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GENPREX, Inc. (GNPX) – Neutral Rated
A Reverse Split and an ATM? Makes No Cents

December 20, 2023

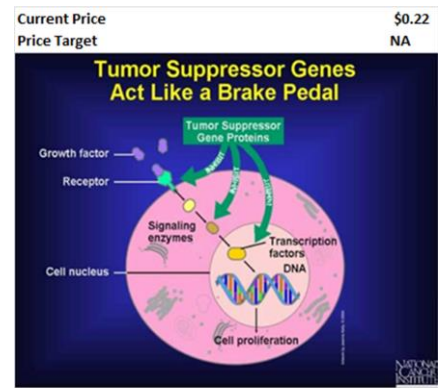
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Genprex announced plans to reverse split the stock for between 10 to 1 and 50 to 1 shares. Reverse splits typically are a last resort as they destroy liquidity (trading volume). Trading volume is critical if a company plans to use an ATM (At-The-Market) trading facility where they sell stock into the marketplace to raise capital. The Company in the prior quarter spent \$7.7M and reported \$11.7M remaining. We understand the company has to raise capital, but it seems counterproductive to announce an ATM and then days later, a reverse split. We remain neutral-rated.

Investment Highlights:

Oncology Program Update – REQORSA: The company completed the Phase 1 portion of the Acclaim-1 Phase 1/2 clinical trial of REQORSA in combination with Tagrisso (osimertinib) to treat late-stage non-small cell lung cancer (NSCLC), and the Safety Review Committee (SRC) has approved continuation to the Phase 2 expansion portion of the trial. **Genprex Granted FDA Orphan Drug Designation (ODD) for REQORSA Immunogene Therapy for the Treatment of Small Cell Lung Cancer.**

Diabetes Program: The company has developed a gene therapy that is designed to transform alpha cells in the pancreas into functional beta-like cells, which can produce insulin but are distinct enough from beta cells to evade the body's immune system. The therapy utilizes a procedure in which an adeno-associated virus vector is endoscopically delivered to the pancreas to insert Pdx1 and MafA genes. We think its worth noting the progress that Biotech leader Vertex (VRTX-Not Rated) is reporting in their diabetes program with VX-880.



Source: Genprex

Stock Data	
52-Week Range	\$0.19 - \$1.94
Shares Outstanding (mil.)	59.4
Market Capitalization (mil.)	\$13
Enterprise Value (mil.)	\$1
Debt to Capital	0%
Book Value/Share	-
Price/Book	3.1
Average Three Months Trading Volume (K)	86
Insider Ownership	2.1%
Institutional Ownership	11.1%
Short interest (mil.)	2.0%
Dividend / Yield	\$0.00/0.0%

Delivery System	Drug Candidate	Indication	Clinical Trial Program Status	Regulatory Designation	Discovery	Preclinical	IND-Enabling	Clinical Phase 1	Clinical Phase 2	Clinical Phase 3
ONCOLOGY	REGULAR IMMUNOGENE THERAPY	NSCLC	Acclaim-1 (2018-2021)	Fast Track Designation	REGORSA - Tagrisso	→	→	→	→	→
	REGULAR IMMUNOGENE THERAPY	NSCLC	Acclaim-2 (2018-2021)	Fast Track Designation	REGORSA - Etoricoxib	→	→	→	→	→
	REGULAR IMMUNOGENE THERAPY	NSCLC	Acclaim-3 (2018-2021)	Fast Track Designation	REGORSA - Torsemide	→	→	→	→	→
	OTHER ONCOLOGY TARGETS	-	-	-	-	→	→	→	→	→
	REGULAR IMMUNOGENE THERAPY	NSCLC	2018-2021	-	REGORSA	→	→	→	→	→
	REGULAR IMMUNOGENE THERAPY	NSCLC	2018-2021	-	REGORSA - Torsemide	→	→	→	→	→
DIABETES	GNPX-002	T1D	2018-2021	-	→	→	→	→	→	→
	GNPX-003	T1D	2018-2021	-	→	→	→	→	→	→
	OTHER DIABETES TECHNOLOGIES	-	-	-	-	→	→	→	→	→

Source: Genprex

Valuation: We project our model out to 2033. We apply a 30% risk cut 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.

Risks to our thesis include: 1. Regulatory Approvals; 2. Clinical Science 3. Adoption Rates 4. The competitive landscape. 5. Intellectual Capital 6. Dilution.



Risks to our thesis include 1. Regulatory Approvals; 2. Clinical Science 3. Adoption Rates 4. The competitive landscape 5. Intellectual Capital 6. 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.
- **Clinical Science:** The company will need to demonstrate its therapeutics work and are safe and comparable or better versus the existing standard of care.
- **Adoption Rates:** There are no assurances that our projected market share can be met. A combination of factors from efficacy, positioning in the competitive landscape, pricing and reimbursement are factors in driving decision-makers to select the product for their practices and patients.
- **The Competitive Landscape & IP.** The company does have intellectual property and knows how to protect the utility of its devices and software; however, we expect that the technology cycle will be competitive, and 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 1. Income Statement

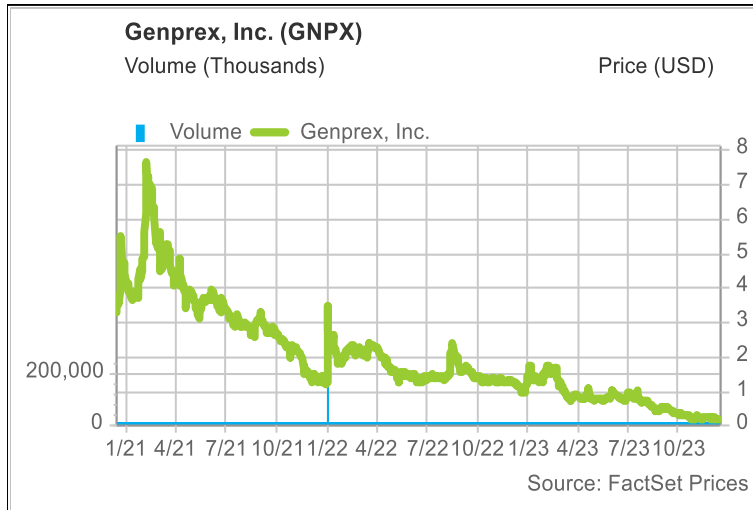
GENPREX: Income Statement ('000s)																
000 : YE December 31	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Product sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oncology	-	-	-	-	-	-	-	-	-	-	-	-	75,000	200,000	350,000	1,000,000
Diabetes	-	-	-	-	-	-	-	-	-	-	-	-	75,000	200,000	350,000	1,000,000
Total Product Sales	-	-	-	-	-	-	-	-	-	-	-	-	150,000	400,000	700,000	2,000,000
Costs and Expenses:																
COGS													45,000	112,000	175,000	500,000
COGS %													30%	28%	25%	25%
Depreciation	26	4	4	4												
Research and Development	11,510	5,310	3,977	4,617	(92)	13,812	16,575	19,889	23,867	28,641	34,369	27,495	26,120	26,643	27,176	27,719
General and Administrative	12,295	3,957	4,055	3,166	1,240	12,418	12,542	12,668	12,794	12,922	13,051	15,009	27,017	27,287	27,560	27,835
Total Operating Expenses	23,831	9,271	8,036	7,786	1,148	26,230	29,117	32,557	36,662	41,563	47,420	42,504	53,137	53,929	54,735	55,554
Loss from Operations	(23,831)	(9,271)	(8,036)	(7,786)	(1,148)	(26,230)	(29,117)	(32,557)	(36,662)	(41,563)	(47,420)	(42,504)	96,863	346,071	645,265	1,944,446
Other Expense																
Interest Income	90	68	56	65	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Expense	90	68	56	65	-	-	-	-	-	-	-	-	-	-	-	-
Net Loss	(23,741)	(9,203)	(7,980)	(7,748)	(1,148)	(26,230)	(29,117)	(32,557)	(36,662)	(41,563)	(47,420)	(42,504)	96,863	346,071	645,265	1,944,446
	-	-	-	-	-	-	-	-	-	-	-	-	9,686	51,911	129,053	700,000
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	15%	20%	36%
GAAP Net Income (loss)	(23,741)	(9,203)	(7,980)	(7,748)	(1,148)	(26,230)	(29,117)	(32,557)	(36,662)	(41,563)	(47,420)	(42,504)	87,177	294,160	516,212	1,244,445
GAAP-EPS	(0.50)	(0.19)	(0.15)	(0.13)	(0.02)	(0.49)	(0.35)	(0.35)	(0.35)	(0.36)	(0.39)	(0.35)	0.72	2.42	4.23	10.15
GAAP EPS (dil)	(0.50)	(0.16)	(0.13)	(0.10)	(0.01)	(0.38)	(0.23)	(0.23)	(0.23)	(0.24)	(0.27)	(0.24)	0.49	1.65	2.89	6.94
Wgtd Avg Shrs (Bas) '000	47,952	49,471	51,979	57,805	58,383	54,410	83,567	93,916	104,308	115,987	120,213	120,694	121,178	121,663	122,151	122,640
Wgtd Avg Shrs (Dil) '000	47,952	57,471	62,287	77,287	78,060	68,776	128,330	143,867	159,466	171,366	175,814	176,518	177,225	177,935	178,648	179,363

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 – January 30, 2023 – Price Target \$3.00
- Update Report – Buy – February 23, 2023 – Price Target \$3.00
- Update Report - Buy – March 2, 2023 – Price Target \$3.00
- Update Report - Buy – May 30, 2023 – Price Target \$3.00
- Update Report - Buy – June 27, 2023 – Price Target \$3.00
- Update Report - Buy – July 6, 2023 – Price Target \$3.00
- Update Report - Buy – July 19, 2023 – Price Target \$3.00
- Rating Change – Buy to Neutral – August 22, 2023 – Price Target NA
- Update Report – Neutral – October 5, 2023 – Price Target NA
- Update Report – Neutral – November 17, 2023 – Price Target NA
- Update Report – Neutral – December 15, 2023 – Price Target NA
- Update Report – Neutral – December 20, 2023 – Price Target NA

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- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months.
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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Current as of 14-Dec-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	21	61.76%	4	11.80%
Market Perform (Neutral)	13	38.24%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.70%

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