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GENPREX, Inc. (GNPX) – Neutral Rated
1:40 Reverse Split, Market Cap Now \$10M, Is a Raise Next?

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Genprex completed a 1 for 40 reverse stock split. The stock itself has fallen sharply since the split was first announced. In terms of capital needs the Company in the last reported quarter (Q323) spent \$7.7M and reported \$11.7M remaining on the balance sheet suggesting the company has less than a year of operating capital. A recent ATM makes no sense to us as post-split liquidity is minimal. We conclude that the historical burn rate is not sustainable. We remain Neutral as we see few catalysts ahead this year.

Investment Highlights:

Oncology Gene Program: The goal is to develop the therapy as part of combination approach in Lung Cancer, (which suggests long, complex and expensive trials). Currently the company has a series of exploratory trials ACLAIM-1, 2 and 3. The studies are small, 10-20 patients. The company plans to initiate enrollment in arms of each study. We assume this is dependent on the company’s ability to raise the needed capital.

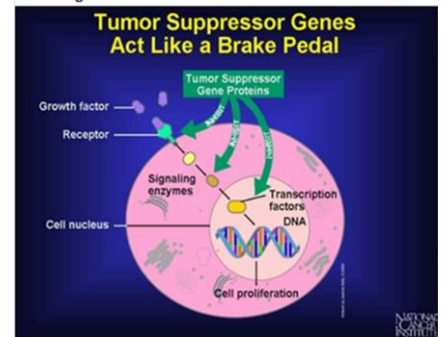
- The first patient has been dosed on the Acclaim-1 study.
- Genprex expects to complete the enrollment of 19 patients in each cohort of the Phase 2a expansion portion of the study by the end of 2024.
- In the second half of 2024, Genprex expects to complete enrollment in the Phase 1 dose escalation portion of the Acclaim-2 study.
- In the second half of 2024, Genprex expects to start the Phase 2 portion of the Acclaim-3 study.

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 it’s worth noting the progress that Biotech leader Vertex (VRTX-Not Rated) is reporting in their diabetes program with VX-880. In December, Genprex submitted a request to meet with the FDA to obtain their guidance on the nonclinical studies needed to file an Investigational New Drug application and initiate first-in-human studies. **As a result of the FDA’s response, the Company will continue with its planned additional nonclinical studies before requesting regulatory guidance in 2024 for the IND-enabling studies.**

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.

Current Price \$6.70
Price Target NA



Source: Genprex

Stock Data			
52-Week Range	\$5.15	-	\$74.80
Shares Outstanding (mil.)	1.5		
Market Capitalization (mil.)	\$10		
Enterprise Value (mil.)	-\$2		
Debt to Capital	0%		
Book Value/Share	-		
Price/Book	3.1		
Average Three Months Trading Volume (K)	17		
Insider Ownership	2.1%		
Institutional Ownership	9.6%		
Short interest (mil.)	2.6%		
Dividend / Yield	\$0.00/0.0%		



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

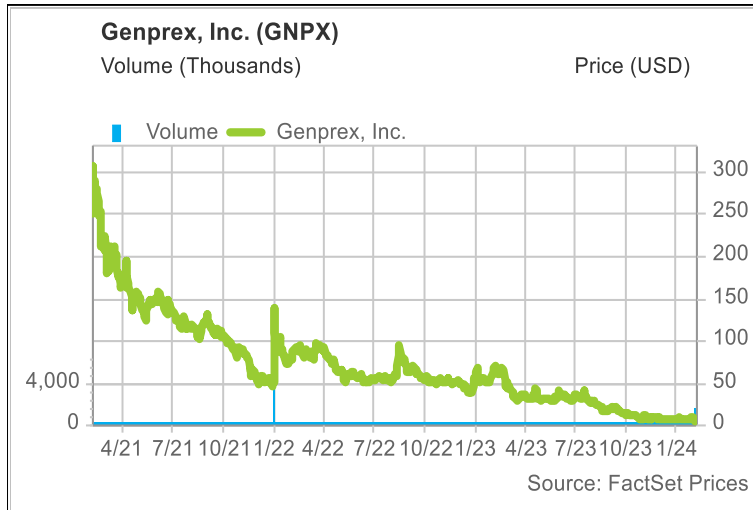
GENPREX: Income Statement ('000s)																
000 : YE December 31	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Product sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oncology	-	-	-	-	-	-	-	-	-	-	-	-	75,000	200,000	350,000	1,000,000
Diabetes	-	-	-	-	-	-	-	-	-	-	-	-	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	51	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Expense	90	68	56	51	-	-	-	-	-	-	-	-	-	-	-	-
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: Company reports and Dawson James

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
- Update Report – Neutral – January 5, 2024 – Price Target NA
- Update Report – Neutral – February 6, 2024 – Price Target NA

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months.
- 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 30-Jan-24

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	58.82%	4	11.80%
Market Perform (Neutral)	14	41.18%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.70%

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