

NUVILEX, INC.

Five Reasons Why Nuvilex Is Set to Ride New “High”

Rob Goldman
rob@goldmanresearch.com

January 22, 2014

NUVILEX, INC. (OTC:QB – NVLX - \$0.1315)

Price Target: \$0.75

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 widely used 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 the well-known chemical constituents of marijuana. Nuvilex is exploring ways in which the Cell-in-a-Box™ technology may play a role in these efforts.

KEY STATISTICS

Price as of 1/21/14	\$0.1315
52 Wk High – Low	\$0.22 – 0.03
Est. Shares Outstanding	593.4M
Market Capitalization	\$77M
3 Mo Avg Vol	1,889,000
Exchange	OTC:QB

COMPANY INFORMATION

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

KEY TAKEAWAYS

Conclusion: Aided by what is likely to be a surge of interest in, and validation of, medical marijuana, we believe that shares of Nuvilex are set to reach their highest trading level in nearly a year.

Trigger #1: President Obama Endorses Marijuana

In a just published article in The New Yorker, President Obama referred to marijuana as “less dangerous than alcohol” and made several favorable references to the new recreational marijuana sales laws that went into effect in Colorado and Washington. These comments give a huge shot in the arm to the medical marijuana space, which has recently experienced a solid spike of support by physicians (such as the high profile Dr. Sanjay Gupta), politicians, and Americans across the country. This favorable stance could prove to stymie the opposition and prompt a landslide of changes to state marijuana and medical marijuana laws which will lead to broad use and the laws’ implementation, not to mention changes down the road to federal laws. Obama knows a trend when he sees one. A recent CNN poll found that 55% of Americans believe marijuana should be legalized.

Trigger #2: Money, Money, Money

Exceeding all expectations, Colorado pot shops cannot keep product in the stores fast enough which may result in higher tax collections on these sales than previously ascertained. Cash-strapped states and municipalities may view a softening stance on this topic as tangible opportunity to generate real revenue.

Trigger #3: Super Bowl is Now The Marijuana Bowl

Proponents of medical marijuana will likely use the 2-week Super Bowl marketing period to flood the media with stories on the topic, placing it near the top of the talking points food chain. Of course it doesn’t hurt that the two Super Bowl representatives are from the two states that have legalized marijuana.

Trigger #4: Nuvilex Offers a very Compelling Opportunity at a Favorable Valuation---Just for its Core Biz

In our view, Nuvilex's anti-cancer and diabetes initiatives alone warrant our recommendation on these shares. Plus, given recent trends in biotech, the potential valuation may prove to be too low. Since the start of 2014, investors are scrambling to find the next Intercept Pharmaceuticals (NASDAQ – ICPT) or Rexahn Pharmaceuticals (NYSE – RNN). ICPT jumped (literally) \$300 in 2 days following favorable late-stage clinical trials for the treatment of liver disease. At one point last week, RNN more than tripled following the commencement of 2 early-stage trials. Interestingly, given their similar paths, we believe that Nuvilex and RNN, which currently trades at a \$160M market cap, are great comps to one another, just like Merrimack (NASDAQ – MACK) and Threshold (NASDAQ – THLD), which also have enjoyed swift moves higher.

RNN is a pure anti-cancer biotech with drugs in the mid-stage phases of development to treat pancreatic cancer and renal cell carcinoma, and a drug in Phase I trials to treat various solid tumors.

Nuvilex is a biotechnology company with the rights to the novel Cell-in-a-Box™ technology. 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.

Although RNN currently has 3 drugs in various stages of clinical, Nuvilex is clearly the compelling buy. First, RNN has already concluded its run and fallen back to earth; but, its rise is a great comparator for what Nuvilex investors can potentially expect to experience, as development milestones such as clinical trial commencements, occur. Moreover, Nuvilex trades at less than half of RNN's valuation which in our view is an unusually large discount, considering the value of the technology being used by Nuvilex and its overall market opportunity. Plus, this valuation clearly excludes any value for the potentially blockbuster medical marijuana subsidiary. Thus, biotech investors seeking the next great biotech mover would be wise to consider Nuvilex. After all, at current levels, it is as if the marijuana segment would be thrown in for free.

Trigger #5: No Contact High---Yet

Many medical marijuana stocks have had a big run early this year due in large part to the well-publicized legalization and sales progress in Colorado and Washington, as noted above. Interestingly, although Nuvilex

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

has made major strides in its own right, the stock has not yet caught up with the rest of the space. For example, Nuvilex's subsidiary, Medical Marijuana Sciences, Inc., has been building an impressive list of leaders to its critical Scientific Advisory Board. The 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.

Based on our experience, since other stocks have already moved, many investors will seek to find stocks that have not yet run. In situations such as the current medical marijuana adoption cycle, all stocks tend to enjoy great accumulation. As a result, Nuvilex is primed to move higher.

The Bottom Line

A series of landmark events in the marijuana and medical marijuana space will serve as triggers prompting the accumulation and rise of Nuvilex's stock back to the levels enjoyed roughly 9 months ago, given its exposure to the sector via its Medical Marijuana Sciences subsidiary. Separately, major moves in other anti-cancer stocks have enhanced their valuations and biotech investors are seeking to invest in the next biotech slated to move in concert with the launch of upcoming events. With a series of milestone events ahead for the Company, investors could enjoy huge moves as these milestones are achieved, as evidenced by the achievements of its peer group and the subsequent rises in their stock prices.

Trading at a paltry \$74M market cap, we look for the stock to double during the first half of the year, as milestone events occur and the value of all companies in the medical marijuana space are adjusted higher.

We continue to rate these shares Speculative Buy with a \$0.75 price target.



NUVILEX, INC. (OTC:QB NVLX)

Recent Trading History For NVLX

(Source: Stockta.com)





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,

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

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, 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