP EPS (dil)	(0.34)	(0.18)	(0.17)	(0.14)	(0.83)	(0.16)	(0.16)	(0.09)	(0.09)	(0.46)	(0.10)	(0.08)	(0.08)	(0.09)	(0.35)	(0.47)	1.07	1.66	2.31	3.16	4.05	4.57	5.10	5.23	
Wgtd Avg Shrs (Bas) '000	7,109	12,722	23,462	24,680	16,973	24,705	24,729	34,754	34,789	29,744	34,824	44,858	44,903	44,948	42,383	45,061	45,241	45,422	45,604	45,787	45,971	46,155	46,340	46,525	
Wgtd Avg Shrs (Dil) '000	7,109	12,722	23,462	24,680	16,973	24,705	24,729	34,754	34,799	34,747	44,844	54,889	54,943	54,998	52,418	55,136	55,357	55,579	55,801	56,025	56,249	56,475	56,701	56,928	

Source: Dawson James estimates, company reports

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

Initiated – Buy – March 3, 2023 – Price Target \$4.0

Update Report – Buy – March 24, 2023 – Price Target \$4.0

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- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months.
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Current as of 17-Mar-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

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