November 5, 2018

GENEREX BIOTECHNOLOGY CORP.

(OTC – GNBT)

Pre-Dividend Adjusted Price Target: $40.00

GENEREX BIOTECHNOLOGY CORP.
Innovative Firm's Swift Ascent to Continue

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Industry: Heath 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 11/2/18	$21.50
52 Week High – Low	$25.30 - $1.76
Est. Shares Outstanding	1.35M
Market Capitalization	$29M
Average Volume	16,039
Exchange	OTCQB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Almost overnight, Generex could go from also-ran to a firm generating revenue at an annual run-rate of hundreds of millions annually. The Company just closed on an acquisition that has generated $100M or more annually in recent years and is primed to grow dramatically as it begins to offer its services in 30 states, versus 3 this year.

Generex plans to become a diversified health care firm that utilizes cash from its high growth M&A targets to help fund its R&D in the areas where an unmet need exists. These include diabetes, breast cancer, prostate cancer and others.

The Company is collaborating with a Canopy Growth-invested firm to explore using one of its delivery system offerings for medical marijuana patients in Canada.

Generex announced a 20:1 stock dividend with a record date of Friday (which means investors must own the stock by Tuesday or Wednesday to be eligible to receive it). While there is likely to be a re-adjustment in share price as a result, the current market capitalization, compared with its likely revenue next year (via M&A) and underlying value of its portfolio, appears to be at a major discount.

Our target price of $40 reflects what we believe is .5x the Company's recently closed Veneto acquisition. In our view, this means the cancer and cannabis initiatives are thrown in for free. As more deals are closed, major value could be unlocked in the coming months. .

THE VIEW FROM 30,000 FEET

Both on a short-term and long-term basis, the **Generex Biotechnology Corp. (OTC – GNBT)** opportunity appears unique and with considerable upside; hence, our decision to publish this report. The strategy is simple. Acquire revenue-generating businesses to scale quickly and use that leverage to help fund its promising development-stage. products. There are a series of moving parts to the story and multiple, sizable, potential and current revenue stream sources. If management achieves its roll-up and development objectives, we would not be surprised to see Generex record hundreds of millions in annual revenue in the next three years. Clearly, with the 20:1 stock dividend on the table, it is no surprise that these shares have been on fire of late. More on that, and our view of the dividend and valuation in a moment. First, an overview of the Company is appropriate.

From Falling Star to Rising Star

Generex has a long history as it traces its roots to the late 1990's. Despite its lengthy history, the Company did not have much success in product introductions, revenue or profitability, likely due to a series of management miscues. The upshot is that current leadership has righted the ship, launched a new strategy that has already borne fruit with additional expected milestones ahead. Moreover, current management has begun the process of turning lemons into lemonade via its acquisition strategy. One component of buying profitable firms is the ability to tap into a tremendous (in terms of size and opportunity) hidden asset: a Net Operating Loss carry forward that exceeds $230 million! With such a massive NOL, the Company will be able to avoid paying taxes or pay sharply reduced taxes for years to come. If the operations side of the company succeeds, Generex itself could be viewed as a strategic M&A target, in part due to the NOL.

The Big Picture

Management is building (very quickly) what might be termed as next-generation pharmaceutical company that provides end-to-end solutions for physicians and patients to optimize health outcomes. This includes product development to address unmet needs in big markets, disease diagnostics, and first-rate distribution of products and services, along with doctor and patient support via education and call center communications.

Today, Generex acts as a holding company with separate subsidiaries in disparate therapeutic categories in which current operating entities and future acquisitions can be found. There is the corporate parent, NuGenerex Distribution Solutions where the Veneto acquisition resides; NuGenerex Diagnostics where the HDS assets reside and additional diagnostic companies and product TD will be placed; NuGenerex Immuno-Oncology which houses the Antigen Express immune-therapeutics assets and IilKey technology; NuGenerex Pharmaceuticals that will house drugs and devices, and NuGenerex Medical Marketing that will support all of the subsidiaries with marketing and sales support

In the works is a soon-to-formed subsidiary to support cannabis initiatives, Management's goal is to drive revenue and profit through the operating healthcare and logistics management businesses that will in turn fund milestone realization in the development companies. Acquisition targets must fall under certain criteria including near term regulatory and commercial milestones whereby a Generex-led investment directly focused on milestone achievement can build value and generate ROI.

THE GENEREX GROUP: UNLOCKING VALUE

As noted above, Generex has some layers to it with respect to corporate structure, operating subsidiaries as well as therapeutic categories and service businesses. As a result, we believe that a great deal of value is set to be unlocked ahead. Below is a high-level view of what we believe are the key valuation-drivers for the Company.

Veneto Acquisition:

The just closed-Veneto acquisition is the major valuation driver for the Company, at present. The Veneto Group provides specialty pharmacy services and products including surgical products and services, diagnostic testing for screening human blood, urine and/or saliva samples for the presence of narcotics, medications, alcohol and other drugs and substances, durable medical equipment services, and ancillary healthcare services such as management services for its businesses. In fact, the asset purchase which was paid for via a secured promissory note in the principal amount of $35M due January 15, 2019, includes Veneto Group's eight pharmacies, a wholesale pharmacy purchasing company, and an in-network laboratory.

The deal includes a pharmacy network, laboratories, imaging centers and business management services that are provided to these ancillary health services groups. In turn, they essentially have a network of physicians who actually have an equity stake in a management services organization (MSO) that contracts with the ancillary providers as a one-stop shop for all of their patients' supportive needs including billing, insurance adjudication, pharmacy, DME, and lab reports. Call centers for patient support is available and the Company plans to add medication management and chronic care management services as well.

So far, this model is implemented in three states (Colorado, New Mexico, Oklahoma, coming online this month). However, an expansion plan is already underway to implement the model in 27 states by the end of 2020. In total, the business has generated roughly $100M in annual sales with positive EBITDA and is positioned to grow substantially as it moves into new markets.

Diagnostics

NuGenerex Diagnostics Inc. (NGD) is a subsidiary of Generex. NGD is a manufacturer of in-vitro medical diagnostic devices for both point of care and laboratory-based tests, primarily for infectious diseases. Strategically, the Company's mission has been to develop, manufacture and market a series of diagnostic tests that yields repeatable and reliable test results for an antibody or antigenic response to a specific disease in such samples as whole blood, plasma, or serum. Currently, the product line includes such tests for infectious diseases such as HIV, Syphilis, Tuberculosis, Malaria, Hepatitis-B, and Hepatitis-C. NGD has developed rapid diagnostic assays capable of delivering test results within 10-15 minutes and requiring a small amount of whole blood usually taken from a finger stick; serum or plasma samples are approved for use when performing the test in a laboratory.

Immuno-Oncology (Vaccines under Development)

Breast Cancer:

Antigen Express, Inc. is a wholly owned subsidiary of Generex. Antigen Express is a platform and product-based company developing proprietary vaccine formulations for large, unmet medical needs. The technology allows for antigen-specific stimulation or suppression of a T-helper response to virtually any antigen of known pathogenic potential. Consequential, Antigen Express is building a deep pipeline of therapeutics aimed at a variety of major diseases, including cancer, infectious diseases and autoimmune-based syndromes.

Generex filed an IND with the FDA to initiate a Phase II Clinical Trial of Pembrolizumab (Keytruda®) in Combination with the AE37 Peptide Vaccine in Patients with Metastatic Triple Negative Breast Cancer. The trial, sponsored by Generex wholly-owned subsidiary Antigen Express, Inc. and conducted in conjunction with research partners Merck and the NSABP Foundation, Inc. (NSABP), is scheduled to initiate sites in the fourth quarter and to begin enrolling patients in the first quarter of 2019. Combining the promising immunotherapeutic with Merck's checkpoint inhibitor Keytruda® (pembrolizumab) for the treatment of triple-negative breast cancer represents a novel treatment strategy for a cancer of high unmet need.

Prostate Cancer:

The Company entered into a development a d commercialization agreement with Shenzhen BioScien Pharmaceuticals Co. Ltd. The purpose of the Agreement is to develop and commercialize the Antigen Express AE37 immunotherapeutic vaccine for prostate cancer in the People's Republic of China (including Taiwan, Hong Kong, and Macau). A previously completed Phase I study of the vaccine conducted by Antigen Express in patients with prostate cancer demonstrated robust, long-term, and specific activation of cancer-fighting T cells in immunized patients. In addition to the license fee, under the Agreement Shenzhen BioScien will also make milestone payments to Generex of $1,000,000 USD each upon completion of the Phase II and Phase III clinical studies of the vaccine as well as a milestone payment of $2,000,000 USD upon regulatory approval of the vaccine in the territory. Generex will also receive a 10% royalty on net sales of the product. Under the Agreement, Shenzhen BioScien has responsibility for paying for and conducting the clinical trials, securing Chinese regulatory approvals, and the manufacturing, marketing, distribution, and sale of the product.

Drug Delivery (Products under Development)

Generex *Oral-lyn*, is an insulin spray for the treatment of Type I and Type II diabetes. Generex *Oral-lyn* is a safe, simple, fast, effective, and pain-free alternative to subcutaneous injections of prandial insulin and is conveniently delivered to the membranes of the oral cavity by a simple asthma-like device with no pulmonary deposition. As a pain-free and convenient method of insulin delivery, if approved, this offering could be a game-changer for the diabetes sufferers. While a Type I clinical trial did not result in an FDA approval, management plans to leverage the offering to engage a new trial for Type II, whereby the positioning of a new trial's protocol would likely lead to a different, and more favorable outcome.

RapidMist an advanced buccal drug delivery technology, is comprised of a proprietary formulation and a proprietary device design that is able to deliver drugs through the buccal mucosa (inner lining of the mouth) safely, thereby eliminating the pain from and need for multiple injections*.* *RapidMist* has been shown to have a rapid onset of action with no lung deposition, precise dosage control, easy use and handling, and improved patient compliance.

Scientus Pharma, a biopharmaceutical company conducting research and product development for extracts and formulations related to medical cannabinoids and their derivatives, and Generex are co-developing products for the delivery of cannabinoids via the buccal mucosa. Having recently received Health Canada authorization to produce cannabis softgel capsules and oils the company will turn its focus towards the final development of a buccal cannabis spray using *RapidMist* technology. This route of administration is an attractive alternative to patients who have concerns about inhaling or eating medical cannabis, but still want its full therapeutic benefit.

Future Acquisitions

While we do not have any insights into future acquisitions, we believe that they will continue to be in the service side while the purchase of companies with FDA approvals (medical device or biopharma) could be in the cards, especially if synergy between their own products under development and prospects exists. Still, with ambitious top-line and development goals, we believe that the size of the Company in three years could possibly dwarf its current size sooner than expected.

THE DIVIDEND

Admittedly, we were first intrigued by Generex because of the dividend and were reticent about writing about the Company. (From over $2 to over $25 in a month brought on very cold feet.) Still, as we began to lift up the hood, we realized this could be a unique opportunity both in the short term and long term. At present, there are 1.35 million shares outstanding and the Company is issuing a stock dividend to shareholders. Here is an excerpt of its most recent release:

"The Record Date for the determination of the holders of the Company's common stock entitled to participate in the Company's previously announced 20:1 common stock dividend will now be **Friday, November 9, 2018**. The dividend Payment Date will be **Monday, November 19, 2018**."

This means that investors who wish to receive the dividend must be holders of record 2 or possibly 3 days prior to the official record date on Friday. (It is either settled as T+3 or T+2 and I am not passing on advice or counsel, just my rudimentary understanding. Speak to a licensed professional regarding such matters.)

I believe that from the business perspective, management is offering this dividend due to the current low float, and a plan to up-list these shares, given the huge upgrade of its business. Moreover, given the history of the firm, and the time it took to right the ship, a dividend of this type is a great way to thank shareholders. It is typical that share prices are adjusted following the payment date and some of the adjustments can even begin to occur before the record date. We cannot forecast the timing, magnitude or direction of such adjustments but history tells us dividends are positive events for investors if the opportunity presents itself.

However, while traders may solely be interested in the dividend or some sort of arbitrage against it in the ensuing days, we believe that the Company has undervalued and underfollowed business lines set to be unlocked—and that excludes any contribution from future acquisitions.

RISK FACTORS

In our view, there may be some capital risk due to some investors misunderstanding of how stock dividends work and the ensuing adjustment to account for new shares relative to the market cap. The lack of available, detailed pro forma financial information at this time also makes it difficult to value these shares but we believe that information will be forthcoming. Other risks relate to how the targeted acquisitions are integrated and functioning with respect to cross-sale opportunities and the magnitude of such events. Moreover, a related risk is the timing of closing of key targets under favorable conditions. Other risks include greater efficacy or more favorable pricing of products by competitors of varying sizes, features and domiciles, including new entrants seeking to engage in a roll-up as well, thus driving up prices and making execution a challenge. Still, these risks are typical future concerns and are also consistent with firms of GNBT's size and standing.

Volatility and liquidity are typical concerns for microcap stocks that trade on the stock market. Finally, the shares outstanding of this stock could increase due to potential capital needs or to execute future large-scale acquisitions. However, since the proceeds of any future funding would be used in large part to advance M&As, we believe that any dilutive effect from such a funding would be more than offset by related increases in market value. Plus, it appears management plans to use other methods to fund these transactions, limiting this risk.

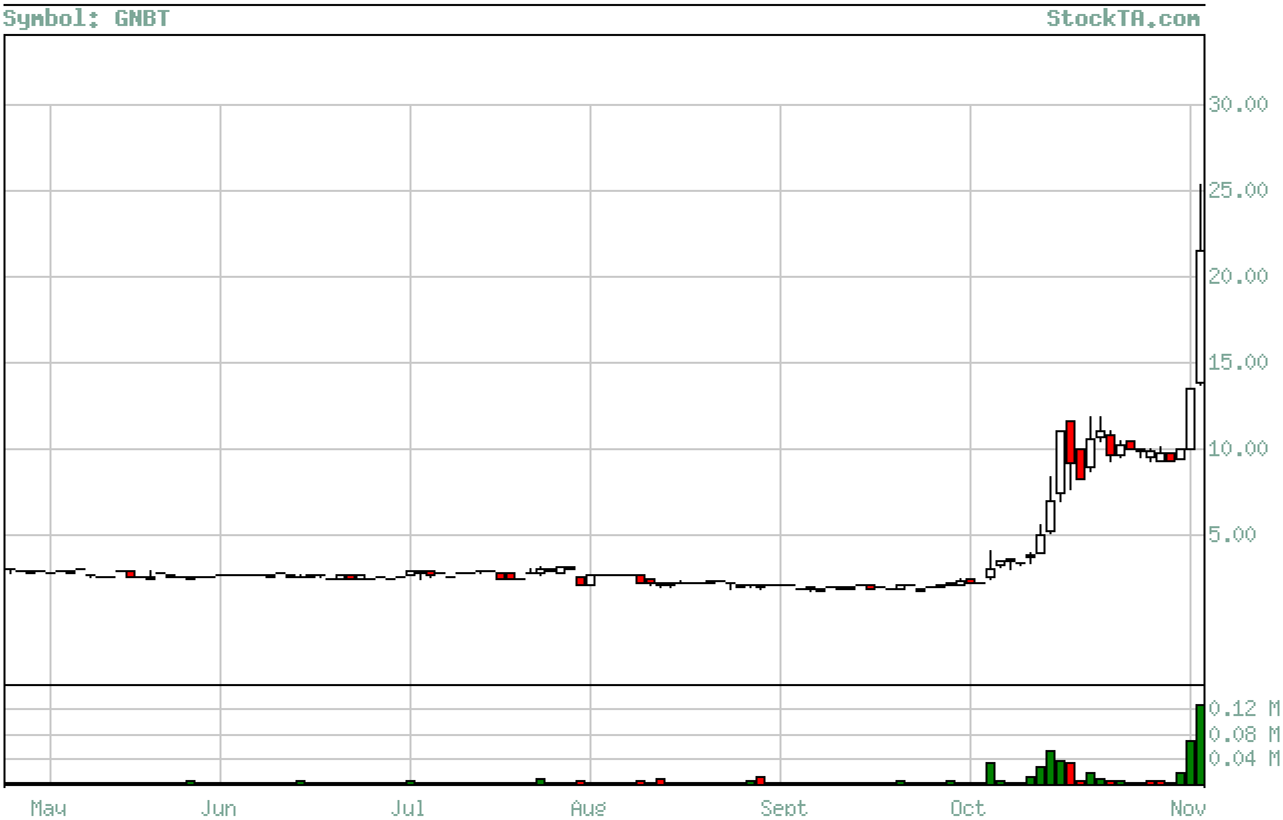
VALUATION AND CONCLUSION

In our view, investors should take a long view of GNBT. At current levels, the market cap is roughly $29M. We are aware that the Veneto acquisition has recorded $100M in annual revenue in recent years and that these types of firms trade at a minimum, 2x sales. Thus, this acquisition alone is likely worth substantially more than the current valuation, especially as sales growth in conjunction with launches in new markets. Moreover, we proffer that given the current stage of the immuno-oncology products and the cannabis potential, the stock is likely worth tens of millions on this basis alone. Funding from the Chinese pharma and the collaboration agreement illustrates the potential in prostate, and the upcoming breast cancer trial should result in an increase in value as we get closer to its launch.

Going forward, we will re-visit GNBT as additional details regarding Veneto, future acquisitions and product development, emerge. We maintain that even at a major price/sales discount, the pre-dividend price target (and prior to any adjustments), these shares could hit the $40 mark, which would represent just over $54M, or .5x Vento sales. Thus, investors would pay little for that business and get the other business lines for free. As the Street begins to take notice and is aware of the biz dev efforts and results, GNBT could be a huge winner beginning early next year.

RECENT TRADING HISTORY FOR GNBT

(Source: www.Stockta.com)



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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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