Zacks Small-Cap Research

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Pressure Biosciences (PBIO-OTC)

PBIO: Zacks Company Report

PBIO: revenue continued to grow in 2Q16, great achievements in PIPE financing, partnership with SCIEX will enhance product sales, valuation very attractive

Current Price (08/15/16)	$0.40
Valuation	**$2.00**

OUTLOOK

PBIO is a research products and services provider for the life science industry. We are impressed with and optimistic about the Company's novel, enabling platform technology PCT which has competitive advantages over existing technologies in the sample preparation market. PCT is increasingly gaining recognition by research labs.

PBIO recently boosted its balance sheet through PIPE financing, and we expect to see significant revenue growth in 2016 and beyond.

Our fair valuation is $2.00 per share.

SUMMARY DATA

52-Week High	**$0.54**
52-Week Low	**$0.21**
One-Year Return (%)	**65.38**
Beta	**1.37**
Average Daily Volume (sh)	**47,623**
Shares Outstanding (mil)	**28**
Market Capitalization ($mil)	**$12**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**37.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Value**
Industry	**Med Instruments**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	0.40 A	0.31 A	0.37 A	0.29 A	1.37 A
2015	0.44 A	0.41 A	0.58 A	0.36 A	1.80 A
2016	0.51 A	0.51 A	0.61 E	0.86 E	2.49 E
2017					10.25 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.19 A	-$0.05 A	-$0.07 A	-$0.09 A	-$0.39 A
2015	-$0.11 A	-$0.07 A	-$0.03 A	-$0.14 A	-$0.36 A
2016	-$0.05 A	-$0.04 A	-$0.04 E	-$0.04 E	-$0.16 E
2017					-$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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WHAT'S NEW

Revenue Continues to Grow Nicely for Second Quarter 2016

On August 16, PBIO reported its financials for the second quarter of 2016.

Total revenue for 2Q16 was $0.51 million, as compared to $0.41 million during the three months ended June, 2015, an increase of 24%. This increase was attributable to increased sales of products and services.

Revenue from the sale of products and services for 2Q16 was $0.47 million, as compared to $0.33 million for 2Q15, an increase of 42%. Two major drivers of product revenue growth were **instrument sales**, which increased 43% during the comparative quarterly periods (from $217,138 to $311,345) and **consumable sales**, which increased 29% (from $56,513 to a record $72,773).

Grant revenue for 2Q16 was $36,776, compared to $79,529 in Q2 2015. This decrease in grant revenue, which is expected to be short-term, allowed the Company to focus grant personnel in other critical areas during the second quarter of 2016, primarily in the development of the Barocycler 2320EXTREME, the company's next-generation instrument system, and in various sales & marketing activities. The additional efforts in sales/marketing were partially responsible for the 24% increase reported in quarterly total revenue, from $413,104 in Q2 2015 to $510,963 in Q2 2016, despite the short-term decrease in grant revenue.

R&D expenditures were $0.32 million for 2Q16, as compared to $0.29 million in the same period in 2015.

SG&A expenses totaled $1.0 million for 2Q16, as compared to $1.0 million for the comparable period in 2015.

Operating loss for the quarter ended June 30, 2016 was $1,060,697, compared to a loss of $1,063,889 for the same period in 2015. This slight decrease in operating loss was primarily due to increases in the sale of our products and services, mitigated to a certain extent by increased expenditures in research and development activities.

Adjusted net loss for 2Q16 was $1.1 million ($0.04 per share), as compared to a net loss of $1.1 million (0.05 per share) for 2Q15.

As of June 30, 2016, PBIO held $71,632 in cash and cash equivalents.

Great Achievements in PIPE Financing

On April 7, 2016, announced the receipt of $769,667 in the final close of its $5 Million PIPE Financing. This final closing increased the total raised in the Offering to $6,329,667, an amount substantially above the Company's goal of $5 Million. The Company netted $719,049 in cash from the final close and $5,101,049 in cash from the total Offering.

Pursuant to the terms of the Offering, the Company issued to the investors, senior secured convertible debentures with a fixed conversion price of $0.28 per restricted common share, and common stock purchase warrants exercisable into shares of restricted common stock at an exercise price of $0.40 per share. The Company is under no obligation to file a registration statement to register the shares underlying the Debentures and Warrants.

As a result of the PIPE financing, the company

- successfully eliminated 100% of its variable rate (floorless) convertible debt,

- developed the new Barocycler NEP2320 Extreme, designed specifically for use in mass spectrometry sample preparation, including PCT-SWATH;
- supported new marketing initiatives to potential customers worldwide (which have already begun to show positive results through increased requests for instrument/consumable information and quotations);
- supported multiple scientific collaborators, many of whom are considered Key Opinion Leaders, whose studies readily highlight the advantages of the PCT platform to potential customers worldwide, and
- strongly supported the recently announced co-marketing agreement with SCIEX, a leader in life sciences analytical technologies worldwide.

Operational Highlights for 2Q2016

PBIO completed an intensive 18-month program to internally develop the "next-generation" PCT-based instrument system, the **Barocycler 2320EXTREME**. Designed initially for mass spectrometry protein sample preparation, particularly PCT-SWATH, this is the primary method behind the company's co-marketing agreement with global life science leader SCIEX. PBIO and SCIEX announced an exclusive co-marketing agreement in January, 2016.

During the second quarter, scientists and marketing personnel from SCIEX and PBI presented a workshop at the ASMS annual meeting on improved detection of proteins in cancer and other samples, and in advancing precision medicine with next-generation products from SCIEX and PBI.

During the second quarter, PBIO's new ISO-certified contract manufacturer completed the build of the first five Barocycler 2320EXTREME instrument systems. All were immediately sold to key research groups, including three to the Children's Medical Research Institute ("CMRI") in Sydney Australia for cancer research studies.

PBIO started the process to achieve CE Marking for the Barocycler 2320EXTREME.

Scientists from six separate research groups made presentations at the American Society for Mass Spectrometry ("ASMS") annual meeting on the compelling advantages of the PCT platform.

We Expect Significant Revenue Growth in 2016 and Beyond

With the significantly improved balance sheet and expanded sales and marketing capabilities, as well as the newly established multi-national co-marketing partner SCIEX, we continue to believe revenue will grow significantly in 2016 and beyond. Specifically, we believe products and services total revenue for 2016 will surpass the $2.0 million mark.

These increases will be driven by sales from both existing and new products (instruments and consumables), from the Company's expanding distribution network, and from the additional sales and marketing personnel the company is committed to hire.

We Continue to be Bullish on PBIO Shares

We continue to be optimistic about the prospect of PBIO and our fair value indicates a share price at $2.00 per share.

In terms of valuation, we think PBIO shares are undervalued based on the Company's fundaments. Currently, the Company trades around $0.40 per share with a market cap of $12 million based on 28 million outstanding shares. We believe this deeply undervalues the Company based on the current fundamentals we discussed above. We understand that market discounts the value of the Company because the Company has only limited revenue base and has been losing money since its inception. We also understand that the Company has a relatively weak balance sheet, and further financing will be

needed. However, when we look at the Company and the industry in which it operates in detail, we realize that PBIO is a company with huge opportunity and one that can grow its revenue and earnings at a tremendous rate in the next few years.

PBIO operates in the rather large, but underserved research services market. The Company has developed a unique and superior pressure cycling technology (PCT) for the preparation of biological laboratory samples. The Company's PCT platform holds competitive advantages over incumbent technologies in many important aspects related to sample preparation.

Currently, the Company is in the early stage of commercialization of its platform technology. We have realized that sales have not been stellar so far, but this is understandable. Pressure cycling technology is quite new to most customers in the sample preparation market, and the costs for PCT are also higher than those for most existing technologies. Therefore, rollout of the PCT platform will take time. However, once customers become familiar with the new PCT platform, and realize its advantages over existing technologies, uptake of PCT and its consumable products by the industry will increase dramatically in our view.

We are even more optimistic about the Company's prospect than ever. With a rapidly growing market worldwide, combined with its unique technology and broad range of product offering, the Company is well positioned to boost its top line and bottom line in the coming years. According to our long term financial model, the company's products and services revenue will grow at a compound annual growth rate (CAGR) of 75% in the next five fiscal years from 2015 to 2019. PBIO will become profitable in fiscal 2018 with an EPS of $0.04.

We think PBIO is more like a development stage biotech company. We use a 30x P/E ratio, multiplied by the EPS of $0.11 in 2019, and discount at 25% for 2.5 years. Then we come up with our price target of $2.00 per share.

Our price target values the company at $56 million in market cap. This valuation is still very conservative in our view. As long as the Company can execute on its growth strategy correctly, we believe this goal is achievable. Patient investors will get rewarded.

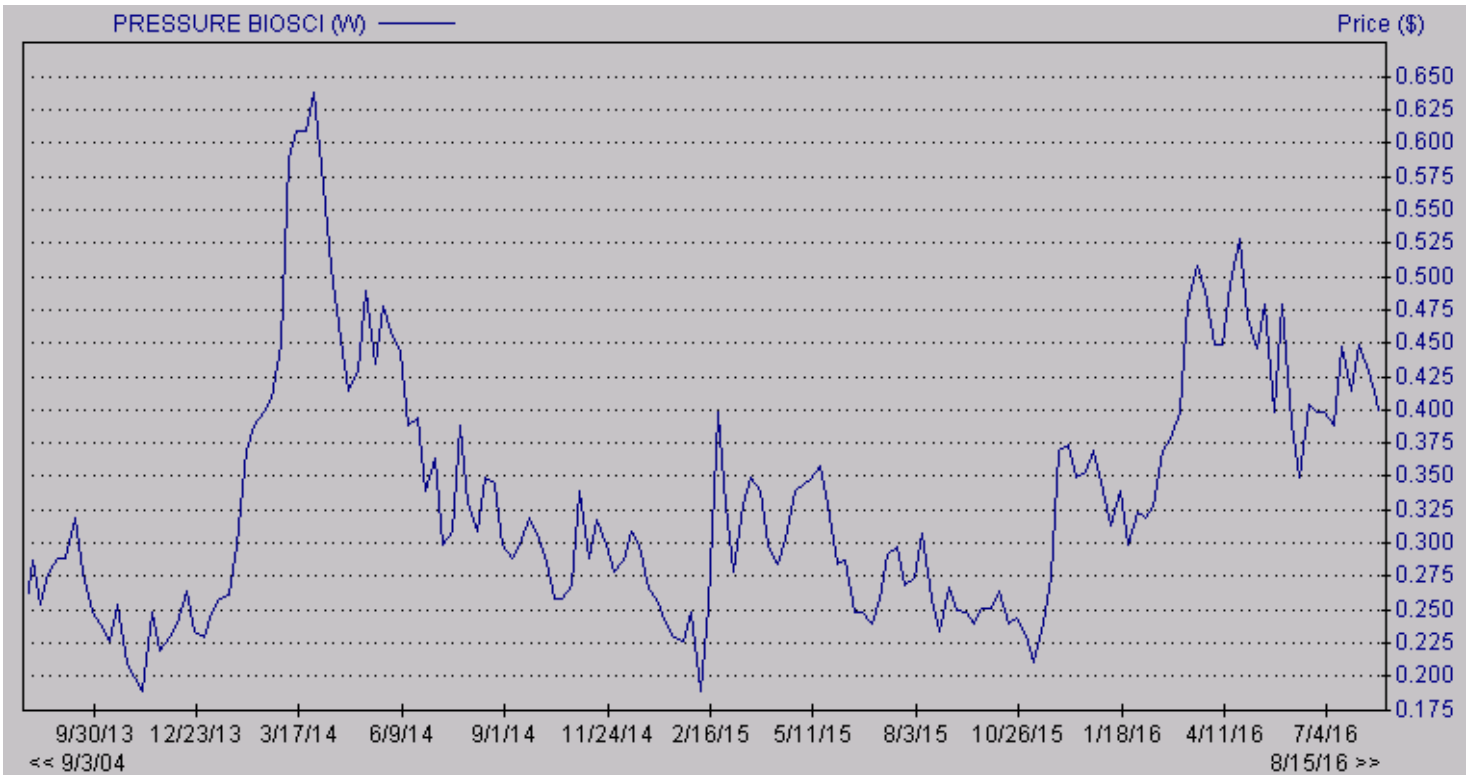
PROJECTED INCOME STATEMENT

$ in million except per share data	Q1	Q2	Q3	Q4	12/15A	Q1	Q2	Q3	Q4	12/16E	12/17E	12/18E	12/19E
Product/Service Revenue	$0.36	$0.33	$0.48	$0.24	$1.41	$0.45	$0.47	$0.55	$0.80	$2.28	$10.00	$15.00	$22.00
YOY Growth	*-11.1%*	*8.5%*	*29.2%*	*-11.4%*	*4.4%*	*26.4%*	*42.2%*	*14.2%*	*239.6%*	*61.6%*	*338.9%*	*50.0%*	*46.7%*
Grant Revenue	$0.08	$0.08	$0.10	$0.13	$0.39	$0.06	$0.04	$0.06	$0.06	$0.21	$0.25	$0.25	$0.25
Total Revenues	**$0.44**	**$0.41**	**$0.58**	**$0.36**	**$1.80**	**$0.51**	**$0.51**	**$0.61**	**$0.86**	**$2.49**	**$10.25**	**$15.25**	**$22.25**
YOY Growth	*8.9%*	*34.4%*	*55.8%*	*25.3%*	*30.8%*	*16.0%*	*23.7%*	*5.1%*	*136.2%*	*38.6%*	*311.4%*	*48.8%*	*45.9%*
CoGS	$0.2	$0.2	$0.2	$0.0	$0.6	$0.2	$0.2	$0.3	$0.4	$1.2	$5.1	$7.6	$11.2
Gross Income	**$0.25**	**$0.24**	**$0.37**	**$0.33**	**$1.23**	**$0.29**	**$0.27**	**$0.33**	**$0.45**	**$1.33**	**$5.17**	**$7.63**	**$11.08**
Gross Margin	*56.7%*	*57.6%*	*63.8%*	*90.9%*	*68.6%*	*56.6%*	*52.4%*	*53.8%*	*52.3%*	*53.6%*	*50.5%*	*50.1%*	*49.8%*
Gross Margin for PCT revenue	*46.9%*	*47.5%*	*56.4%*	*85.9%*	*60.0%*	*51.2%*	*48.7%*	*48.7%*	*48.7%*	*49.2%*	*49.2%*	*49.2%*	*49.2%*
R&D	$0.2	$0.3	$0.4	$0.2	$1.1	$0.3	$0.3	$0.3	$0.3	$1.3	$1.6	$1.8	$2.0
% R&D	*52.7%*	*70.5%*	*61.3%*	*62.2%*	*61.5%*	*65.7%*	*62.9%*	*49.2%*	*34.9%*	*50.4%*	*15.6%*	*11.8%*	*9.0%*
SG&A	$0.9	$1.0	$0.7	$1.0	$3.6	$1.0	$1.0	$1.1	$1.2	$4.3	$4.2	$4.8	$5.2
% SG&A	*202.7%*	*244.6%*	*121.6%*	*285.7%*	*203.0%*	*195.8%*	*197.1%*	*180.3%*	*139.5%*	*172.9%*	*41.0%*	*31.5%*	*23.4%*
Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
% Other	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Operating Income	**($0.9)**	**($1.1)**	**($0.7)**	**($0.9)**	**($3.5)**	**($1.0)**	**($1.1)**	**($1.1)**	**($1.1)**	**($4.2)**	**($0.6)**	**$1.0**	**$3.9**
Operating Margin	*-198.8%*	*-257.5%*	*-119.0%*	*-257.0%*	*-195.8%*	*-204.9%*	*-207.6%*	*-175.7%*	*-122.1%*	*-169.7%*	*-6.1%*	*6.8%*	*17.4%*
Other Net	($1.17)	($0.32)	$0.03	($2.39)	($3.85)	($4.90)	$2.02	$0.00	$0.00	($2.88)	$0.00	$0.00	$0.00
Pre-Tax Income	**($2.0)**	**($1.4)**	**($0.7)**	**($3.3)**	**($7.4)**	**($6.0)**	**$1.0**	**($1.1)**	**($1.1)**	**($7.1)**	**($0.6)**	**$1.0**	**$3.9**
Pref. stk Div	$0.02	$0.00	$0.00	$0.00	$0.02	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Taxes (Benefit)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Reported Net Income	**($2.1)**	**($1.4)**	**($0.7)**	**($3.3)**	**($7.4)**	**($6.0)**	**$1.0**	**($1.1)**	**($1.1)**	**($7.1)**	**($0.6)**	**$1.0**	**$3.9**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	*-469.0%*	*-335.6%*	*-113.7%*	*-914.1%*	*-411.3%*	*1165.7%*	*188.2%*	*-175.7%*	*-122.1%*	*-285.4%*	*-6.1%*	*6.8%*	*17.4%*
Shares Out	*18.8*	*19.7*	*20.7*	*23.6*	*20.7*	*23.2*	*26.0*	*26.0*	*28.0*	*25.8*	*27.0*	*30.0*	*35.0*
Reported EPS	**($0.11)**	**($0.07)**	**($0.03)**	**($0.14)**	**($0.36)**	**($0.26)**	**$0.04**	**($0.04)**	**($0.04)**	**($0.28)**	**($0.02)**	**$0.03**	**$0.11**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	*$0.00*	*$0.32*	*$0.00*	*$0.00*	*$0.32*	*$4.90*	*($2.02)*	*$0.00*	*$0.00*	*$2.88*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($2.1)**	**($1.1)**	**($0.7)**	**($3.3)**	**($7.1)**	**($1.0)**	**($1.1)**	**($1.1)**	**($1.1)**	**($4.2)**	**($0.6)**	**$1.0**	**$3.9**
Non GAAP EPS	**($0.11)**	**($0.05)**	**($0.03)**	**($0.14)**	**($0.34)**	**($0.05)**	**($0.04)**	**($0.04)**	**($0.04)**	**($0.16)**	**($0.02)**	**$0.03**	**$0.11**

Source: Company filings and Zacks Investment Research Inc. estimates

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HISTORICAL STOCK PRICE



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