

NUVILEX, INC.

Raising Price Target to \$1.05

Rob Goldman
rob@goldmanresearch.com

March 4, 2014

NUVILEX, INC. (OTC:QB – NVLX - \$0.4525)

Price Target: \$1.05

Rating: Speculative Buy

COMPANY SNAPSHOT

Nuvilex is a biotechnology company with the rights to a novel cellulose-based live-cell encapsulation technology, called Cell-in-a-Box™, that will be used as a platform upon which treatments for several types of cancer, including advanced, inoperable pancreatic cancer, and diabetes are being built. Nuvilex's treatment for pancreatic cancer involves the use of the well-known anticancer prodrug, ifosfamide, together with encapsulated live cells that convert ifosfamide into its active or "cancer-killing" form. Nuvilex's subsidiary, Medical Marijuana Sciences, Inc., is dedicated to the development of cancer treatments based upon constituents of marijuana known as cannabinoids. Nuvilex is exploring ways in which the Cell-in-a-Box™ technology may play a role in these efforts.

KEY STATISTICS

Price as of 3/3/14	\$0.4525
52 Wk High – Low	\$0.62 – 0.04
Est. Shares Outstanding	601.4M
Market Capitalization	\$272.1M
3 Mo Avg Vol	9,632,000
Exchange	OTC:QB

COMPANY INFORMATION

Nuvilex, Inc.
12510 Prosperity Drive
Suite 310
Silver Spring MD 20904-1643
Tel: (917) 595-2850; Fax: (917) 595-2851
www.nuvilex.com
info@nuvilex.com

KEY TAKEAWAYS

Conclusion: With funding for advanced clinical trials in place, the Nuvilex story has been transformed overnight and prompts a price target increase to \$1.05 from \$0.75.

The Event: Institutional Funding on Great Terms

Two weeks ago, Nuvilex issued the most important release in company history. Noted institutional investor Lincoln Park invested \$2M in NVLX stock and based on the agreement, has committed to invest up to an additional \$25M in NVLX stock, at the sole option of the Company. The initial tranche was priced at \$0.25, a premium to the previous day's close. We note that this deal included no warrants or options.

The Great Leverage: Power is in NVLX's Hands

Clearly, any seasoned investor will quickly recognize that this type of deal and the funder's reputation illustrate that Nuvilex is no also-ran but a soon-to-be prime time player in the biotech and medical marijuana arenas. By giving NVLX the sole option for the future investments, NVLX ensures it will be able to fund future, advanced clinical trials. Moreover, the funding will likely be executed in a minimally dilutive series of events. We estimate dilution from a \$25M investment to result in 10% dilution or less—a pittance when compared with the leverage NVLX and its investors will get out of the funds.

The Real Story: Milestone Events Galore

Since we began coverage of NVLX 3 years ago, naysayers and short sellers have seemingly controlled the message about the company---and the message was always looking behind rather than ahead. That message minimized the company's technology, progress and prospects, and thus hurt the valuation. Now that an institution has validated the company, attention will be focused on fundamentals and a series of future milestones and executable events, which means a higher future valuation.

The Primer

Oncology

Nuvilex is a biotechnology company with the rights to the novel Cell-in-a-Box™ technology. These rights were acquired following a fund-raising at a premium to the market. In developing cancer treatments utilizing the Cell-in-a-Box™ live-cell encapsulation technology, living cells that are capable of converting anti-cancer drugs into their cancer-killing forms are enclosed in protective cellulose-based, pin-head-sized capsules that are implanted in or near a cancer tumor. Following implantation of the Cell-in-a-Box™ capsules; the anticancer drugs are then administered. The combination of the Cell-in-a-Box™ technology with the anti-cancer drug ifosfamide has been shown in Phase 1/2 trials conducted in the early 2000s to be very effective in treating patients with advanced inoperable pancreatic cancer. When the data from those trials were compared with historical data for Gemzar® (the only drug approved to date as a single agent for the treatment for advanced pancreatic cancer), the median survival time was increased to 11 months (from 5.7 months for Gemzar®) using Nuvilex's treatment and the one-year survival rate with Nuvilex's treatment (36%) was double that seen with Gemzar® (18%). Tumor sizes were also reduced from 25-50% in 4 out of 14 patients and no serious treatment-related side-effects were experienced using the Cell-in-a-Box™ plus ifosfamide combination. This is because only one-third the dose of ifosfamide normally employed in treating other forms of cancer was used in the trials because of the unique nature of the Cell-in-a-Box delivery system. Future trials are in the offing.

Diabetes

As if the multi-billion dollar cancer treatment opportunity was not enough, in 2H13, Nuvilex acquired the exclusive worldwide rights to use the cellulose-based live-cell encapsulation technology for the development of treatments for diabetes from SG Austria for \$1.5 million. Once again, funds were raised at a premium to the market (10 million shares @ \$0.15 per share. Reminder: Lincoln Park purchased 8M shares of NVLX at \$0.25, which was a premium to the market. That marks 3 transactions at premiums to the market which is unheard of in any biotech I have ever followed.)

This new treatment category represents an even larger opportunity for the company than its current cancer treatment initiatives---as much \$100 billion. A proof of principle animal study demonstrated that when cells that produce insulin were encapsulated using the Cell-in-a-Box™ technology and then transplanted into diabetic animals, the animals' elevated blood sugar levels became normalized and remained stable for the duration of the six-month study. This event indicates that the encapsulated cells produced insulin in response to the higher than normal blood glucose levels in the animals. Therefore, the encapsulated cells appear to have acted as an artificial or replacement pancreas which has tremendous value in treatment of diabetes.

Armed with these valuable study results, management will likely take steps that will ultimately lead to the initiation of human clinical trials which, in turn, will serve to substantially raise the company's value and its profile. For these future studies, the Company plans to encapsulate cultured insulin-producing cells rather than pancreatic islet cells as has been done by other "cell encapsulation" companies; this sets Nuvilex apart from such companies.

NUVILEX, INC. (OTC:QB NVLX)*Medical Marijuana*

With exclusive worldwide rights in the entire oncology space, and with the ability to produce the appropriate live cells for encapsulation, management plans to study the efficacy of cannabinoid (active constituents of Cannabis)-based cancer treatments via its subsidiary, Medical Marijuana Sciences, Inc. The approach will be to use the Cell-in-a-Box™ live-cell encapsulation technology in an effort to optimize the anti-cancer activities of cannabinoids similar to the way that the technology optimizes the anti-cancer activity of ifosfamide for the Company's pancreatic cancer treatment.

The medical marijuana arena is enjoying a great deal of attention, a high market valuation and a growing cadre of investors and entrepreneurs as many prognosticators forecast huge revenue growth over the next 3 years and as more states pass medical marijuana legislation. For example, the independent financial news and data firm See Change Strategy estimates that the U.S. medical marijuana market is worth \$1.7 billion and could reach \$8.9 billion by 2016. Medical Marijuana Sciences, Inc. has been building an impressive Scientific Advisory Board, headed by Dr. Mark Rabe, which will play a major role in the company's future endeavors. That Board's experience with cannabinoids, cancer drugs and enzymology could prove to be invaluable in pursuing the goals of Medical Marijuana Sciences that include developing treatments which employ constituents of Cannabis together with the Cell-in-a-Box™ cellulose-based live-cell encapsulation technology.

Nuvilex's studies of combinations of cannabinoids with Cell-in-a-Box™ might result in bringing one or more highly effective products for use in treating the most serious and deadly forms of cancer, which would place Nuvilex near the head of the medical marijuana product development class. *Given that many cannabis-related companies trade at market caps around \$200 million, it is easy to see why market value for the full company can be \$600M or more down the road versus the \$220M today.*

Multiple Events and Multiple Stock Price Gains Ahead

For the interim, investors who sat on the fence or were previously negative on NVLX are cheering the tremendous validation that Lincoln Park has provided the Company's investors, driving the stock higher--and deservedly so. After all, funding of this size substantially de-risks the stock and justifies a high value associated with each of the 3 company treatment categories.

However, once the honeymoon and the short-covering subside, and a brief profit-taking period ensues, the real moves in the stock will prepare to begin. These price increases will likely occur in conjunction with measurable progress on the clinical trial preparation front for pancreatic cancer and diabetes, along with progress on the medicinal marijuana initiatives, and will result in an increase in our target price approaching \$1.00 per share.

Upcoming events include GMP facility construction, cloning completion, and typical steps associated with late-phase clinical trials such as protocol design, the selection of a CRO, and pre-IND and IND meetings with drug regulatory authorities. Other milestones could include development progress on the diabetes side as well as research and development on the use of the Cell-in-a-Box™ platform in developing a treatment for breast



NUVILEX, INC. (OTC:QB NVLX)

cancer. Considering that breast cancer often responds better to treatment than pancreatic cancer, R&D success in this category is very possible given that the Company already has significant animal studies data using the Cell-in-a-Box™ live-cell encapsulation that points to such an outcome.

Since the stock is now treated as a major player, it can justify a major valuation, given its three-pronged, large market opportunity approaches. Separately, it is not uncommon for biotechs, particularly those with exposure to the oncology space, move sharply higher due to accumulation ahead of key industry conferences. We have noticed an early accumulation phase in this space as investors migrate away from consumer stocks signaling that Nuvilex could enjoy an extended rally.

Technicians will notice we have attached a 10 year chart for review. Until broken through last week, it had been almost exactly 7 years since the stock hit the \$0.50 level. While there was an unjust sell-off which fueled fast money profit-taking, we believe the stock is largely in strong, long-term holders' hands. Moreover, future milestone events will likely take NVLX to its 10 year high of \$0.75 which would set a new range for the stock and enable it to reach our new \$1.05 price target.

We continue to rate these shares Speculative Buy.

NUVILEX, INC. (OTC:QB NVLX)

10-Year Trading History For NVLX

(Source: BarChart.com)

NVLX - Nuvilex Inc - Monthly OHLC Chart





NUVILEX, INC. (OTC:QB NVLX)

Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

Disclaimer

This *Opportunity Research* report was prepared for informational purposes only.

Goldman Small Cap Research, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research*. The *Select* format reflects the Firm's internally generated stock ideas along with economic and stock market outlooks. *Opportunity Research* reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro cap research ideas that typically carry greater risks than those stocks covered in the *Select Research* category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Research reports on profiled stocks in the *Opportunity Research* format typically have a higher risk profile, and may offer greater upside. *Goldman Small Cap Research* has been compensated by a third party in the amount of \$1,000 for a research update. The Company has not endorsed or compensated Goldman Small Cap Research for this update. All information contained in this report was provided by the Company via filings and news releases, or our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TWO TRIANGLE CONSULTING GROUP, LLC WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS,



NUVILEX, INC. (OTC:QB NVLX)

RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP*, LLC WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com