Zacks Small-Cap Research

November 21, 2016
Grant Zeng, CFA
312-265-9466
gzeng@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Pressure Biosciences (PBIO-OTC)

PBIO: Zacks Company Report

PBIO: Product and service revenue continued to grow in 3Q16, partnership with SCIEX will enhance product sales, valuation very attractive

Current Price (11/18/16)	$0.30
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	**$0.23**
One-Year Return (%)	**8.70**
Beta	**2.35**
Average Daily Volume (sh)	**57,853**
Shares Outstanding (mil)	**31**
Market Capitalization ($mil)	**$9**
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	0.54 A	0.86 E	2.42 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	-$0.02 A	-$0.04 E	-$0.10 E
2017					-$0.02 E

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

© Copyright 2016, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Update on Third Quarter Financials

For the third quarter of 2016, products and services revenue increased to $500,949 from $481,452 for the same quarter of 2015, an increase of 4.0%. This was a record high for products and services revenue in a quarter and marked the first time that products and services revenue exceeded half a million dollars in a financial quarter.

For the 3Q16, revenue was driven primarily by the sale of instruments, which also set a record high with $383,789 for the quarter, compared to $340,084 (the previous record) for the same quarter of 2015.

Grant revenue decreased to $34,385 for Q3 2016 from $98,882 for the same quarter in the previous year. The company expects grant revenue to begin to increase in the fourth quarter of 2016 and continue to increase into 2017.

Total revenue decreased to $535,334 in the third quarter 2016 from $580,334 for the third quarter of 2015. This decrease was due to the decrease in grant revenue.

Operating loss for the third quarter of 2016 was $451,807 compared to a loss of $690,728 for the same period of 2015.

Adjusted net loss per common share was $(0.02) for the quarters ended September 30, 2016, compared to net loss per share of (0.03) for third quarter of 2015.

As of September 30, 2016, PBIO held $41,939 in cash and cash equivalents.

Balance Sheet Boosted by Recent Financings

On November 14, PBIO announced the initial close of $610,000 in gross proceeds in a $2.5 million Private Placement. Three accredited investors participated in the financing. One or more additional closes in the financing are expected to occur in the near future.

Pursuant to the Subscription Agreement, the Company issued 1,525,000 shares of restricted common stock at $0.40 per share and Common Stock Purchase Warrants exercisable into a total of 1,525,000 shares of restricted common stock at $0.50 per share. The Company received net proceeds of $512,750 after subtracting legal and placement agent fees related to the financing.

On November 3, PBIO announced it closed a $2 million line-of-credit with an accredited investor.

On October 28, 2016, an accredited investor purchased from PBIO a Promissory Note in the aggregate principal amount of up to $2,000,000 due and payable on the earlier of October 28, 2017 or on the seventh business day after the closing of a Qualified Offering. On the same day, the Company received its initial $250,000 advance pursuant to the Note and issued to the Investor a five-year Common Stock Purchase Warrant to purchase 625,000 shares of the Company's common stock at an exercise price equal to $0.40 per share. The Investor is obligated to provide the Company $250,000 advances under the Note, but the Investor is not required to advance more than $250,000 in any individual fifteen (15) day period and no more than $500,000 in the thirty (30) day period immediately following the date of the initial advance. Notwithstanding the fifteen (15) day period limitation, on November 2, 2016, the Company received a second $250,000 advance pursuant to the Note and the Company issued to the Investor the Second Warrant to purchase an additional 625,000 shares of the Common Stock.

Interest on the principal balance of the Note is to be paid in full on the Maturity Date but may be prepaid without penalty. Interest will be assessed between 10% and 18% as more clearly delineated in the

Note. The Investor will also receive 100% warrant coverage on the amount borrowed within seven days of each advance, with an exercise price of $0.40 and a term of five years. The Investor will also receive an origination fee of 5% of the amounts borrowed, payable in cash or in-kind.

This is a credit line with very favorable terms, including warrants priced significantly above market price. We believe access to this capital will allow the company to increase its focus on the continued expansion of its sales and marketing capabilities, enhancements in infrastructure, improvements in efficiency, and other measures that will help to increase revenue.

Operational Highlights for 3Q2016 and Near Term Goals

During the third quarter, PBIO's new ISO-certified contract manufacturer completed the build of four Barocycler 2320EXTREME instrument systems. All four were purchased by customers in Germany and Japan.

In July, the Children's Medical Research Institute (CMRI) was named by Vice President Biden as one of four preeminent cancer research centers in Australia to collaborate with the U.S. National Cancer Institute in President Obama's Cancer Moonshot initiative. CMRI purchased the first three commercially-available Barocycler 2320EXTREME instruments.

PBIO made measurable progress towards its goal of achieving CE Marking for its new next-generation Barocycler 2320EXTREME instrument before the end of 2016.

PBIO was invited, along with representatives from SCIEX, CMRI, the Institute of Molecular Systems Biology (Zurich, Switzerland), Beckman-Coulter, Ilumina, and Next-Bio to make presentations at the Gala Opening of The ACRF International Centre for the Proteome of Human Cancer (ProCan). ProCan is located in newly renovated laboratory facilities at CMRI near Sydney, Australia.

Near-Term Goals for Fourth Quarter 2016 and Early 2017

- Continue to implement a sound path toward financial self-sufficiency and future growth and profitability.
- Drive acceptance and commercialization of the new Barocycler 2320EXTREME.
- Support and expand its co-marketing program with SCIEX.
- Significantly expand sales and marketing capabilities.

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 maintain our fair value 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 $0.30 per share with a market cap of $9 million based on 31 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.

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 $0.02.

We think PBIO is more like a development stage biotech company. We use a 35x P/E ratio, multiplied by the EPS of $0.07 in 2019, and discount at 20% for 2 years. Then we come up with our price target of $2.00 per share.

Our price target values the company at $62 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.

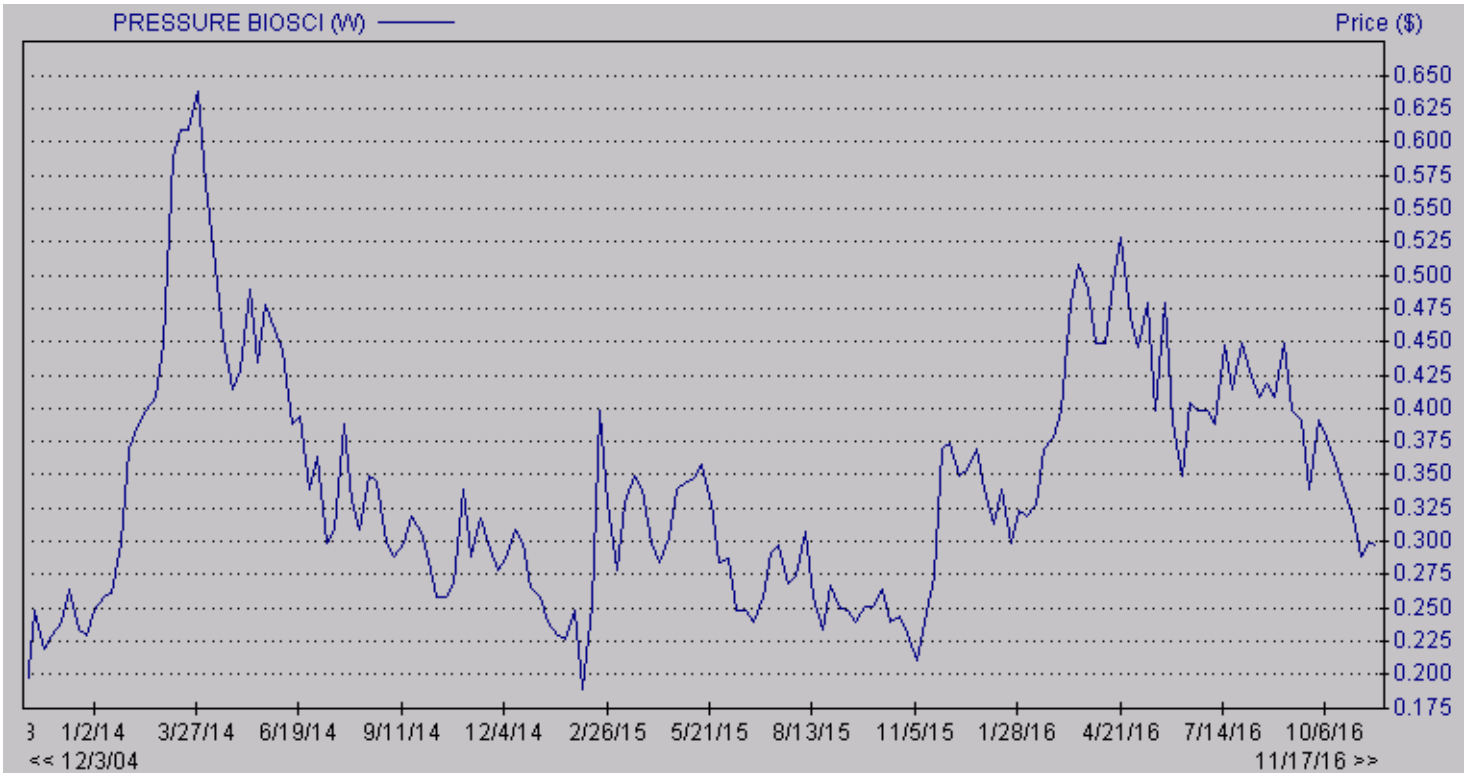
PROJECTED INCOME STATEMENT

$ 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	$0.50	$0.80	$2.23	$10.00	$15.00	$22.00
YOY Growth	*-11.1%*	*8.5%*	*29.2%*	*-11.4%*	*4.4%*	*26.4%*	*42.2%*	*4.0%*	*239.6%*	*58.1%*	*348.5%*	*50.0%*	*46.7%*
Grant Revenue	$0.08	$0.08	$0.10	$0.13	$0.39	$0.06	$0.04	$0.03	$0.06	$0.19	$0.25	$0.25	$0.25
Total Revenues	**$0.44**	**$0.41**	**$0.58**	**$0.36**	**$1.80**	**$0.51**	**$0.51**	**$0.54**	**$0.86**	**$2.42**	**$10.25**	**$15.25**	**$22.25**
YOY Growth	*8.9%*	*34.4%*	*55.8%*	*25.3%*	*30.8%*	*16.0%*	*23.7%*	*-7.8%*	*136.2%*	*34.4%*	*324.1%*	*48.8%*	*45.9%*
CoGS	$0.2	$0.2	$0.2	$0.0	$0.6	$0.2	$0.2	$0.3	$0.4	$1.1	$5.1	$7.7	$11.3
Gross Income	**$0.25**	**$0.24**	**$0.37**	**$0.33**	**$1.23**	**$0.29**	**$0.27**	**$0.27**	**$0.44**	**$1.27**	**$5.10**	**$7.53**	**$10.93**
Gross Margin	*56.7%*	*57.6%*	*63.8%*	*90.9%*	*68.6%*	*56.6%*	*52.4%*	*50.9%*	*51.2%*	*52.5%*	*49.8%*	*49.4%*	*49.1%*
Gross Margin for PCT revenue	*46.9%*	*47.5%*	*56.4%*	*85.9%*	*60.0%*	*51.2%*	*48.7%*	*47.5%*	*47.5%*	*48.5%*	*48.5%*	*48.5%*	*48.5%*
R&D	$0.2	$0.3	$0.4	$0.2	$1.1	$0.3	$0.3	$0.3	$0.3	$1.2	$1.6	$1.8	$2.0
% R&D	*52.7%*	*70.5%*	*61.3%*	*62.2%*	*61.5%*	*65.7%*	*62.9%*	*50.1%*	*34.9%*	*50.7%*	*15.6%*	*11.8%*	*9.0%*
SG&A	$0.9	$1.0	$0.7	$1.0	$3.6	$1.0	$1.0	$0.5	$1.2	$3.7	$4.2	$4.8	$5.2
% SG&A	*202.7%*	*244.6%*	*121.6%*	*285.7%*	*203.0%*	*195.8%*	*197.1%*	*85.2%*	*139.5%*	*151.5%*	*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)**	**($0.5)**	**($1.1)**	**($3.6)**	**($0.7)**	**$0.9**	**$3.7**
Operating Margin	*-198.8%*	*-257.5%*	*-119.0%*	*-257.0%*	*-195.8%*	*-204.9%*	*-207.6%*	*-84.4%*	*-123.2%*	*-149.7%*	*-6.8%*	*6.1%*	*16.7%*
Other Net	($1.17)	($0.32)	$0.03	($2.39)	($3.85)	($4.90)	$2.02	($0.49)	$0.00	($3.38)	$0.00	$0.00	$0.00
Pre-Tax Income	**($2.0)**	**($1.4)**	**($0.7)**	**($3.3)**	**($7.4)**	**($6.0)**	**$1.0**	**($0.9)**	**($1.1)**	**($7.0)**	**($0.7)**	**$0.9**	**$3.7**
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**	**($0.9)**	**($1.1)**	**($7.0)**	**($0.7)**	**$0.9**	**$3.7**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	*-469.0%*	*-335.6%*	*-113.7%*	*-914.1%*	*-411.3%*	*-1165.7%*	*188.2%*	*-176.6%*	*-123.2%*	*-289.4%*	*-6.8%*	*6.1%*	*16.7%*
Shares Out	*18.8*	*19.7*	*20.7*	*23.6*	*20.7*	*23.2*	*26.0*	*29.4*	*30.0*	*35.0*	*40.0*	*45.0*	*50.0*
Reported EPS	**($0.11)**	**($0.07)**	**($0.03)**	**($0.14)**	**($0.36)**	**($0.26)**	**$0.04**	**($0.03)**	**($0.04)**	**($0.20)**	**($0.02)**	**$0.02**	**$0.07**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$4.90*	*($2.02)*	*$0.49*	*$0.00*	*$3.38*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($2.1)**	**($1.4)**	**($0.7)**	**($3.3)**	**($7.4)**	**($1.0)**	**($1.1)**	**($0.5)**	**($1.1)**	**($3.6)**	**($0.7)**	**$0.9**	**$3.7**
Non GAAP EPS	**($0.11)**	**($0.07)**	**($0.03)**	**($0.14)**	**($0.36)**	**($0.05)**	**($0.04)**	**($0.02)**	**($0.04)**	**($0.10)**	**($0.02)**	**$0.02**	**$0.07**

Source: Company filings and Zacks Investment Research Inc. estimates

© Copyright 2016, Zacks Investment Research. All Rights Reserved.

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Grant Zeng, CFA, 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. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

© Copyright 2016, Zacks Investment Research. All Rights Reserved.

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1127 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 15.7%, Hold/Neutral- 78.3%, Sell/Underperform – 5.8%. Data is as of midnight on the business day immediately prior to this publication.