

GENEREX BIOTECHNOLOGY CORP.

New Acquisitions, Deals to Bolster Generex Top-Line and Valuation

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GENEREX BIOTECHNOLOGY CORP. (OTC – GNBT - \$18.00)

Industry: Health Care (Diversified)

Pre-Dividend Adjusted Price Target: \$40.00

COMPANY SNAPSHOT

Generex is a strategic, diversified healthcare holdings company with offerings in a variety of services, diagnostics, medical devices, and pharmaceutical development. The Company's direct-to-patient services support its strategy of all-inclusive access to doctors, diagnostics, therapeutics, and additional health-related services to greatly improve the patient experience in receiving care. Generex's management services remove administrative burdens in multiple provider settings, including private practice and hospital, allowing doctors to devote more time to patient care. The Company also is engaged in clinical advancement of its wholly owned therapeutic products with a focus in immunotherapeutics and its proprietary buccal administration of insulin.

KEY STATISTICS

Price as of 11/29/18	\$18
52 Week High – Low	\$25.30 - \$1.76
Est. Shares Outstanding	1.35M
Market Capitalization	\$24.4M
Average Volume	23,739
Exchange	OTCQB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Conclusion: Since our coverage initiation earlier this month, GNBT has announced a series of deals that should serve as a precursor to revenue and valuations gains in 2019. The Company continues to execute on its strategy to become a nationwide, integrated, end-to-end health care firm.

New Acquisitions in Multi-Billion-Dollar Markets. GNBT has signed a LOI with 2 firms, in which the Company will own 51%. Both deals should close this quarter and a tender for the remaining 49% could occur next year. These transactions will give GNBT exposure to the \$23B wound care market via a platform device that is cleared for 17 indications, including diabetic ulcers, and the multi-billion-dollar ulcerative colitis market via a pending 510(k) De Novo submission and trial. Each of these categories represents favorable valuations, which could be unlocked, beginning next year.

New CBD Product Agreement with Puration (OTC – PURA – Speculative Buy) is Game-Changing. GNBT will be introducing NuGenerex CBD HydroHealth High Alkaline Water to its patient population and ever-growing pharmacy network. This high value new offering will be infused with custom CBD extracts as therapies for symptoms of specific health issues.

The aforementioned business development events projects affirm our favorable outlook on these shares and we continue to expect a higher overall valuation ahead for GNBT.

THE ACQUISITIONS

In recent days, GNBT announced that it signed a letter of intent to acquire 51% of two firms in the health care arena and add two health care C-level heavyweights (from these firms) to the leadership team that serve to bolster its ever-growing, integrated health care holdings company. We believe both deals will close by year-end 2018.

Regentys Corp:

The Skinny

The company signed an LOI acquire 51% of Regentys Corporation, a regenerative medicine company focused on developing treatments for patients with gastrointestinal (GI) disorders. The company's first product, *Regentys Extra-Cellular Matrix Hydrogel (RECMH)*, is a first-in-class, non-pharmacologic, non-surgical treatment option for patients suffering from Ulcerative Colitis. Ulcerative Colitis ("UC"), a disease that affects approximately 750,000 patients in the United States and 1.9 million patients worldwide, is a chronic, inflammatory disease that causes sores or ulcers in the lining of the colon. Future indications for the drug include inflammatory bowel disorder and irritable bowel syndrome, conditions that affect millions of patients.

Regentys has received guidance from FDA that the treatment can be approved through the FDA Office of Device Evaluation as a 510(k) De Novo application, and the company will initiate the clinical studies necessary to obtain that approval by year-end 2019. Generex made an initial payment of \$400,000 on November 28, 2018, to secure the agreement and the company is in the process of completing the legal documents with a plan to close the transaction in the coming weeks.

The RECMH is a proprietary, patented UC treatment that protects damaged tissue from waste flow and promotes tissue regeneration and healing rather than suppressing the immune system as other treatments currently do. The product has been developed with polymeric characteristics that transform ECMH from a liquid to gel form upon adherence to the mucosal lining of the diseased colon, providing a "Bio-Scaffold Bandage" to the affected area. The RECMH Bio-scaffold facilitates healing and functional repair of the colon lining, first by covering the ulcer to limit the inflammatory response, then by providing a framework to mobilize endogenous (the body's own) stem cells.

Olaregen Therapeutix:

The Skinny

The Company signed an LOI to acquire 51 percent of Olaregen Therapeutix Inc., a New York based regenerative medicine company. Generex made an initial payment of \$400,000 on November 27, 2018 to secure the agreement, and the company is in the process of completing the legal documents with a plan to close the transaction in the coming weeks.

Olaregen will introduce its first product, Excellagen®, a flowable dermal matrix that is a 510K FDA cleared medical device for utilization for a variety of wound types that has recently been awarded a U.S. patent with a

17 year right of exclusivity. Excellagen® is a highly-purified Type 1 collagen-based, flowable gel formulation and is approved for 17 indications, including partial and full thickness wounds, pressure ulcers, venous ulcers, diabetic ulcers, chronic vascular ulcers, tunneled/undermined wounds, surgical wounds (donor sites/grafts, post-Mohs surgery, post-laser surgery, podiatric, wound dehiscence), trauma wounds (abrasions, lacerations, second-degree burns, and skin tears) and draining wounds.

Our Take

Our due diligence in the wound care market, the valuations associated with De Novo submissions and FDA 510(k) clearances, and subsequent fundings and M&A suggest that both platform products could ultimately be worth tens of millions in value to GNBT. With one platform already approved for 17 indications, it is easy to see there is inherent, underlying value and prospective revenue ahead, beginning next year. The offering under development addresses a large unmet need in a space only treated with biologics that have a poor side effect profile. Our due diligence includes private company valuations on companies in the regenerative arena as well as corollaries in the form of investment industry reports cataloguing deals in the space.

LARGE CBD MARKET POTENTIAL

As part of an agreement with Puration and Puration partner US Cannabis Health, GNBT will be introducing *NuGenerex CBD HydroHealth High Alkaline Water* to its patient population and ever-growing pharmacy network. This high value new offering will be infused with custom CBD extracts as therapies for symptoms of specific health issues. The deal is significant for GNBT because the product will offer unique, custom CBD extracts for the Company's patients and will be sold through its pharmacy network (which will continue to grow through acquisitions) as well as its patient population. A key point of interest is that one of the primary reasons for the agreement with Puration, et al. is that GNBT management believes they can now integrate products from what may be the greatest CBD extract process on the market that offer enviable shelf life---greater than competing products. Once a product is developed and ready for sale next year, we believe it will serve a tremendous differentiated and profitable product for GNBT and markedly add to revenue and the profile of PURA—which could lead to other product introductions into new channels. (Analyst's Note: PURA is a GSCR sponsored research client.)

CONCLUSION

Apparently, the record date of GNBT was extended following the release of this report which means that the adjusted post-dividend pricing of the stock will begin shortly. In our view, investors should take a long view of GNBT. At current levels, the market cap is roughly \$24M. We believe a great deal of value will be unlocked in a variety of current and soon-to-be closed transactions, along with new offerings next year, as these seemingly disparate events will coalesce and the Street can understand the model and value the company and its stock accordingly. These types of firms tend to trade at a minimum, of 2x sales forward 12-month sales. Taking into account recent events, we believe that the Company is likely worth substantially more than the current valuation. Our primary concern is the difficulty in integrating so many moving parts into the holding company while maintaining operations growth and staying on its strategic path. Still, it is a risk akin to companies in an accelerated growth mode.

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

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