

Company Update

NUVILEX, INC.

Stock Worth \$0.30 Today; Reiterate Speculative Buy

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NUVILEX, INC. (OTC:QB – NVLX - \$0.077)

Price Target: \$0.50

Rating: Speculative Buy

COMPANY SNAPSHOT

Nuvilex, Inc. is an innovative “green” company dedicated to developing and marketing scientifically derived products designed to improve the health and well-being of those that use them. The Company’s primary offerings are in the estimated \$150 billion natural products industry including popular natural supplements. Nuvilex has been awarded 14 patents for a number of its formulations and its broad product line is sold via the Web and in major stores such as The Vitamin Shoppe and specialty outlets across the U.S. The Company has a deep research and development portfolio in the natural products arena and is leveraging this knowledgebase into the development of potentially blockbuster biotechnology products. .

KEY STATISTICS

Price as of 6/1/11	\$0.077
52 Wk High – Low	\$0.104 – 0.004
Est. Shares Outstanding	353.0M
Market Capitalization	\$27.2M
3 Mo Avg Vol	1,000,008
Exchange	OTC:QB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

The Bottom Line:

Following yesterday’s news regarding favorable Phase II clinical trial results for its newly acquired pancreatic cancer technology; Nuvilex’s transformation from nutraceuticals company to true biotech is nearly complete. However, despite the price increases of the past few weeks, the stock is still *trading at a nutraceuticals valuation*, rather than that of a real player in biotech. **In our view, the stock is worth \$0.30 today based on its product portfolio and other intangibles. In fact, we believe that the pancreatic cancer treatment and Alternia are worth \$0.20 alone.** As more information is released regarding its recent acquisition, **our 6-month price target will likely rise close to the \$1.00 level, versus our original \$0.50 target price.**

The Details:

Yesterday, Nuvilex announced very favorable Phase II clinical trial results for its pancreatic cancer treatment. Make no mistake; despite the small sampling (14 patients), these results are game-changing.

- Patients’ median survival rate doubled
- The 1-year survival rate was double that of the current gold standard used today, Gemzar
- Patients needed only 1/3 of the chemo dosage
- Quality of life increased substantially
- There was no tumor progression; it slowed in all patients and shrunk in some cases

These results are not just statistically significant, but major departures from the norm. The keys to note are: substantially higher survival rate, higher quality of life, lower chemo dosage.

Survival rates doubled despite the fact that most patients with this disease die in less than a year. The fact that Eli Lilly’s Gemzar®, the gold standard treatment in conjunction with chemo has less than half of that figure is incredibly promising. Moreover, with a reduction in the chemo dosage by two-thirds, patients endure less toxicity throughout their body and an increased quality of life.

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The Technology

The patented technology involves the targeted delivery of encapsulated living cells that are capable of delivering and converting standard inactive chemotherapeutic cancer drugs (pro-drugs) into active, chemotherapeutic (cancer-fighting) drugs directly to the pancreatic tumor. In addition, this technology allows for the use of overall lower pro-drug doses, dramatically decreasing the overall body exposure to such toxic agents, yet with greater clinical effect.

This targeted technology (almost akin to the concepts of nanotechnology in health care) is an elegant delivery system that provides encapsulated, living cells engineered to target tumors in patients with minimal collateral tissue damage. As a result, this technology can likely be used to treat other, aggressive forms of cancer as well.

The “New-Vilex”

We initiated coverage of Nuvilex on May 10th at a price of \$0.026. At that time, we were banking on new management leveraging existing assets and natural products-based biotechnology products under development as part of the road to changing the Company. In less than a month, management has absolutely delivered. First, Nuvilex conducted pre-clinical trials on an anti-cancer agent. More recently, the Company has acquired a privately held firm with expertise in the encapsulated living cells technology that has already demonstrated great efficacy and potential in clinical trials. While we are waiting on additional information regarding purchase price, financials, method of payment, and other drugs/technology under development, one thing is clear: Nuvilex is a biotechnology firm first, and nutraceuticals provider second.

Moreover, this acquisition is a textbook example of enabling the Company and its shareholders to realize substantial gains in public market value by acquiring a company at a private market valuation.

Valuation

As stated above, we believe that Nuvilex is worth \$0.30, today. We arrive at this valuation based on several factors. First, a typical rule of thumb for biotech valuations of companies at this stage of development (completion of Phase I/IIa) is in the \$40-60M range, depending upon treatment, size of market, strength of initial results, etc.

An interesting comparable for Nuvilex is an Australian-based firm called Living Cells Technologies Limited (OTC: LVCLY.) This Company also has an encapsulated living cells technology in clinical trials. Based on the recent share price, LVCLY is trading at a market capitalization of roughly \$30M.

However, LVCLY is not targeting the lucrative oncology market. The primary focus of its trials is in treating diabetes. As evidenced by LVCLY's diabetes trials, Nuvilex's technology is likely further ahead and more effective. As a result, by just comparing this piece alone, we believe that Nuvilex should trade at a much higher valuation.

In addition, one must measure the potential value of a pancreatic cancer treatment. While we have not yet completed a present value calculation pending more data, our preliminary forecast projects that if approved, **this technology could be worth at least \$200 - \$300M a year in revenue to Nuvilex just for pancreatic cancer treatment.**

We arrive at this figure by assessing an expected price of \$40,000 - 50,000 per patient dosage times the estimated 43,000 new pancreatic cancer patients in the U.S. each year. That represents a \$2 billion annual market opportunity in the U.S. alone. If Nuvilex were to capture only 10-15% market share, our \$200M – \$300M revenue figure would be on the money. We deem it likely that over time, given its characteristics, that Nuvilex would exceed that penetration.

Thus, we derive a present day valuation for this Phase II technology and Nuvilex's Alternia preclinical drug at \$70M, or \$0.20 per share. Our baseline valuation of the nutraceuticals business remains \$0.05 per share, and other intangibles equal an additional \$0.05, totaling \$0.30 per share, today, for Nuvilex.

Company Update

Looking Ahead

In our view the stock is worth \$0.30 today, but what about in six months? We believe that Nuvilex's stock could approach \$1.00 by year-end based on a variety of factors.

First, we expect to receive more clarity on the recent acquisition which will likely prompt another valuation spike. Second, we expect continued news on the development front with respect to all (including the recently acquired) of the products and technology in the development portfolio, which will favorably impact the stock. Specifically, we anticipate that management will complete a protocol for FDA submission for a Phase IIb trial for the pancreatic cancer treatment. This trial will include a substantially greater number of patients, and we believe it will have similar results, ultimately boosting the stock. Separately, we expect the nutraceuticals side to continue to positively impact the shares, on at least an incremental basis.

Intangibles

With these results in hand, we deem it likely that Nuvilex may have already gotten the attention of big pharma. The results were stellar and the technology likely replicable for other treatments. With so many drugs coming off patent, this technology could be a game-changer for big pharma and a home run for Nuvilex, in the form of development and licensing deals. Any activity on this front would make this stock jump.

Finally, judging by the way the stock has traded and the present valuation, the Street has not yet begun to realize or embrace the transformation of the firm and afford a valuation even close to reflecting the shift and status. *That will change.* Therefore, **investors have an unusual opportunity to buy shares in a fast-growing biotech for the price of a nutraceutical.**

We reiterate our Speculative Buy rating and our \$0.50 price target with the understanding that this target is likely to be raised close to the \$1.00 mark as more information on the recent Nuvilex acquisition becomes available.

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Recent Trading History For NVLX

(Source: Stockta.com)



Company Update

Analyst: Robert Goldman

Rob Goldman has 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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