

GeoPharma, Inc (GORX)

Rating: Buy

A Diamond in The Rough

September 02, 2008

Price at 8/29/08 Close: **\$1.99**

52 Week Range: **\$1.80 - \$4.08**

12-Month Price Target: **\$5.00**

Market Capitalization: **\$32.46M**

Shares Outstanding: **16.31 M**

Fiscal Year End: **March 31st**

Ticker: (NASDAQ: GORX)



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Disclosures Section

At the end of this review

Rapidly growing emerging pharmaceutical company:

GORX is a rapidly growing specialty pharmaceutical company with a diversified business model participating in 3 main market segments: pharmaceuticals, manufacturing, and distribution. The pharmaceutical division specializes in the formulation of generic & novel drugs for human and veterinary usage and the development of medical devices used by oncologists and other medical professionals. The Manufacturing and Distribution divisions, manufacture, package, and distribute generic drugs, nutraceuticals, cosmetics, and functional food products for companies worldwide. Currently GORX employs over 300 people and operates facilities in Florida, Maryland, Pennsylvania, Nevada, Rhode Island, and Texas utilizing over 330,000 Sq. Ft. of office, warehouse, manufacturing and laboratory Facilities. **The Company achieved \$57.9M in revenues in FY2008 and is on track to reach \$100M in revenues for FY2009.**

Well defined growth strategy & competitive advantage:

GORX's growth strategy is to capitalize on its research and manufacturing expertise to develop high margin generic drugs, novel drugs, and medical devices for niche markets with high barriers to entry while continuing to grow its manufacturing and distribution divisions. We view the companies recent acquisition of Dynamic Health Products, new contract manufacturing deals expected to close over the next 12 months, and the company's launch of recently approved generic Carprofen to be the first of several exciting catalysts near to mid-term. With approximately 12 Abbreviated New Drug Applications (ANDA) for generic drugs in process with the FDA as well as additional products in the pipeline we expect additional product approvals and launches over the next 12 months including several generic antibiotics.

Revenue should jump with FDA Approval of New

Facilities: GORX is awaiting FDA approval of its Largo, FL Cephalosporin facility for the production of Cephalexin and its 100,000-square-foot Baltimore, Maryland Beta-Lactam facility which will produce Amoxicillin, Ampicillin, and Penicillin. Due to internal delays at the agency in approving the facilities over the past two years, the Company has incurred substantial expenses from delays in commercially operating the facilities which currently generate minimal to no revenue. We note In FY08 the Cephalosporin and generic drug plants accrued nearly \$2.5 million in expenses, and the Beta-Lactam facility accrued around \$850,000 in expenses generating only about \$232,000 in revenue. This has caused a drag on the company's bottom line. However, we expect FDA approval of the both facilities over the next 3-12 months which will transform the company's pharmaceutical division into a high growth profit center.

Valuation: We value GORX by applying a standard **5x** gross profit valuation multiple to our current fiscal year 2009 (approximately CY2008) gross profit forecast of **\$20.6M** and subtracting the companies current debt of **\$26.78M** which derives a **current fair value** of **\$5.01** per share.

Additionally we value GORX by applying a **15x** forward price to earnings (P/E) multiple (the average mean forward P/E from our generics comparable analysis) to our fully-taxed FY2013 EPS forecast of **\$0.63** and discounting back **3.5** periods/years at a **20%** discount rate which derives a 12-month price target of **\$5.03** per share.

Fiscal Year 2009 First Quarter (ended June 30th 2008) Highlights:

The Company announced its FYQ109 Results reporting revenues of \$20,025,307 representing a 105% increase over the Fiscal Year 2008 First Quarter results. The Company recorded a net loss of (\$2,766,160) or (\$0.19) per common share.

Commenting on the quarter GeoPharma CEO Mihir Taneja stated, "The first quarter is historically one of our weakest periods; however this year's first quarter results reveal the strongest sales the Company has ever had during this period. This top line growth further demonstrates the powerful addition of our new distribution business. The company remains committed to reducing overhead in all of its businesses, especially during the interim period until our Antibiotic facilities come online. We remain encouraged by the gains in our manufacturing segment, as well as other aspects of our business. We look forward to sharing several new developments with regards to our business model in the months to come."

- Revenues in the Distribution segment increased 634% versus the first quarter of fiscal year 2008.
- Revenues in the Manufacturing Segment increased 27% versus the first quarter of fiscal year 2008.
- Revenues in the Pharma segment increased 202% versus the first quarter of fiscal year 2008.
- Revenues overall excluding discontinued operations increased 193% versus the first quarter of fiscal year 2008.
- Revenues overall including discontinued operations increased 105% versus the first quarter of fiscal year 2008.
- Gross Profits for the first quarter of fiscal year 2009 were \$3,734,449 versus Gross Profits of \$1,510,675 for the first quarter of fiscal year 2008, an increase of \$2,223,774 or 147%.
- Total selling, general and administrative ("SG&A") expenses were \$5,781,669 as compared to \$6,564,079 for the fourth quarter of fiscal year 2008, a decrease of \$782,410 or 11.9%. SG&A expenses were \$2,875,505 for the first fiscal quarter of 2008, the significant increase year over year is predominately attributed to the Dynamic Health Products acquisition.
- Research and development ("R&D") expenditures for the first quarter of fiscal year 2009 totaled approximately \$650,952 all of which was charged as an expense to operations as compared to \$426,154 in first quarter of fiscal year 2008. Sequentially the R&D expenditures for the first quarter were roughly in line with the fourth quarter of fiscal Year 2008 of \$607,542.

Investment Overview:

GeoPharma, Inc. is an emerging pharmaceutical company specializing in the manufacture and distribution of nutritional, generic drug and functional food products, as well as, health and beauty products (cosmeceuticals) for companies worldwide. GeoPharma's growth strategy involves continuing to grow its core business by continually developing and manufacturing a large array of nutritional supplements and cosmeceuticals both for themselves and as contract manufacturers for private label clients while leveraging its research, development, and manufacturing expertise to develop high margin generic or novel drug therapeutics targeting niche markets. The company executes its business strategy through several subsidiaries and business segments including **Innovative Health Products, Inc.; Libi Labs; Belcher Pharmaceuticals, Inc.; Breakthrough Engineered Nutrition, Inc.;** and Bob O'Leary Health Food Distributor Co., Inc. (BOSS) each with a specific area of focus and expertise.

GeoPharma's competitive advantage in the pharmaceutical space lies in its technological and manufacturing abilities which allow the company to circumvent or overcome the challenges involved in making difficult to duplicate or reformulate generic drug products. These high barriers to entry may limit competition in the generic pharmaceutical markets GORX hopes to serve. GORX originally established the wholly-owned subsidiary **Belcher Pharmaceuticals, Inc.**, in September 2000, for the purpose of conducting product manufacturing and distribution for themselves and outside clients. However, in order to establish the company's presence in the generic pharmaceutical sector the scope of the Belcher subsidiary has since expanded to include pharmaceutical, generic drug and cephalosporin antibiotic product line manufacturing and distribution as well. ***The company currently has approximately 12 Abbreviated-New-Drug-Application's (ANDA) submitted with the FDA that should lead to additional generic drug approvals and significantly drive GORX revenue moving forward.***

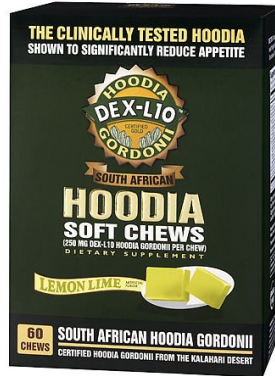
GeoPharma's first success in the generic drug space was recently achieved, in November 2007, when the FDA approved the Belcher units Animal Abbreviated-New-Drug-Application (AANDA) for a generic version for Pfizer's Rimadyl (Carprofen), a non-steroidal anti-inflammatory drug (NSAID) that is used by veterinarians for the relief of pain and inflammation associated with osteoarthritis in dogs, which currently has sales of approximately \$80M annually. Pfizer's patent expired on the product in 2004; however Pfizer has initiated a product lifecycle management strategy with this product and introduced a new version of the drug into the market (soft/chewable tablets) that should enable Pfizer to retain significant market share given their world class sales and marketing operation. ***Nevertheless, we estimate GeoPharma could capture at least 17.5% to 22.5% of the annual Carprofen market which is estimated to be growing by ~13% annually based on the strength of its sales and marketing partner, leading veterinary company Vetoquinol and competitive advantage based on lower generic product cost. We model ~16% market share for GORX by 2013 with approx. \$23.6M in generic sales for GORX and partner Vetoquinol. The product was successfully launched in early 2008.***

Figure: GeoPharma Carprofen Revenue Estimates

Fiscal Year	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Pre-Generic Pfizer Carprofen Sales							
Estimate	\$69,600,000	\$80,000,000	\$90,400,000	\$102,152,000	\$115,431,760	\$130,437,889	\$147,394,814
Growth Rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Est. GORX Carprofen Sales (\$M)		NA	\$452,000	\$2,043,040	\$4,617,270	\$10,435,031	\$23,583,170
GORX Carprofen Market Share		0.0%	0.5%	2.0%	4.0%	8.0%	16.0%

Source: Green Coast Capital, LLC Estimates and Wood Mackenzie Research & Consulting, Inc.

Additionally, significant GORX revenue now comes from its **Breakthrough Engineered Nutrition** subsidiary which develops, markets, and distributes its own branded dietary supplements. Currently, the weight loss products DEX-L10 and DEX-C20 are Breakthrough's top selling dietary products. The Breakthrough subsidiary has a broad international distribution network which includes specialty, pharmacy and hypermarket chains, including Target, Wal-Mart, GNC, Walgreens, CVS, Rite Aid, and Duane Reade.



In the fiscal year ended March 31st, 2007 the DEX-L10 (Hoodia), appetite suppressant, product line brought in approximately \$12M in revenue; however this amount dropped by about 50% to approximately \$6M in the fiscal year ended March 31st, 2008 due to a significant amount of new competition in the Hoodia appetite suppressant market over the last year. To counter this competition and regain its status as the U.S. Hoodia market leader, GORX, has initiated a large scale television commercial and print ad campaign for both its Hoodia product line and its January 2008 launch of its newest DEX, appetite suppressant product, DEX-C20 (Caralluma Fimbriata). ***Due to significant saturation and competition in the Hoodia market in which DEX-L10 competes we model revenue of approximately \$1M for the product this fiscal year, however there exists the possibility sales may exceed our estimates. We believe the new DEX-C20 Caralluma product will most likely be the main driver of the branded products division moving forward achieving approximately \$4M in sales this fiscal year. We estimate total sales for both DEX-L10 and DEX-C20 of about \$5 million to \$7 million for FY09.***

Figure: Sales & Growth Rate Data for Total DEX Product Group (in \$000's)

Year	FY2007A	FY2008E	FY2009E
Product (in \$000's) DEX-L10 (Hoodia)			
DEX-L10 Revenue	\$12,000	\$6,000	\$1,000
Growth Rate		-50.0%	-83.3%
Total Company Rev.	\$59,792	\$57,893	\$100,157
% of Total Rev.	20.1%	10.4%	1.0%
Product DEX-C20 (Caralluma Fimbriata)			
DEX-C20 Revenue	-	\$2,000	\$4,000
Growth Rate	-	Launch Year	100.0%
Total Company Rev.	-	\$57,893	\$100,157
% of Total Rev.	-	3.5%	4.0%
Total DEX Revenues	\$12,000	\$8,000	\$5,000
Total Growth Rate		-33.3%	-37.5%
as % of Total Rev.	20.1%	13.8%	5.0%

Source: Green Coast Capital, LLC Estimates and GeoPharma Company Reports

Dynamic Health Products Acquisition:

In order to significantly increase revenue and earnings as part of its overall corporate strategy GeoPharma is currently in the process of integrating the acquisition of Dynamic Health Products, Inc; acquired effectively October 16, 2007. Dynamic, is a leading distributor in the sports nutrition product and performance drink industries that had FY2007A revenue of approximately \$56.8M, and is cash-flow positive thereby providing GeoPharma with a significant opportunity to widen the breadth of the overall Company and its existing distribution platform.

The driving force behind Dynamic Health's significant revenue is the Bob O'Leary Health Food Distributor Co., Inc. (BOSS). Revenue from GeoPharma's overall Distribution segment grew from \$12.1 million to \$30.8 million year-over-year in FY08, of which \$24.5 million was contributed by the Bob O'Leary Health Food Distribution segment. Removing revenue contribution from BOSS, distribution segment revenue decreased from \$12.1 million to \$6.3 million or -48% in FY08.

This FY09 management expects the distribution segment to contribute approximately \$75 million to top line revenue, with the BOSS segment contributing \$60 million-\$65 million of that with a gross profit margin of 15%-17%.

GORX has a wide network of distribution facilities throughout the United States, including Florida, Pennsylvania, Rhode Island, Nevada and Texas. We note these facilities operate at approximately 65% of their total capacity at present.

Synergistically, we expect increased revenues, operating profits, productivity, and cost savings on multiple levels including an enhanced distribution network for the merged company. Of note, GeoPharma has the ability to manufacture the majority of the products that Dynamic distributes; therefore, we expect the merger will bring economies of scale gained from vertical integration and improvements from an expanded product distribution network across the U.S. thereby increasing the strength and diversification of the combined company. **We believe this acquisition is strategically and financial a good move for GeoPharma, especially after the company recently experienced a significant drop in revenues due to the discontinuation of its pharmacy benefit**

management (PBM) business in calendar year 2007, competition in the Hoodia based appetite suppressant market has eaten into DEX-L10 product revenue, and the expiration of several contract manufacturing agreements has also caused temporary reduction in revenue. We estimate the combined sales of the two companies to be in excess of \$100 million on an annualized basis starting in Fiscal Year 2009 (the first full year of merged operations). Furthermore, our pro-forma modeling estimates that the acquisition will be accretive within the first full year of consolidated operations. Of note, Dynamic sales began to be recognized by GeoPharma during the financial quarter ending December 31st, 2007 (FYQ3:08).

Overall, we view the companies recent acquisition of Dynamic Health Products, Inc., new contract manufacturing deals expected to close in the next 12 months, and the company's recent launch of approved generic Carprofen to serve as a near-term upward catalysts for GeoPharma's stock price and valuation. With approximately 12 Abbreviated New Drug Applications for generic pharmaceuticals in process with the FDA as well as additional products in the pipeline we expect additional product approvals and launches over the next 6-12 months including generic antibiotics amoxicillin, ampicillin, and cephalexin that will provide continued revenue and earnings growth for GORX and support increasingly higher valuations which we believe make this company an attractive investment in the healthcare sector.

Key Anticipated Milestone Events:

Date	Program	Indication	Event	Comments
2H:07	Dynamic Health Products, Inc.		Acquisition of Dynamic Health Products, Inc.	Expected to be accretive first full year of merger FY2009
2H:07	Mucotrol	Oral Mucositis (stomatitis)	Product Launch and Initial Revenues	Oral Wafer for treatment of Mucositis. FDA Approved as 510K Medical Device
Late 2007/Early 2008	DEX-C20 (Caralluma Fimbriata)	Weight loss/Appetite suppressant	Launch of DEX-C20 (weight loss)	Estimate at least \$2M-4M plus in revenue starting in launch year CY2008
Early 2008	Generic Carprofen (Vetprofen™)	Osteoarthritis/Post-Operative pain in Dogs	Launch Generic Carprofen	Estimate 17.5% to 22.5% of the annual Carprofen market at peak.
Late 2008/Early 2009	Levothyroxine (Human & Vet)	thyroid-related conditions	Potential Announcement of licensing partners for Levothyroxine products	
2H:08/ 1H:09	Ovarian Cancer Diagnostic	Ovarian Cancer	510K filing	Potential Best In Class Diagnostic - Superior to current CA-125 with transvaginal ultrasound (TVU) Gold Standard
Late 2008/Early 2009	Cephalosporin and Beta-Lactam Antibiotics	Bacterial Infection	Expected FDA Approval of facilities	GORX is waiting for FDA approval of its dedicated Cephalosporin facility for the production of cephalexin, penicillin, and other antibiotics in Baltimore, Maryland, in addition to a 100,000-square-foot Beta-Lactam facility.
Late 2008/Early 2009	Anticipated Generic Pharmaceutical Filing	immunosuppressive	ANDA Filing	>\$746M annual US market potential, ~\$1.4B WW Market Potential
Mid/Late 2009	Anticipated Generic Pharmaceutical Filing	3rd generation cephalosporin	ANDA Filing	

Company Description:

GeoPharma, Inc., through its subsidiaries and segments, engages in the manufacture, packaging, and distribution of private label dietary supplements, novel, and generic pharmaceutical drugs, as well as health and beauty products for itself and third parties. It also provides product line contract manufacturing services for nutritional and herbal supplements. From 2001 until 2007 the company also offered pharmacy benefit management (PBM) services, but has discontinued those operations due to low gross profitability and an increasingly competitive environment in the PBM space. GeoPharma distributes products through specialty and mass retail outlets, and a network of brokers and distributors in the United States and Canada. The company is headquartered in Largo, Florida with product manufacturing and distribution centers strategically located across the United States.

Company Structure:

GeoPharma's business operations are conducted by the following subsidiaries and business segments:

- **Innovative Health Products, Inc.**, develops, manufactures, markets, distributes nutraceuticals, skin care, and vitamins for GORX and for third parties on a contract manufacturing basis.



- **Libi Labs, Inc.**, which manufactures branded nutraceuticals and cosmeceutical liquid, gel and cream products.

- **Belcher Pharmaceuticals, Inc.** In September 2000, GORX formed a wholly-owned subsidiary named Belcher Pharmaceuticals, Inc., for the purpose of conducting product manufacturing and distribution for themselves and outside clients. The scope of the Belcher subsidiary has since expanded to include pharmaceutical, generic drug and Cephalosporin antibiotic product line manufacturing and distribution as well. The company currently has approximately 12 ANDA's submitted with the FDA that should lead to additional Generic drug approvals that could significantly drive GORX revenue.

GORX through its Belcher subsidiary filed an animal ANDA on Carprofen, a generic version for Pfizer's Rimadyl, an arthritis and joint-ailment product for pets which currently does about \$80M in annual revenue. Pfizer's patent expired on the product in 2004. Excitingly, in Nov. 2007, GORX successfully received FDA approval to manufacture and market a generic version of Pfizer's Rimadyl and subsequently launched in early 2008.



• **Breakthrough Engineered Nutrition, Inc.** In April 2000, GeoPharma formed the wholly-owned distribution subsidiary named Breakthrough Engineered Nutrition, Inc., a Florida corporation, for the purpose of marketing and distributing its own branded product lines; especially dietary supplements. Historically, the weight loss product DEX-L10 (Hoodia) was the unit's top selling product. However, the subsidiary launched a new weight loss product, DEX-C20 (Caralluma Fimbriata) in January 2008 which is currently the unit's leading product by sales. The Breakthrough subsidiary has a broad international distribution network which includes various specialty, pharmacy and hypermarket chains, including Target, Wal-Mart, GNC, Walgreens, CVS, Rite Aid, and Duane Reade. Breakthrough Engineered Nutrition also conducts distribution business as DelMar Labs, and this is the brand name seen on the companies DEX weight loss products.



• **American Antibiotics LLC:** In August 2005, GeoPharma formed the subsidiary American Antibiotics LLC, to focus on the manufacture and distribution of Beta-Lactam antibiotic pharmaceutical products such as amoxicillin and penicillin. GeoPharma created the subsidiary by acquiring substantially all of the assets of the original sellers, Consolidated Pharmaceutical Group, Inc., an antibiotic manufacturer located in Baltimore, Maryland, including a 100,000 Sq. Ft. Beta Lactam manufacturing facility.

The American Antibiotics subsidiary began with five ANDAs in 10 dosage forms; Amoxicillin 250mg and 500mg oral capsule, Amoxicillin 125mg / 5ml and 250mg / 5ml suspensions, Ampicillin 250mg and 500mg oral capsule, Ampicillin 125mg / 5ml and 250mg / 5ml suspensions, and Penicillin V. Potassium 125mg / 5ml and 250mg / 5ml suspension.



• **EZ-Med Technologies, Inc.,** which is a manufacturer of patented, soft-textured chew technology for applications in pharmaceutical products, as well as many applications in the animal health industry.

• **Dynamic Health Products, Inc.:** In order to significantly increase revenue and earnings as part of its overall corporate strategy GeoPharma is currently in the process of integrating the acquisition of Dynamic Health Products, Inc; acquired effectively October 16, 2007. **Dynamic, is a leading distributor in the sports nutrition product and performance drink industries that had FY2007A revenue of approximately \$56.8M, and is cash-flow positive thereby providing GeoPharma with a significant**

opportunity to widen the breadth of the overall Company and its existing distribution platform.

Synergistically, we expect increased revenues, operating profits, productivity, and cost savings on multiple levels including an enhanced distribution network for the merged company. Additionally, GeoPharma has the ability to manufacture the majority of the products that Dynamic distributes; therefore, the merger will bring economies of scale gained from vertical integration and improvements from an expanded product distribution network across the U.S. thereby increasing the strength and diversification of the combined company.

Dynamic currently distributes approximately 3000 distinct products (SKU's) and has over 5000 customers in its distribution-based business, therefore we believe Dynamic will expand and perfectly complement GeoPharma's growing manufacturing and distribution business segments.

Dynamic has displayed significant revenue growth over the last few years with its revenues increasing from approximately \$16 million in its fiscal year ending in March of 2005 to approximately \$56.8 million in its fiscal year ended March 31, 2007. Of note, the company was recently ranked number 9 in Entrepreneur magazine's (August 2007 issue) HOT 500 list depicting America's top fast-growth businesses and the entrepreneurs who built them.

The driving force behind Dynamic Health's significant revenue is the Bob O'Leary Health Food Distributor Co., Inc. (BOSS). Revenue from GeoPharma's overall Distribution segment grew from \$12.1 million to \$30.8 million year-over-year in FY08, of which \$24.5 million was contributed by the Bob O'Leary Health Food Distribution segment.

This FY09 management expects the distribution segment to contribute approximately \$75 million to top line revenue, with the BOSS segment contributing \$60 million–\$65 million of that with a gross profit margin of 15%–17%.

VALUATION AND PRICE TARGET:

GeoPharma's growth strategy is to continue to grow its core business while leveraging its research, development, and manufacturing expertise to develop high margin generic or novel drug therapeutics targeting niche markets. GeoPharma's competitive advantage in the pharmaceutical space lies in its technological and manufacturing abilities which allow the company to circumvent or overcome the challenges involved in making difficult to duplicate or reformulate generic drug products. These high barriers to entry may limit competition in the generic pharmaceutical markets GORX hopes to serve.

We value GeoPharma by applying a standard **5x** gross profit valuation multiple to our current fiscal year 2009 (approximately CY2008) gross profit forecast of **\$21.2M** and subtracting the companies current debt of **\$26.78M** which derives a current fair value of **\$5.01** per share.

Gross Profit Multiplier Valuation Technique

Gross Profit Multiplier Valuation Technique	
Gross Profit Fiscal Year 2009 (in 000's)	\$20,609
Gross Profit Multiplier	5x
Total Gross Profit Value (in 000's)	\$106,138
Debt mrg	\$26,780
Gross Profit Value after Debt (in 000's)	\$79,358
# Shares Outstanding (in 000's)	15,840
Estimated Fair Value per Share	\$5.01

Source: Green Coast Capital, LLC Estimates

Additionally we value GeoPharma by applying a **15x** forward price to earnings (P/E) multiple (the average mean forward P/E from our generics comparable analysis below) to our fully-taxed FY2013 EPS forecast of **\$0.63** and discounting back **3.5** periods/years at a **20%** discount rate which derives a 12-month price target of **\$5.03** per share.

Figure: Valuation Matrix

Based on projected EPS in Fiscal Year 2013 of: \$0.63					
P/E x	Discount Factor				
	15.0%	20.0%	25.0%	30.0%	35.0%
10x	\$3.89	\$3.35	\$2.91	\$2.53	\$2.22
13x	\$5.06	\$4.36	\$3.78	\$3.29	\$2.89
15x	\$5.84	\$5.03	\$4.36	\$3.80	\$3.33
16x	\$6.23	\$5.36	\$4.65	\$4.05	\$3.55
20x	\$7.78	\$6.70	\$5.81	\$5.07	\$4.44
Periods/Years Discounted	3.5				

Source: Green Coast Capital, LLC Estimates

Our **15x** target Forward P/E multiple is derived from the from the average mean forward P/E from our generics comparable analysis below (range from 9.0x to 18.7x earnings), reflecting GeoPharma's favorable product opportunities and also its rich stream of generic drug ANDA's (~12) already filed with the FDA that we outline in this report.

Figure: Specialty Pharmaceutical Company Comparables

Company	Ticker	Share Price\$	Market Cap (\$M)	Forward P/E Ratio	Price/Sales	EV/EBITDA
Watson Pharmaceuticals Inc.	WPI	\$30.66	\$3,200	14.7x	1.25	7.0
Barr Pharmaceuticals Inc.	BRL	\$68.04	\$7,400	18.7x	2.77	13.1
Endo Pharmaceuticals	ENDP	\$23.41	\$2,820	9.0x	2.39	7.3
Par Pharmaceutical	PRX	\$15.14	\$523	16.8x	0.81	(4.7)
Teva Pharmaceutical	TEVA	\$48.32	\$37,400	16.0x	3.57	12.4
Peer Group Avg as of 8/15/08 close		\$37.11	\$10,269	15x	2.2	7.0
GeoPharma Inc.	GORX	\$2.31	\$36.6	NA	0.69	(7.2)

Source: Capital IQ; Standard & Poor's

We note that our proforma income statement models a revenue growth rate of **15.0% to 16.0%** annually which is conservative, and is largely based on increasing revenue from currently approved products for both GORX and Dynamic Health Products. **Additional generic drug approvals are likely and should provide upside surprise to our current revenue and earnings estimates.** We will continually re-visit our revenue growth estimates and revise them accordingly as GORX receives additional FDA drug approvals, signs new contract manufacturing agreements, and launches new products.

We believe GORX represents an attractive opportunity in the generic pharmaceutical and nutraceutical space. The company will have a number of significant value drivers over the next twelve months that should drive the stock towards our **\$5.00** price target. We view the company's recent acquisition of Dynamic Health Products, new contract manufacturing deals expected to close over the next 12 months, and the company's launch of recently approved generic Carprofen to be the first of many such catalysts. With approximately 12 Abbreviated New Drug Applications for generics in process with the FDA as well as additional products in the pipeline we expect additional product approvals and launches over the next 12 months including generic antibiotics amoxicillin, ampicillin and cephalexin.

Investment Risks:

Financial: Management believes that cash expected to be generated from operations, current cash reserves, and existing financial arrangements will be sufficient for the Company to meet its capital expenditures and working capital needs for its operations as presently conducted. However, the Company may require more significant capital to expand operations or complete cash based acquisitions. If cash flows from operations, current cash reserves and available credit facilities are not sufficient, it will be necessary for the Company to seek additional financing. There can be no assurance that such financing would be available in amounts and on terms acceptable to the Company. Also if the company finds itself unable to manufacture or sell some of its products that would have adverse effects on the company's existing revenue and growth rate estimates, and could lead to a substantial decrease in the company's stock price.

Competitive: Certain manufacturers of brand name drugs and/or their affiliates have introduced generic pharmaceutical products equivalent to their brand name drugs at relatively lower prices or partnered with generic companies to introduce generic products. Such actions have the effect of reducing the potential market share and profitability of generic products developed by GeoPharma and may inhibit it from developing and introducing generic pharmaceutical products comparable to certain brand name drugs. This price competition has led to an increase in customer demand for downward price adjustments by the manufacturers of generic pharmaceutical products, including the Company, for certain products that it may have planned to manufacture in the future. There can be no assurance that such price reductions for these products or others, will not continue, or even increase, and therefore could have a material adverse effect on the Company's revenues, gross margins, income generated from operations and cash flows.

Marketing: New or amended government regulation could adversely impact GORX's business and operations. The Company, and its customers, depend on positive publicity as it relates to the efficacy and overall health benefits derived from the nutraceutical health products they manufacture for themselves and others. If the company is subjected to additional laws or regulations by the FDA or other federal, state or foreign regulatory authorities, or subject to the repeal of laws or regulations which are favorable to GORX and other nutraceutical manufacturers/marketers, such as the Dietary Supplement Health and Education Act of 1994, or subject to more stringent interpretations of current laws or regulations it could be more difficult to market health claims of such products, and this could have a materially adverse affect on GORX's business, financial condition, results of operations and cash flows.

Regulatory: The Company is in the process of submitting additional generic drug human and animal ANDA (Abbreviated New Drug Applications), for the FDAs approval to manufacture generic drugs for animals and humans. GORX can not predict, nor guarantee, that the FDA will approve any or all of its applications submitted to the agency. Additionally, the Company cannot predict when such applications will be reviewed or approved. Failure of the FDA to approve certain generic drug products as they are submitted by the Company could have an adverse effect on GORX's future revenues, cash flows and financial position, and could lead to a substantial decrease in the company's stock price.

Earnings (P&L) Model on Next Page

GeoPharma Inc. (GORX)
Annual & Quarterly Income Statement
Fiscal Year Ends March 31 (\$000s)

	2006A	2007A	2008A	Q1:09A	Q2:09E	Q3:09E	Q4:09E	2009E	2010E	2011E	2012E	2013E
Total Revenues	\$49,744	\$59,792	\$57,893	20,025	22,500	25,875	31,756	100,157	\$115,250	\$134,843	\$157,766	\$184,586
% Growth		20%	-3%					73%	15.0%	17.0%	17.0%	17.0%
Total COGS	\$37,287	\$42,924	\$46,944	16,291	18,304	20,183	24,770	\$79,547	\$84,133	\$97,087	\$113,591	\$132,902
% of revenue		72%	81%	81%	81%	78%	78%	79%	73%	72%	72%	72%
Gross Profit	\$12,457	16,868	10,949	3,734	4,196	5,693	6,986	20,609	31,118	37,756	44,174	51,684
% Margin		28%	19%	19%	19%	22%	22%	21%	27%	28%	28%	28%
SGA	9,701	12,840	17,992	5,782	5,955	6,134	6,226	24,096	25,301	26,566	27,895	29,289
Stock Compensation Expense		1,582	957	306	306	306	306	1,225	1,225	1,225	1,225	1,225
Depreciation & Amortization	749	1,164	1,866	668	668	668	668	2,672	1,724	1,480	1,480	1,480
Interest (expense) / income, net	280	257	(568)	(455)	(455)	(455)	(455)	(1,819)	(2,400)	(2,520)	(2,646)	(2,778)
Minority interest benefit/(expense)	583	1,310	674	198	198	198	198	791	650	650	650	650
Net income/(loss) Before Tax	2,870	2,850	(9,489)	(3,279)	(2,991)	(1,673)	(471)	(8,413)	1,117	6,615	11,579	17,562
Income Tax benefit/(expense)	(1,081)	(343)	2,510	662	662	662	662	2,650	(369)	(2,183)	(3,821)	(5,795)
% Income tax rate	42.1%	13.5%	-	-	-	-	-	-	33.0%	33.0%	33.0%	33.0%
Preferred dividends	300	300	408	150	150	150	150	408	408	408	408	408
Net income/(loss) to common shareholders	1,489	2,207	(7,387)	(2,766)	(2,478)	(1,160)	42	(6,172)	340	4,024	7,350	11,358
Basic earnings per share (EPS)	0.17	0.22	(0.59)	(0.19)	(0.15)	(0.07)	0.00	(0.38)	0.02	0.24	0.42	0.63
Weighted average # basic shares outstanding (per quarter and year)	9,041	9,875	12,542	14,693	16,310	16,310	16,310	16,310	16,710	17,110	17,510	17,910
Margin Analysis												
Gross Profit Margin	25%	28%	19%					21%	27%	28%	28%	28%
R&D	NA	NA	NA					NA	NA	NA	NA	NA
SG&A	20%	21%	31%					24%	22%	20%	18%	16%
Net Income Margin	6%	5%	-16%					-8%	1%	5%	7%	10%
Growth (Y/Y)												
Total Revenues	-100%	20%	-3%					73%	15%	17%	17%	17%
R&D Expenses	NA	NA	NA					NA	NA	NA	NA	NA
SG&A Expenses	-100%	32%	40%					34%	5%	5%	5%	5%
Net Income (Loss)	-100%	-1%	-433%					-11%	-113%	492%	75%	52%
Basic Earnings Per Share (EPS)	-198%	31%	-364%					-36%	-105%	1055%	78%	51%

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