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Zacks Small-Cap Research

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Pharma-Bio Serv (PBSV-OTC)

PBSV: Very Strong Q1 Results. Rapid Recovery from Hurricanes, Ramping European Consulting Activity

We look for revenue to grow at a 4 year CAGR of approximately 13% through 2021. We use an industry PE/G ratio of 1.9x to value PBSV. We look for 2020 EPS of $0.06 which values the company at approximately $1.50/share. The stock currently trades at about $0.50, indicating the shares are trading cheaper than fair value.

Current Price (04/05/18)	$0.50
Valuation	**$1.50**

OUTLOOK

Despite widespread damage, including island-wide power loss, PBSV weathered the storms relatively extremely well (as detailed below) and was operational within just days. PR consulting has come back strong, with related revenue ticking up 5% from the prior quarter to $2.7M. As a reminder, management recently indicated that they expected to PR consulting (and lab operations) to return to historical levels – with the implication also that that could happen fairly rapidly. Clearly the Q1 '18 numbers support that theme. We are now forecasting consistent sequential growth of PR consulting revenue throughout 2018 and model positive revenue growth for the full-year revenue.

Q1 2018 revenue was $4.2M, 4% better than the year-earlier period and 16% higher than Q4 2017. All of the yoy growth and most of the sequential growth relates to a recent significant jump in consulting activity in Europe. Q1 also saw a rebound in gross margin and much lower operating expenses. The combination pushed operating income into the black for the first time in the last seven consecutive quarters (i.e. since fiscal Q2 2016, ending April 2016).

SUMMARY DATA

52-Week High	**$0.70**
52-Week Low	**$0.33**
One-Year Return (%)	**-24.29**
Beta	**0.39**
Average Daily Volume (sh)	**5,801**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$12**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**51**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-15.6**
Earnings Per Share (%)	**-38.3**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**N/A**
P/E using 2019 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**Small-Value**
Industry	**Consulting**

ZACKS ESTIMATES

Revenue
(in millions)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2017	$4.1 A	$3.9 A	$4.0 A	$3.6 A	$15.6 A
2018	$4.2 A	$4.1 E	$4.2 E	$4.2 E	$16.8 E
2019					$19.3 E
2020					$21.9 E

Earnings per Share

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2017	-$0.02 A	-$0.01 A	-$0.01 A	-$0.02 A	-$0.06 A
2018	-$0.12 A	-$0.01 E	$0.01 E	-$0.00 E	-$0.12 E
2019					$0.01 E
2020					$0.06 E

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

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Fiscal Q1 2018 Results…

PBSV reported financial results for their fiscal first quarter 2018 ending January 31st. Results were relatively extremely strong, particularly considering the massive destruction that Puerto Rico suffered from two hurricanes that made landfall on the island in September (i.e. ~mid-fiscal Q4 '17) and caused damage estimated at over $100B (see our hurricane overview in Appendix for more background). And the quicker-than-anticipated recovery from the storms was not the only highlight in Q1, which also saw a rebound in gross margin and much lower operating expenses. The combination pushed operating income into the black for the first time in the last seven consecutive quarters (i.e. since fiscal Q2 2016, ending April 2016).

Despite widespread damage, including island-wide power loss, PBSV weathered the storms relatively extremely well and was operational within just days. That ability to quickly resume operations was apparent in the fiscal Q4 2017 (ending October 31) results – which showed only a 9% sequential decrease in PR consulting revenue. While lab revenue fell by a much more significant 41% from Q3 to Q4 2017, based on the Q1 '18 numbers, PR-related revenue (both consulting and lab-related) has now almost already rebounded to fiscal 2017 levels.

Certainly, the critical nature of Puerto Rico's pharmaceutical industry on the mainland U.S. and PBSV's reputation as one of the industry's top service providers bodes well for a rapid recovery in the company's operations and revenue – particularly as it relates to their lab and PR consulting business. And with the expectation that results will continue to benefit as the island further recovers, we think PR consulting and lab revenues will exhibit additional growth throughout 2018. With PR-related operations recovering quicker than we had anticipated, we have made substantive upward revisions to our revenue estimates.

Q1 2018 revenue was $4.2M, 4% better than the year-earlier period and 16% higher than Q4 2017. In fact Q1 2018 revenue was higher than any quarter in 2017. All of the yoy growth and most of the sequential growth relates to a recent significant jump in consulting activity in Europe, which was also a bright spot in Q4 '17 and a territory that likely represents a substantial growth opportunity. And while every other territory showed a yoy decline in Q1 '18, all major geographies and lab operations posted growth on a sequential basis.

PR consulting has come back strong, with related revenue ticking up 5% from the prior quarter to $2.7M and well ahead of our $2.3M estimate. As a reminder, management recently indicated that they expected to PR consulting (and lab operations) to return to historical levels – with the implication also that that could happen fairly rapidly. Clearly the Q1 '18 numbers support that theme. We are now forecasting consistent sequential growth of PR consulting revenue throughout 2018 and model positive revenue growth for the full-year revenue.

U.S. consulting revenue was $287k in Q1, down 17% yoy but 42% better than Q4 '17 – which, at just $202k in revenue, was the weakest U.S. consulting quarterly sales number since at least Q1 2011 (i.e. the farthest back that we looked). The sequential growth is somewhat encouraging as while we do not have specific insight into the recent significant weakness, we do not think the hurricanes (which also hit parts of the U.S. mainland) are to blame and think it may be mostly project-timing related.

As a reminder, the company recently shuttered two U.S.-based offices (in PA and CA) as part of its recently implemented "streamlined business development approach". Importantly, these were leased (sales-oriented) offices and PBSV's business model and time-and-material contracts means opportunistically re-ramping can be achieved on a relatively short time frame. But, it may be too early to predict a sustained recovery in U.S. sales, particularly given our lack of any detailed project-related insight. However, PBSV has been opportunistic in the past and we expect they will continue to be so. Additionally, PBSV has been considering the use of remote facilities in the U.S., which could provide the benefits of lower cost and even greater flexibility. The company recently mentioned that, having recovered from the hurricanes, that they can now focus more attention on the U.S. consulting strategy. Importantly, expense-containment efforts, including closure of satellite offices, have helped to push down operating expenses to near historically-low levels and resulted in significant improvement in overall profitability.

Clearly encouraging was management's mention shortly after the hurricanes passed that their European and Americas-based operations were fully operational. **European operations** recently began providing assistance to the workforce in Puerto Rico, which we think reflects the relatively massive jump in revenue from that territory beginning in Q4 '17. For some historical context, over the ten-quarter period from Q2 2015 – Q3 2017 European consulting revenue averaged $211k per quarter, and never breached $300k. Since then, European consulting turned in $512k in Q4 '17 (+114% yoy, +138% qoq) and $721k in Q1 '18 (+295% yoy, 41% qoq) – with the most recent quarter also marking the highest level of sales from this segment since Q4 2013. Indications are that

Europe could remain strong as a result of new consulting opportunities there. Importantly, European consulting is also driving operating profitability – while every other major itemized territory/segment was in the red in both Q4 '17 and Q1 '18, European consulting contributed six-digit profit during both periods (i.e. $107k in Q4 '17 and $222k in Q1 '18) and was a major reason why total operating income was back in the black in Q1 (the first time since Q2 '16). As such, continued relatively strong sales from this region could continue to benefit the bottom line and cash flow.

Similar to the company's Puerto Rico-based consulting operations, activity in their **lab segment** (also located in Puerto Rico) was disrupted by the hurricanes – which also showed up in the related revenue – falling from $528k in Q3 '17 to $311k (-41%) in Q4 '17, the lowest level since Q4 2012. About one-half of that qoq decline was attributed to the storms. PBSV had previously indicated that while some property damage repairs were required, that their lab (and other facilities in Puerto Rico) did not suffer any structural damage – and also implied that (similar to PR consulting) lab activity and revenue should return to more normal levels.

Encouragingly, it looks like that's already happening as lab revenue increased 54% from the final period in fiscal 2017 to $479k in Q1 '18. As noted, the recovery was much swifter than we had expected – evidenced by Q1 lab revenue's big beat to our $243k estimate. The faster and more robust recovery has prompted upward revisions to our forecasted lab-related revenue. And while the Q1 level was not enough to fully cover fixed-lab related expenses (lab operating loss was $107k in Q1), this segment affords much more scalability (than does most pure consulting projects) at incrementally higher levels and as such, offers the possibility of relatively outsized contribution to operating income. So, if lab activity continues to pick up, that could benefit overall operating income.

Relative to expenses and operating income…as consulting-related activity waned, PBSV recently began implementation of some right-sizing measures aimed at leveling operational capacity to that of market demand and activity. These cost-cutting measures, which included headcount reduction in certain support and sales areas, as well as closure of non-core offices, have significantly reduced operating expenses. OpEx dropped from $1.42M in Q1 2017 to just $1.06M in Q1 2018 – a decrease of 25%. Importantly, these initiatives have not come at the cost of revenue growth. Over the same period revenue increased by 4% - the net result was operating expenses as a percentage of revenue falling from 35% to 25%. This is the lowest level (as a percent of revenue) since Q4 2015 and a major impetus to PBSV eking out 19k of positive operating income in Q1. OpEx levels will be something to keep an eye on, given its obvious importance to profitability – even very incremental revenue scaling at these OpEx levels can result in a fairly dramatic benefit to operating income.

Meanwhile, gross margin, also showed some recovery from the 16.8% level in Q4 2017 – as a reminder, the hurricanes were responsible for shaving about 570 bp off GM in that quarter. Q1 GM, at 25.7% is inline with the average in 1H 2017, although still well below the ~30% level average in 2016 (on $19.5M in revenue). While GM may show some short-term variability, we think it expands with revenue growth and currently model full-year 2018 GM of 25.5%, compared to 23.2% in 2017.

In terms of liquidity, **PBSV continues to maintain a solid balance sheet and cash position**. Cash balance was $13.2M at fiscal Q1 quarter-end – which is an increase of $1.4M from $11.8M at the end of fiscal 2017. The increase mostly relates to $1.3M decrease (i.e. collection) of accounts receivable. Operating cash flow was $1.5M in Q1 – and even if excluding changes in working capital, operating cash flow was still a positive $203k. PBSV recorded a $2.7M income tax liability (which was disclosed in the 2017 10-K and which we explained in our prior update) in Q1 related to recent changes to U.S. income tax treatment of subsidiaries' earnings and profits. This $2.7M relates to accumulated (i.e. prior years') undistributed earnings and profits of their Puerto Rican subsidiaries. It is payable over eight years (8% yrs 1 – 5, 15% yr 6, 20% yr 7 and 25% yr 8) beginning in February 2019. PBSV expects to fund it with working capital.

Given the sizeable cash balance and our forecast of improving cash flow, we have no concerns about the company's liquidity position. Cash balance could benefit further from potential insurance recoveries. As a reminder, PBSV previously noted that as of the end of fiscal Q4 (i.e. October 31, 2017) approximately $50k in property damage-mitigation repairs had been made and Q4 gross profit was negatively impacted (from lost sales) by ~$275k. The company further noted, as it relates to potential insurance recoveries, that the "Company carries insurance to mitigate these losses, as well as for property damages." And, per the Q1 10-Q, "The Company's insurance provider is currently assessing the extent of the damages to the facilities, as well as the business interruption losses and additional expenses incurred by the Company until electrical power and other basic utilities were restored [November 22, 2017]. Based on current accounting guidance, the insurance proceeds will be recognized upon collection, as a gain contingency."

Outlook / Valuation:

PBSV Rapidly Recovering From Hurricanes…
Hurricane Maria slammed Puerto Rico on September 20, 2017, causing massive and widespread destruction throughout the island that is estimated at more than $100B. Despite the devastation, PBSV was able to resume operations in Puerto Rico within about one week after Hurricane Maria made landfall. Fortunately, the company did not suffer significant damage to their facilities or to personnel. Given the size and strength of the hurricanes, the direct hit on the island and overall massive destruction that they caused, we were surprised by the relatively minor impact to Q4 financial results as well as the already rapid recovery as evidenced by the Q1 '18 numbers. The reason, in large part, is likely related to not only PBSV's ability to quickly resume operations (via generator power) but also of their P.R.-located clients' ability to do the same. We also think the robustness and speed of the initial recovery bodes well for further rebound in P.R. consulting and lab activity and related revenue throughout the remainder of 2018.

Europe is where we think the bulk of the very near-term growth opportunity lies. Indications are that Europe could remain strong as a result of new consulting opportunities there. And while U.S. consulting has been soft as of late, indications are that PBSV is now able to dedicate a greater focus on finding new opportunities there. Shuttering their two U.S.-based offices has helped with cost-control and the use of remote facilities should allow greater flexibility.

Other **potential growth-related opportunities** include their new Calibrations division ("Metrologix") in Puerto Rico (development of which was completed in Oct 2017), Pharma-Brazil and, possibly, entry into Cuba. Pharma-Brazil is a wholly-owned subsidiary which PBSV registered in 2015 in order to provide consulting services to the Brazilian market. Given the historical strength (until recently) in Latin America-related project demand and revenue, this area of the world, including Brazil, could offer meaningful growth opportunity for PBSV.

Relative to Cuba, in December 2016 PBSV obtained a license from the U.S. Dept of Treasury Office of Foreign Assets Control (OFAC) authorizing the company to perform certain services and transactions with a Cuban state-run organization. While too early for us to hypothesize the significance of this (PBSV's has yet to generate meaningful revenue from Cuba), the OFAC license may provide PBSV with (at least) foot-in-the-door opportunity to a country that has been largely off-limits to most American companies (with some exceptions). And the recently restored (at least formally restored) diplomatic relations between the U.S. and Cuba and potential that sanctions are reduced in the future may mean that this foot-in-the-door could eventually result in even greater opportunity for PBSV (this is wait-and-see status, however, given indications by President Trump that he may reinstate limited access to Cuba).

Model Update…
We have updated our model following Q1 2018 results. We think there may be some incremental additional hurricane related revenue impact, although the relatively muted disruption to Q4 '17 and Q1 '18 results and the company's recovery leads us to believe that this should be fairly short-lived. PBSV's more rapid and robust recovery relative to our expectations has prompted upward revisions to our modeled revenue. We now model PR consulting revenue growth of 3% in 2018, revised from 9% contraction. We have total revenue increasing 7.5%, revised from 7.7% decrease.

And while we had previously forecasted gross margin to incrementally contract in 2018, the upward revisions to revenue has also benefitted our margins – we now look for GM of 25.5% in 2018, revised up from 23.2% previously. PBSV cost-containment efforts have had a significant and positive impact to profitability but not at the expense of revenue growth. Even very incremental revenue scaling at these OpEx levels can result in a fairly dramatic benefit to operating income.

We look for revenue to grow at a 4-year CAGR of approximately 13% through 2021. We use an industry PE/G ratio of 1.9x to value PBSV. We look for 2020 EPS of $0.06 which values the company at approximately $1.50/share. The stock currently trades at about $0.50, indicating the shares are trading cheaper than fair value.

We also note that the shares continue to trade well below book value – which was $18.2M, or $0.79/share as of January 31, 2018. Cash balance currently sits at $13.2M, or ~$0.57/share. We think book value should provide a floor on the stock.

FINANCIAL MODEL

Pharma-Bio Serv, Inc

	2017 A	Q1A	Q2E	Q3E	Q4E	2018 E	2019 E	2020 E	2021 E
Total Revenues	$15,579.3	$4,212.4	$4,054.5	$4,235.3	$4,244.0	$16,746.1	$19,310.4	$21,905.2	$25,049.3
YOY Growth	-20.3%	4.1%	3.4%	6.4%	16.9%	7.5%	15.3%	13.4%	14.4%
Cost of Services	$11,968.1	$3,129.2	$3,049.0	$3,155.3	$3,140.6	$12,474.0	$13,864.9	$15,005.1	$16,783.0
Gross Income	$3,611.1	$1,083.1	$1,005.5	$1,080.0	$1,103.4	$4,272.1	$5,445.5	$6,900.1	$8,266.3
Gross Margin	23.2%	25.7%	24.8%	25.5%	26.0%	25.5%	28.2%	31.5%	33.0%
SG&A	$5,036.3	$1,064.0	$1,139.3	$1,185.9	$1,196.8	$4,586.0	$5,194.5	$5,476.3	$6,011.8
% SG&A	32.3%	25.3%	28.1%	28.0%	28.2%	27.4%	26.9%	25.0%	24.0%
Operating Income	($1,425.1)	$19.2	($133.8)	($105.9)	($93.4)	($313.9)	$251.0	$1,423.8	$2,254.4
Operating Margin	-9.1%	0.5%	-3.3%	-2.5%	-2.2%	-1.9%	1.3%	6.5%	9.0%
Total Other Income (Expense)	$14.1	$17.8	$0.0	$280.0	$0.0	$297.8	$18.0	$35.0	$44.0
Pre-Tax Income	($1,411.0)	$37.0	($133.8)	$174.1	($93.4)	($16.0)	$269.0	$1,458.8	$2,298.4
Tax expense (benefit)	$3.9	$2,701.0	$2.8	$11.5	$4.9	$2,720.2	$29.1	$234.9	$402.2
Tax Rate	-0.3%	7297.9%	-2.1%	6.6%	-5.2%	-16962.7%	10.8%	16.1%	17.5%
Net Income	($1,414.9)	($2,664.0)	($136.6)	$162.6	($98.2)	($2,736.2)	$240.0	$1,224.0	$1,896.2
YOY Growth	451.5%	597.1%	-57.7%	-199.8%	-82.0%	93.4%	-108.8%	410.0%	54.9%
Net Margin	-9.1%	-63.2%	-3.4%	3.8%	-2.3%	-16.3%	1.2%	5.6%	7.6%
EPS	($0.06)	($0.12)	($0.01)	$0.01	($0.00)	($0.12)	$0.01	$0.06	$0.09
YOY Growth	453.7%	596.8%	-57.6%	-199.9%	-82.0%	93.7%	-109.6%	426.2%	54.9%
Diluted Shares O/S	23,097	23,064	23,064	23,064	23,064	23,064	21,150	20,500	20,500

Brian Marckx, CFA

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BALANCE SHEET

	January 31, 2018		October 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	13,176	$	11,752
Marketable Securities	25		27
Accounts Receivable	6,053		7,208
Other	440		550
Total current assets	19,694		19,537
Property and equipment, net	2,292		2,391
Other assets	423		423
Total assets	22,409	$	22,350
LIABILITIES			
Current liabilities:			
Current portion-obligations under capital lease	14	$	14
Accounts payable and accrued expenses	1,468		1,527
Income taxes payable	3		2
Total current liabilities	1,485		1,543
Obligations under capital leases	56		60
Total liabilites	4,241		1,603
STOCKHOLDERS' EQUITY			
Preferred Stock	-		-
Common stock	2		2
Additional paid-in capital	1,313		1,295
Retained earnings	16,896		19,560
Accumulated other comprehensive loss	219		138
Total stockholders' equity	18,430		20,995
Total liabilities and stockholders' equity	22,409	$	22,350

CASH FLOW STATEMENT

	January 31, 2018		2017
Cash flows from operating activities:			
Net income	$ (2,664)	$	(382)
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on disposition of P&E			
Stock-based compensation	18		22
Depreciation and amortization	150		109
Impairment of avail-for-sale securities			
Changes in operating assets and liabilities:			
Accounts receivable	1,245		849
Other assets	121		178
Liabilities	2,612		(592)
Net cash provided by operating activities	1,482		185
Cash flows from investing activities:			
Acquisition of P&E	(51)		(281)
Proceeds from disposition of P&E	-		-
Net cash used in investing activities	(51)		(281)
Cash flows from financing activities:			
Proceeds from common stock issuance	-		-
Repurchase of common stock	(14)		(2)
Payments on obligations under capital lease	(3)		(6)
Net cash provided by (used in) financing activities	(17)		(8)
Effect of exchange rate changes on cash	11		0
Net increase (decrease) in cash and cash equivalents	1,425		(103)
Cash and cash equivalents, beginning of period	11,752		13,774
Cash and cash equivalents, end of period	13,176	$	13,671

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APPENDIX

Hurricane-Related Overview
Over the span of two weeks in September 2017, Puerto Rico sustained damage from two hurricanes; Irma skirted the northern part of the island and caused an estimated $1B in damage. On September 20th Maria made landfall as a strong category 4 hurricane and caused devastating destruction, estimated at almost $100B. The storm left the electrical grid and communications infrastructure in tatters, knocking out power to all 3.4M residents and wiping out about 95% of cell networks and 85% of above-ground land-lines. At that time, local officials had estimated that it would take up to six months to fully restore power throughout the island. While many businesses including hospitals, PBSV's facilities and pharmaceutical manufacturing, were able to quickly resume operations with the use of back-up power, the lack of consistent and easily accessible supply of fuel and the fact that generators could not restore all electrical needs (such as air conditioning in some instances), meant that life among much of the islands population and smaller business was severely impacted.

For context of the devastation, per a government of Puerto Rico website (http://status.pr/?lng=en) providing updates on the status of critical services and facilities, as of October 10th (i.e. 3 weeks after Maria made landfall);

- 16% of the electrical grid was functioning
- 40% of residents had potable water
- 78% of gas stations were operating
- 33% of cell towers were operable
- while all 70 hospitals were operating, only 25% had grid electricity

In addition, only about 392 miles (or 8%) of the total ~5,100 miles of roads were open at that time – which created a major challenge in delivering supplies and restoring infrastructure. While **the island is in much better shape now,** the extent of the devastation (particularly to the power infrastructure) coupled with Puerto Rico's fragile fiscal health and means complete recovery may not be a near-term event.

But while the island as a whole was devastated by the hurricanes, **PBSV's facilities and operations fared relatively very well**. In a 9/28/17 press release (and 8-K) and a related post on the company's Facebook page the following day, the company provided a status update – including that operations (at least some level of) resumed on 9/26 (i.e. just six days after the storm made landfall). We have copied both communique below, which are also available here (https://yhoo.it/2i10AjE) and here (http://bit.ly/2yW2u8y).

9/28/17 Press Release:
First and foremost, our personnel have been safely accounted for and many have returned to work in our Dorado office as we work towards resuming normal operations.
Pharma-Bio Serv's corporate offices, assets, and laboratory in Puerto Rico appear to have not suffered any structural damage during Hurricane Maria and the Company expects minimal cleanup and recovery costs. Our laboratory is running on our diesel dependent generator, which was designed to support our lab systems and personnel. Resources are being acquired to provide additional backup capabilities and we are evaluating additional alternatives for power supply and access to diesel, which are the primary challenges for all Puerto Rico businesses during this recovery. We are also utilizing our recovery location in San Juan to quickly respond in the aftermath of the hurricane. In addition, our US, Spain, Ireland and South American divisions are fully operational and are providing assistance to the workforce in Puerto Rico. We are also evaluating the use of remote facilities in the US.
Most of our customers in Puerto Rico have been contacted and are in various stages of recovery. Although we likely will continue to feel the effects of the hurricane for the next few months, we believe we will begin placing some of our resources in customer locations as early as next week.
While Puerto Rico has clearly suffered tremendously from Hurricane Maria and much of the island's infrastructure and communication networks are still greatly impaired, we will continue working aggressively on your behalf.

9/29/17 Facebook Post:
An important message to our customers:
First of all, we hope that you and your loved ones are safe and well after the passage of hurricanes Irma and Maria. Puerto Rico has been certainly challenged with an unprecedented cause of nature that has created massive destruction and disruption, but at the same time, this experience has allowed us to come together to rebuild our communities and our industries.

We are glad to inform that our facilities in Dorado did not sustain any major damages and we have diligently restored our operations since 09-26-2017. We have also been able to locate all our personnel, including consultants serving our customers, and although there are material losses, all of us are safe and we are fully supporting each other with immediate needs. We have been welcoming employees to our main facilities and laboratory, and also providing redundant facilities in San Juan to save gasoline. Some others closer to Dorado have been working from our Headquarters. Our telephone lines and internet connections are fully operational from both locations.
We are aware that most of our customers' facilities are working on cleaning and restoring of operations. We have been contacting as many as possible to offer our support and availability to help in any way you need from us. This is a time of coming together, of building together.
Overall, we have faith that our island will flourish once again soon enough. The resiliency and adaptability of our people will help us shine once again. To us at PharmaBioServ PR, this is a time to lend a helping hand and show the world that in Puerto Rico we have the courage to face any and all challenges. We will build a stronger Puerto Rico and a more competitive industry after this.
With warm regards, Elizabeth Plaza and the PharmaBioServ PR and Scienza Labs teams

PBSV Quickly On Their Way To Recovery…
On January 29, 2018 PBSV filed their 10-K for the fiscal year ending October 31, 2017 and, in a related earnings release, provided an update on their operational status as well as the estimated financial impact of the Hurricanes. The status update clearly supported what the company communicated in late-September – specifically that their facilities suffered relatively minor damage and that while their Puerto Rico consulting and lab (located in P.R.) business were impacted by the hurricanes, that they were able to restore operations relatively quickly. Diesel generators allowed for a portion of operations to resume within just days of the storms' landfall until November 22, 2017 when electrical-grid power was back online.

While we may not know the full extent of the damage to the company's facilities or financial impact due to lost sales for another quarter or two, Q1 2018 financial results (including PR consulting and lab revenue already nearly rebounding to recent historical levels) indicate PBSV has already made significant strides in getting fully back on their feet. And the quicker-than-anticipated rebound from the storms was not the only highlight in Q1, which also saw a rebound in gross margin and much lower operating expenses. The combination pushed operating income into the black for the first time in the last seven consecutive quarters (i.e. since fiscal Q2 2016, ending April 2016).

HISTORICAL STOCK PRICE



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