

NUVILEX, INC.

Nuvilex's Stock Worth as Much as \$0.30: Today

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NUVILEX, INC. (OTC:QB – NVLX - \$0.07)

Price Target: \$0.50

Rating: Speculative Buy

COMPANY SNAPSHOT

Nuvilex, Inc. has been a provider of all-natural products for many years, has expanded its company to increase its natural product based footprint through medical marijuana studies and is becoming an international biotechnology provider of live, therapeutically valuable, encapsulated cells and services for treatments, research and medicine. The Company's offerings will ultimately include cancer, diabetes and other clinical treatments using the company's natural product knowledge, product base, cell and gene therapy expertise, and live-cell encapsulation technology in addition to other new products currently under development.

KEY STATISTICS

Price as of 4/18/13	\$0.07
52 Wk High – Low	\$0.0949 – 0.019
Est. Shares Outstanding	460.0M
Market Capitalization	\$31.5M
3 Mo Avg Vol	1,360,000
Exchange	OTC:QB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Following an exhaustive survey of anti-cancer biotech, biopharmaceuticals, and medical marijuana companies, we believe that Nuvilex's shares are worth as much as \$0.30 per share---today. That figure represents \$0.15 for each of the Company's two primary offerings alone.

According to our calculations and traditional valuations, NVLX should be afforded a valuation of \$0.15 per share just for its live-cell encapsulation therapy for use in the treatment of pancreatic cancer patients, which is \$70M, in line with the typical valuations afforded oncology companies at this stage of development.

Based on Nuvilex's strategy in the medical marijuana space, which leverages its clinical development strengths, we believe NVLX should trade at a valuation more than double that of its current market cap, which would place it at the \$70M average of its peer group, or \$0.15 per share.

Interestingly, stocks in both the anti-cancer biotech and medical marijuana segments are trading smack dab in the middle of their 52-week ranges. This will likely change in the coming weeks heading into the annual American Society of Clinical Oncology (ASCO) meeting in early June. Anti-cancer stocks tend to move sharply higher in the weeks prior to the conference.

Clearly, on a combined basis, NVLX is a bargain at current levels. As NVLX executes on milestone achievements in both arenas, the stock could be off to the races. We rate these shares Speculative Buy and reiterate our \$0.50 price target.

Nuvilex Anti-Cancer Valuation

In our view, the valuation afforded NVLX for its live-cell encapsulation platform used to treat pancreatic cancer is a joke. This especially the case considering the results from the Company's Phase 2 trial are stellar as outlined in the primer below. Moreover, since this platform and delivery system serves as an existing therapy booster, it could also be used to treat other forms of cancer as well as many other diseases. We believe that one of the reasons why the stock has not been afforded a proper valuation just for this treatment alone is the fact that investors have not compared this Company to a real peer group nor have it subjected to a comparison of standard valuations for companies at this stage.

We engaged in an exhaustive survey of hundreds of clinical trials of anti-cancer treatments by the oncology industry, with a special emphasis on pancreatic cancer. Certainly, most biotechs are not one-trick ponies and most of the pancreatic cancer and other cancer trials are undertaken by the 800-pound gorillas of the pharmaceutical industry Pfizer (NYSE – PFE), Bristol Myers (NYSE – BMY), Celgene (NASDAQ – CELG), and many others.

Still, small cap biotechs do play in this space and have other drugs in varying stages of development as well. With that said, we derived a valuation for these companies by segmenting each drug and the associated stage of development, in order to compare them with Nuvilex. According to our calculations and by using traditional valuation metrics, most anti-cancer drugs that have completed Phase 2 trials and are headed toward Phase 3 trials are afforded valuations of around \$70M. Nuvilex, for its entire company, carries a market value of only \$32M. On the strength of its offering, we strongly believe that NVLX should trade at a market cap of least \$70M, or \$0.15 just for this segment alone.

Table I. Nuvilex Anti-Cancer Peer Group

Company Name	Symbol	Price (4/18/13)	52-wk high	52-wk low	Mkt Cap (mil)
Array BioPharma	ARRY	\$5.38	\$6.17	\$3.00	\$629
AVEO Pharmaceuticals	AVEO	\$7.33	\$14.08	\$5.80	\$320
CytRx	CYTR	\$2.75	\$5.50	\$1.59	\$84
Exelixis	EXEL	\$4.67	\$6.95	\$4.19	\$858
GTX	GTXI	\$4.38	\$5.41	\$2.62	\$275
ImmunoGen	IMGN	\$13.99	\$18.10	\$10.85	\$1,180
Merrimack Pharmaceuticals	MACK	\$5.59	\$11.11	\$5.56	\$534
NewLink Genetics	NLNK	\$11.58	\$18.00	\$10.40	\$297
Oncothyreon	ONTY	\$2.30	\$6.24	\$1.71	\$132
Rexahn Pharmaceuticals	RNN	\$0.29	\$0.81	\$0.28	\$35
Synta Pharmaceuticals	SNTA	\$9.37	\$11.88	\$3.57	\$649
Threshold Pharmaceuticals	THLD	\$4.40	\$9.28	\$3.95	\$248

Average					\$437
Nuvilex	NVLX	\$0.07	\$0.09	\$0.02	\$32

Source: Goldman Small Cap Research and Yahoo! Finance

*denotes pancreatic cancer treatment sub-group

If we were to take a closer look at the firms with pancreatic cancer treatments or encapsulation technologies, we find interesting data. The valuations for these companies range from \$35M for Rexahn (NYSE – RNN), which we covered 3 years ago, to \$534 for Merrimack Pharmaceuticals (NASDAQ – MACK.) We include RNN at the low-end since their pancreatic treatment is at a similar stage to Nuvilex. While RNN has other interesting relationships and products in very early stages of development, it has been punished for failing clinical trials, in our view. Since Nuvilex has not failed trials, it should clearly trade higher than RNN, in our opinion. Some of the other firms in this subset have drugs in Phase 3 trials, so they should trade at these more meaningful valuations. Still, the valuations associated with their drugs in Phase 2 appear to be in the \$70M range as we outlined above, and nearly double that figure for Phase 3 drugs in development. Going forward, we believe that the spread between Nuvilex and this group should and will narrow considerably, especially as development milestones occur.

Nuvilex Anti-Cancer Primer

For the uninitiated, Nuvilex, through SG Austria, has designed and utilized in clinical trials, a proprietary multi-functional, biomedical therapeutic enhancement platform. This platform, which essentially serves as an existing therapy booster, is based upon its live-cell encapsulation technology and delivery system and enhances the quality of life.

To date, the platform technology has been used in everything from *in vitro* to *in vivo* analyses to completed pre-clinical and clinical trials. While the most noteworthy and furthest along is the highly effective Phase 2 treatment used to treat pancreatic cancer, there are numerous existing treatments and applications in biotechnology and stem cell research alone that can benefit from this innovative platform. As a result, numerous research organizations and major healthcare firms have sought out the technology for various studies, applications and trials.

The Company's patented cell encapsulation technology enables the targeted placement and delivery of any cell type into the body after enclosing the cells inside tiny beads. This platform does not encapsulate drugs, but live cells. Depending on the cell type placed into the beads, or encapsulated, these cells enable continuous and/or controlled production and release of targeted therapeutic molecules via an innovative delivery system.

During the Phase 2 trial, the most significant results were the generation of a substantially higher survival rate, higher quality of life, and yet utilization of a lower chemotherapeutic dose with lowered side effects and fewer treatment cycles. The patented technology's mechanism of action included the targeted delivery of encapsulated living cells capable of delivering and converting standard inactive chemotherapeutic cancer drugs (prodrugs) into active, chemotherapeutic (cancer-fighting) drugs directly to the pancreatic tumor. In addition, this platform allowed for the use of overall lower prodrug doses, dramatically decreasing the overall body exposure to such toxic agents, yet with greater clinical effect.

Medical Marijuana Valuation

Since the votes to legalize marijuana votes in the states of Colorado and Washington in November of 2012, the space has been on fire. Truth be told, since this is a nascent industry, it is difficult to ascertain the lay of the land, who is doing what, and who will be the biggest successes. What is universally believed, however, is that this space is here to stay and will grow as tall as marijuana plants while the stocks will trade as high as the users.

Disclaimer: My mother passed away from cancer nearly 20 years ago. Shortly before her death we procured some marijuana for her. It was the best week she had in months and gave her a quality of life that was remarkable. Some investors may consider this a bias but I view it as an important personal and supporting event for the space itself.

(Back to our regularly scheduled program.)

We have identified 12 firms (including Nuvilex) as major players in the space. Most are in varying stages of testing marijuana for use in pain relief, or are engaged in consulting, business infrastructure build-out, equipment production, etc. Given the early stage of the space, most of the stocks trade with a fair amount of volatility, this is to be expected. As noted in the table below, the valuations range from \$3M to \$205M, with an average of \$73M.

It is our contention that Nuvilex, which trades at a paltry \$32M market cap, is not only undervalued in the oncology arena, but has been assigned a zero valuation for its participation and (soon-to-be) leadership role in the industry. We proffer that given management's deep experience in the development of clinical trials of ethical drugs, delivery systems, and live-cell encapsulation, Nuvilex will emerge as the de-facto oncology treatment leader in medical marijuana. Not only does this play to the Company's strengths, but the field is less crowded than the pain relief segment.

As a result, we believe that rather than assigning a zero value to its medical marijuana initiatives as the market appears to have done, it should be afforded a market value akin to the industry average of roughly \$70M.

Table I. Nuvilex Medical Marijuana Peer Group

Company Name	Symbol	Price (4/15/13)	52-wk high	52-wk low	Mkt Cap (mil)
Cannabis Science	CBIS	\$0.05	\$0.25	\$0.01	\$39
Cannavest	CANV	\$10.50	\$15.00	\$10.50	\$74
GreenGro Technologies	GRNH	\$0.07	\$0.15	\$0.05	\$8
Growlife	PHOT	\$0.05	\$0.25	\$0.01	\$24
GW Pharmaceuticals	GWPRF	\$0.95	\$1.52	\$0.58	\$127
Hemp	HEMP	\$0.05	\$0.09	\$0.04	\$38
Medbox	MDBX	\$18.60	\$215.00	\$0.03	\$205
Medical Marijuana	MJNA	\$0.24	\$0.50	\$0.02	\$180
MediSwipe	MWIP	\$0.05	\$0.13	\$0.00	\$22
Terra Tech	TRTC	\$0.18	\$1.15	\$0.13	\$14
The X-Change	XCHC	\$0.07	\$0.39	\$0.03	\$3
Average					\$73
Nuvilex	NVLX	\$0.07	\$0.09	\$0.02	\$32

Source: Goldman Small Cap Research and Yahoo! Finance

Nuvilex Medical Marijuana Initiatives

The Company's new subsidiary, Medical Marijuana Sciences, Inc., builds upon NVLX's many years of experience in developing "all- natural" products for various uses by studying the medical applications of marijuana (*Cannabis sativa*) and developing treatments for serious human diseases. The use of *Cannabis* for medicinal purposes dates back more than 3,000 years. The components of marijuana that have shown medical activity are broadly known as "cannabinoids." Approximately 70 cannabinoids have been found in *Cannabis sativa*.

In a number of studies, cannabinoids have demonstrated an ability to act as an anticancer agent. Cannabinoids appear to kill cancer cells by binding to specific "receptors" on the surface of cells; these receptors are normally involved in the

binding of endocannabinoids. Following this binding, the cannabinoids cause the cells to go through a variety of processes that ultimately lead to cell death (apoptosis).

Leveraging the use of the Company's successful encapsulation technology to treat certain cancers in clinical trials and other tests, the initial efforts of Medical Marijuana Sciences, Inc. will be targeted towards developing treatments for some of the most difficult-to-treat forms of cancer; these include brain tumors, specifically gliomas (e.g. *glioblastoma multiforme*), and pancreatic cancer.

Initially, the company is focusing on the use of cannabidiol (CBD), since this compound does not appear to possess the psychotic activity associated with THC; this activity has limited the possible use of THC as a treatment for cancer. CBD has been shown to limit the growth of glioma cells by inducing apoptosis (also known as programmed cell death) in both laboratory and animal studies. This observation implies that CBD may have the capability of "shrinking" glioma tumors.

Taken together with other preclinical observations, CBD appears to possess the ability to shrink glioma tumors, stop them from proliferating, and reduce their spread. Therefore, CBD (either alone or loaded to microparticles) in combination with Gliadel® wafers, or with one of the other drugs used to treat glioblastoma multiforme may prove to be an effective combination for the treatment of this most deadly of all brain cancers.

Conclusion:

Following an exhaustive survey of anti-cancer biotechs, biopharmaceuticals, and medical marijuana companies, we believe that Nuvilex's shares are worth as much as \$0.30 per share--- today. That figure represents \$0.15 for each of the Company's two primary offerings alone.

According to our calculations and by using traditional valuations, Nuvilex should be afforded a valuation of \$0.15 per share just for its live-cell encapsulation therapy for use in the treatment of pancreatic cancer patients, which is \$70M, in line with the typical valuations afforded oncology companies at this stage of development. Plus, based on Nuvilex's strategy in the medical marijuana space, which leverages its clinical development strengths, we believe should trade at a valuation more than double that of its current market cap, which would place it at the average of its peer group, right around \$70M, or \$0.15 per share. Put the two together and we derive a valuation of \$0.30 per share versus the current \$0.07 price.

Interestingly, stocks in both the anti-cancer biotech and medical marijuana segments are trading smack dab in the middle of their 52-week ranges. This will likely change in the coming weeks as we head into the annual American Society of Clinical Oncology (ASCO) meeting in early June. Anti-cancer stocks tend to move sharply higher in the weeks prior to the conference.

Separately, as Nuvilex executes on milestone achievements in both arenas, the stock could be off to the races, approaching our \$0.50 price target. We rate these shares Speculative Buy.

NUVILEX, INC. (OTC:QB NVLX)

Recent Trading History For NVLX

(Source: Stockta.com)





NUVILEX, INC. (OTC:QB NVLX)

Analyst: Robert Goldman

Rob Goldman 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.

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