Zacks Small-Cap Research

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Pressure Biosciences (PBIO-OTC)

PBIO: Zacks Company Report

PBIO: Product and service revenue continued to grow in 4Q16, partnership with SCIEX will enhance product sales, valuation very attractive

Current Price (03/22/17)	$0.27
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 2017 and beyond.

Our fair valuation is $2.00 per share.

SUMMARY DATA

52-Week High	**$0.54**
52-Week Low	**$0.15**
One-Year Return (%)	**-44.56**
Beta	**2.45**
Average Daily Volume (sh)	**81,454**
Shares Outstanding (mil)	**31**
Market Capitalization ($mil)	**$8**
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)
2016	0.51 A	0.51 A	0.54 A	0.42 A	1.98 A
2017					4.75 E
2018					8.75 E
2019					15.25 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	-$0.05 A	-$0.04 A	-$0.02 A	-$0.04 A	-$0.14 A
2017					-$0.08 E
2018					-$0.03 E
2019					$0.05 E

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

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WHAT'S NEW

Update on Fourth Quarter and Year 2016 Financials

Total revenue for the fourth quarter ended December 31, 2016 was $419,711 compared to $364,119 for the same period in 2015, a 15% increase. This increase was due to products and services sales growth.

For the fourth quarter of 2016, products and services revenue was $365,262, compared to $235,600 in the same quarter of 2015, a 55% increase.

Sales of consumables were $50,054 for the fourth quarter ended December 31, 2016 compared to $29,521 for the same period in 2015, an increase of 70%.

Grant revenue for Q4 2016 was $54,449 compared to $128,519 for the same period in 2015.

Operating loss for Q4 2016 was $1,177,205 compared to a loss of $935,746 for the same period in 2015. This increase was due primarily to inventory valuations and increases in marketing/IR activities, off-set by an increase in total revenue.

For the year ended December 31, 2016, products and services revenue was $1,794,749, compared with $1,409,991 in the year ended December 31, 2015, a 27% increase.

Sales of consumables were $199,873 for the year ended December 31, 2016 compared to $146,408 for the same period in 2015, an increase of $53,465 or 37%.

Grant revenue for fiscal year 2016 was $181,738 compared to $387,700 for the 2015 fiscal year.

Total revenue for the fiscal year ended December 31, 2016 was $1,976,487 compared to $1,797,691 for the same period in 2015, a 10% increase. This increase was due to products and services sales growth.

Operating loss for the year ended December 31, 2016 was $3,735,653 compared to a loss of $3,565,182 for the same period in 2015. This increase in operating loss was due primarily to increases in R&D, Sales and Marketing, and IR expenses, off-set to a certain extent by an increase in total revenue.

As of December 31, 2016, PBIO held $138,363 in cash and cash equivalents.

Balance Sheet Boosted by Recent Financings

On November 14, 2016, 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 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.

We Expect Significant Revenue Growth in 2017 and Beyond

In Feb 2017, PBIO announced that the Company has achieved **CE Marking** for the Barocycler 2320EXTREME, the Company's recently released, next-generation PCT-based sample preparation instrument. PBIO is now permitted to begin sales of the Barocycler 2320EXT in the European Economic Area.

When the CE Mark is affixed to a product, it signifies the manufacturer's declaration that the product meets all applicable EU safety, health, or environmental requirements. Achieving CE Marking requires substantial cost, time, and effort from the manufacturer, but allows the product to be marketed and move freely throughout all 31 countries in the EEA that require the CE Mark.

The Barocycler 2320EXT is the most recent addition to, and the next generation of, PBIO's Barocycler family. It is a compact, bench top instrument offering many features and benefits not found in PBIO's earlier Barocycler models, such as data logging options, user-level security, computer-operated control with touch screen programming, and the ability to customize multiple pressure cycling parameters. These and other features have already positioned the Barocycler 2320EXT as an instrument of choice for life science key opinion leaders worldwide, when preparing protein samples for analysis.

Achievement of CE Marking for the Barocycler 2320EXT is an important next step in the company’s commercialization plans for this powerful and enabling sample preparation instrument, especially since CE Marking is required prior to selling the Barocycler 2320EXT to the large and potentially lucrative biopharmaceutical market in Europe. The company recently signed agreements with several strong distribution partners in Europe, the SCIEX co-marketing agreement is entering its second year (SCIEX is a global provider of laboratory instrumentation to the life sciences area, with a large presence in Europe).

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 2017 and beyond. Specifically, we believe products and services total revenue for 2017 will surpass the $4.50 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 for PBIO shares stands 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 $0.26 per share with a market cap of $8.4 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 83% in the next four fiscal years from 2017 to 2020. PBIO will become profitable in fiscal 2019 with an EPS of $0.05.

We think PBIO is more like a development stage biotech company. We use a 35x P/E ratio, multiplied by the EPS of $0.09 in 2020, 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.

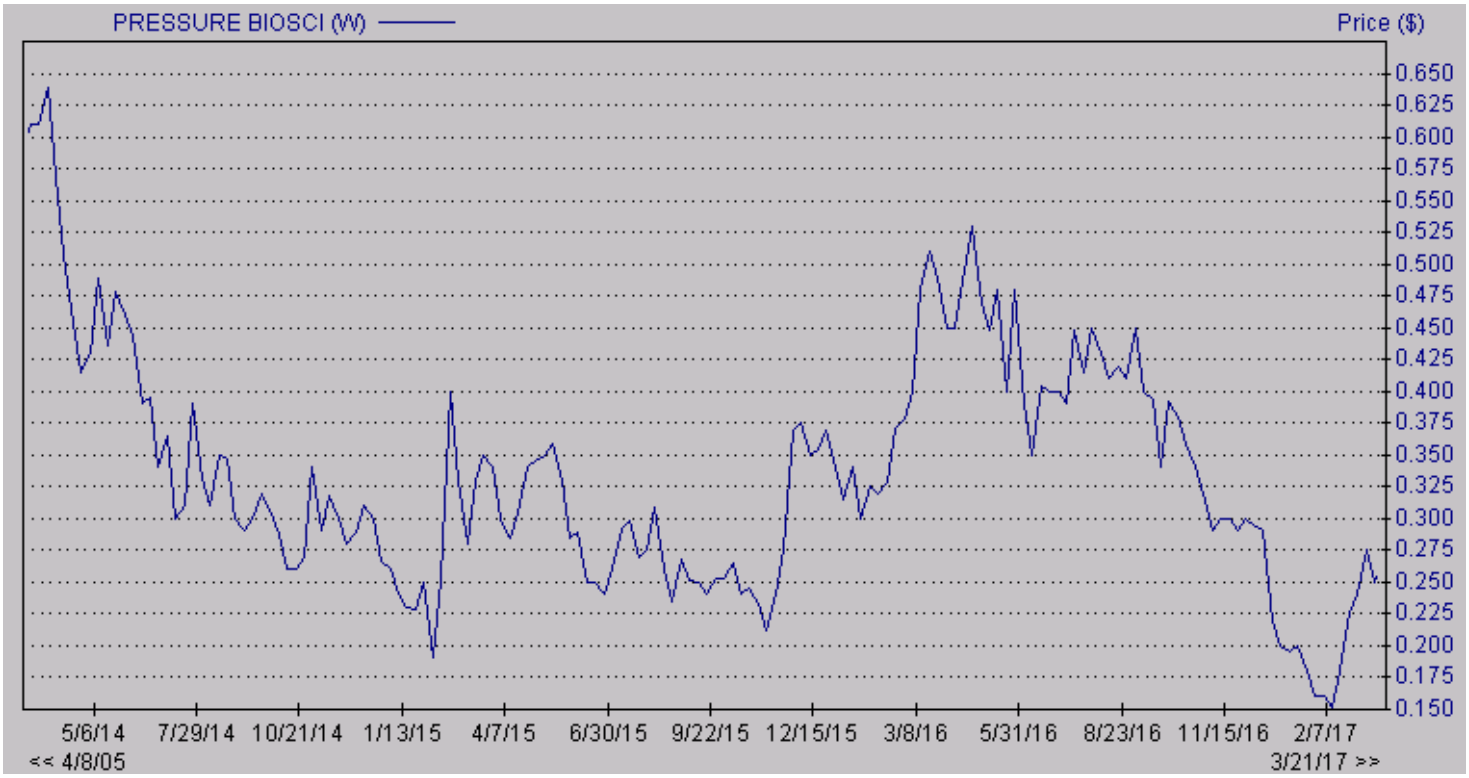
PROJECTED INCOME STATEMENT

$ in million except per share data	Q1	Q2	Q3	Q4	12/15A	Q1	Q2	Q3	Q4	12/16A	12/17E	12/18E	12/19E	12/20E
Product/Service Revenue	$0.36	$0.33	$0.48	$0.24	$1.41	$0.45	$0.47	$0.50	$0.37	$1.79	$4.50	$8.50	$15.00	$20.00
YOY Growth	*-11.1%*	*8.5%*	*29.2%*	*-11.4%*	*4.4%*	*26.4%*	*42.2%*	*4.0%*	*55.0%*	*27.3%*	*150.7%*	*88.9%*	*76.5%*	*33.3%*
Grant Revenue	$0.08	$0.08	$0.10	$0.13	$0.39	$0.06	$0.04	$0.03	$0.05	$0.18	$0.25	$0.25	$0.25	$0.25
Total Revenues	**$0.44**	**$0.41**	**$0.58**	**$0.36**	**$1.80**	**$0.51**	**$0.51**	**$0.54**	**$0.42**	**$1.98**	**$4.75**	**$8.75**	**$15.25**	**$20.25**
YOY Growth	*8.9%*	*34.4%*	*55.8%*	*25.3%*	*30.8%*	*16.0%*	*23.7%*	*-7.8%*	*15.3%*	*9.9%*	*140.3%*	*84.2%*	*74.3%*	*32.8%*
CoGS	$0.2	$0.2	$0.2	$0.0	$0.6	$0.2	$0.2	$0.3	$0.1	$0.8	$2.1	$3.9	$7.0	$9.3
Gross Income	**$0.25**	**$0.24**	**$0.37**	**$0.33**	**$1.23**	**$0.29**	**$0.27**	**$0.27**	**$0.31**	**$1.14**	**$2.66**	**$4.80**	**$8.28**	**$10.96**
Gross Margin	*56.7%*	*57.6%*	*63.8%*	*90.9%*	*68.6%*	*56.6%*	*52.4%*	*50.9%*	*74.7%*	*57.8%*	*56.0%*	*54.9%*	*54.3%*	*54.1%*
Gross Margin for PCT revenue	*46.9%*	*47.5%*	*56.4%*	*85.9%*	*60.0%*	*51.2%*	*48.7%*	*47.5%*	*70.9%*	*53.5%*	*53.5%*	*53.5%*	*53.5%*	*53.5%*
R&D	$0.2	$0.3	$0.4	$0.2	$1.1	$0.3	$0.3	$0.3	$0.3	$1.2	$1.3	$1.5	$1.6	$1.8
% R&D	*52.7%*	*70.5%*	*61.3%*	*62.2%*	*61.5%*	*65.7%*	*62.9%*	*50.1%*	*61.5%*	*59.9%*	*27.4%*	*17.1%*	*10.5%*	*8.9%*
SG&A	$0.9	$1.0	$0.7	$1.0	$3.6	$1.0	$1.0	$0.5	$1.2	$3.7	$4.0	$4.5	$4.8	$5.2
% SG&A	*202.7%*	*244.6%*	*121.6%*	*285.7%*	*203.0%*	*195.8%*	*197.1%*	*85.2%*	*293.7%*	*187.0%*	*84.2%*	*51.4%*	*31.5%*	*25.7%*
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	$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%*	*0.0%*
Operating Income	**($0.9)**	**($1.1)**	**($0.7)**	**($0.9)**	**($3.5)**	**($1.0)**	**($1.1)**	**($0.5)**	**($1.2)**	**($3.7)**	**($2.6)**	**($1.2)**	**$1.9**	**$4.0**
Operating Margin	*-198.8%*	*-257.5%*	*-119.0%*	*-257.0%*	*-195.8%*	*-204.9%*	*-207.6%*	*-84.4%*	*-280.5%*	*-189.0%*	*-55.6%*	*-13.7%*	*12.3%*	*19.5%*
Other Net	($1.17)	($0.32)	$0.03	($2.39)	($3.85)	($4.90)	$2.02	($0.49)	$4.40	$1.03	$0.00	$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)**	**$3.2**	**($2.7)**	**($2.6)**	**($1.2)**	**$1.9**	**$4.0**
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	$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	$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%*	*0.0%*
Reported Net Income	**($2.1)**	**($1.4)**	**($0.7)**	**($3.3)**	**($7.4)**	**($6.0)**	**$1.0**	**($0.9)**	**$3.2**	**($2.7)**	**($2.6)**	**($1.2)**	**$1.9**	**$4.0**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	*110.5%*
Net Margin	*-469.0%*	*-335.6%*	*-113.7%*	*-914.1%*	*-411.3%*	*1165.7%*	*188.2%*	*-176.5%*	*768.8%*	*-136.9%*	*-55.6%*	*-13.7%*	*12.3%*	*19.5%*
Shares Out	*18.8*	*19.7*	*20.7*	*23.6*	*20.7*	*23.2*	*26.0*	*29.4*	*30.9*	*27.4*	*32.0*	*36.0*	*40.0*	*45.0*
Reported EPS	**($0.11)**	**($0.07)**	**($0.03)**	**($0.14)**	**($0.36)**	**($0.26)**	**$0.04**	**($0.03)**	**$0.10**	**($0.10)**	**($0.08)**	**($0.03)**	**$0.05**	**$0.09**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$4.90*	*($2.02)*	*$0.49*	*($4.40)*	*($1.03)*	*$0.00*	*$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)**	**($1.2)**	**($3.7)**	**($2.6)**	**($1.2)**	**$1.9**	**$4.0**
Non GAAP EPS	**($0.11)**	**($0.07)**	**($0.03)**	**($0.14)**	**($0.36)**	**($0.05)**	**($0.04)**	**($0.02)**	**($0.04)**	**($0.14)**	**($0.08)**	**($0.03)**	**$0.05**	**$0.09**

Source: Company filings and Zacks Investment Research Inc. estimates

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HISTORICAL STOCK PRICE



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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.

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