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Zacks Small-Cap Research

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Pharma-Bio Serv, Inc. (PBSV-OTC)

PBSV: Results Remain Very Strong, P.R. Consulting Revenue Particularly Robust

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 $0.63, indicating the shares are trading cheaper than fair value.

Current Price (06/21/18)	$0.63
Valuation	**$1.50**

OUTLOOK

Results remain relatively very strong with Q2 revenue up 12% from the comparable period in 2017 and 5% higher than Q1 of this year. Revenue in both of the first two quarters of 2018 were higher than any quarter in the prior year. Revenue from Puerto Rico consulting, at $3.2M, was particularly robust and the highest level since fiscal Q4 2016. Lab-related revenue (which also P.R.-based) has also rebounded, posting strong double-digit sequential growth in each of the last two quarters. And it is not just the top line that has impressed. The combination of revenue growth and expense-control has trimmed operating loss to some of the lowest levels in the past two years. The relative strength in financial results is particularly noteworthy given the island-wide devastation caused by the two hurricanes that made landfall in September of last year (i.e. ~mid-fiscal Q4 '17). We have made only incremental tweaks to our model following Q2 2018 results. Despite upward revisions to our modeled revenue as a result of PBSV's more rapid and robust recovery, we still underestimated top-line growth in both of the first two quarters of fiscal 2018. And while we have, again, made upward revisions, our 2H '18 forecasts could still prove too conservative.

SUMMARY DATA

52-Week High	**$0.70**
52-Week Low	**$0.33**
One-Year Return (%)	**-9.42**
Beta	**0.37**
Average Daily Volume (sh)	**2,972**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$14**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**52**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-15.9**
Earnings Per Share (%)	**N/A**
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	$4.4 A	$4.3 E	$4.1 E	$17.0 E
2019					$19.7 E
2020					$22.5 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 A	$0.01 E	-$0.01 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 Q2 2018 Results: *Results Remain Very Strong, P.R. Consulting Revenue Particularly Robust…*

PBSV reported financial results for their fiscal second quarter ending April 30th. Results remain relatively very strong with Q2 revenue up 12% from the comparable period in 2017 and 5% higher than Q1 of this year. Revenue in both of the first two quarters of 2018 were higher than any quarter in the prior year. Revenue from Puerto Rico consulting, at $3.2M, was particularly robust and the highest level since fiscal Q4 2016. Lab-related revenue (which also P.R.-based) has also rebounded, posting strong double-digit sequential growth in each of the last two quarters.

And it is not just the top line that has impressed. The combination of revenue growth and expense-control has trimmed operating loss to some of the lowest levels in the past two years. The relative strength in financial results is particularly noteworthy given the island-wide devastation caused by the two hurricanes that made landfall in September of last year (i.e. ~mid-fiscal Q4 '17).

As we noted in our Q1 update in April, fortunate to have suffered relatively minor damage from the storms (which were estimated to have caused over $10B in losses across the island of Puerto Rico), PBSV was able to resume operations within just a few days after the hurricanes came ashore. That ability to quickly get back on their feet and resume operations helped stem revenue attrition from Puerto Rico. And a significant jump in revenue from Europe, as a result of PBSV shifting some work to that part of the world, helped offset the relative weakness in storm-battered Puerto Rico. Meanwhile, PBSV's (largely) variable-cost cost structure, inherent of time and materials contracts, resulted in a decline in operating expenses.

So while PBSV's financial results have not been unscathed, there is little doubt that the outcome could have been much worse. And, importantly, with total revenue averaging 10% sequential growth (including 15% related to P.R. operations) since fiscal Q4 '17 and operating loss better than any period during 2017, the worst of the hurricanes looks to be behind them.

And while PBSV has clearly begun to recover, revenue still remains well below historical levels. We reiterate our thesis on why we think there is further significant upside ahead. 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 in the quarters to come.

PR consulting revenue was $2.6M in Q4 '17 - the lowest level since fiscal Q3 2011. It then rebounded to $2.7M in Q1 '18 and to $3.2M (+5% qoq, +17% yoy) in Q2. While still well below the quarterly averages of $4.4M in 2015 and $3.6M in 2016, the recent trend is clearly positive. It has also been significantly better than what we had anticipated. The expectation is that P.R. consulting activity should continue to increase.

As a reminder, management recently indicated that they expected P.R. consulting (and lab operations) to return to historical levels – with the implication also that that could happen fairly rapidly. Clearly the numbers through the first six months of the current year support that theme. P.R.consulting revenue in the first half of 2018 was $5.9M, up 7% from 1H '17 (i.e. pre-hurricanes) and +10% from 2H '17 (i.e. hurricane-effected). We have only slightly upwardly adjusted our second-half P.R. consulting estimates - but given the fact that PBSV's rapid rebound has proven our recent estimates too conservative, our forecasts may still be too low - as always, our model is subject to change.

U.S. consulting revenue was $341k in Q2, up 13% yoy and 16% better than Q1. It is also slightly better than the $304k quarterly average during 2017. U.S. consulting revenue also took a beating in Q4 '17, falling to $202k, which was the weakest U.S. consulting sales number since at least Q1 2011. 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.

Relative to Europe, revenue from that territory had been a surprising bright spot and helped to partially offset the hurricanes' impact to P.R. revenue in Q4 '17. In fact, the $512k in revenue from Europe in Q4 was the highest from that area of the world since Q3 2014. Even more impressive was that it then grew 41% sequentially to $721k in Q1 '18. The recent strength appears to be the result of PBSV shifting some work from PR to Europe with management recently noting that their European operations recently began providing assistance to the workforce in Puerto Rico. While unfortunately European revenue fell to a much more normal historical level of $210k in Q2 '18, we may still see some more outsized growth from this territory as a result of new consulting opportunities.

Laboratory services, which is also located in P.R., has also rapidly recovered and continues to be a particular bright spot for PBSV. Revenue from this segment cratered by 41% from Q3 to Q4 '17 to just $311k, 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 P.R. consulting) lab activity and revenue should return to more normal levels. It has quickly done just exactly that with revenue rebounding 54% (sequentially) to $479k in Q1 '18 and growing another 22% to $584k in Q2. The annualized run-rate through the first six months of 2018 puts Lab revenue on-track to be the second highest in company history.

Similar to the P.R. consulting segment, recovery of Lab revenue has been much more robust and rapid than we had anticipated as evidenced by the fairly sizeable beats to our Q1 ($243k E vs $479k A) and Q2 ($482k E vs $584k A) revenue estimates. We, again, attribute that to a combination of PBSV's good fortunes in not sustaining more damage, their recovery efforts and the fact that they are one of the industry's top service providers. And while 1H '18 Lab revenue was not enough to fully cover fixed-lab related expenses (lab operating loss was $220k), 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 $2.8M in 1H '17 to just $2.2M in 1H '18 – a decrease of 20%. Importantly, these initiatives have not come at the expense of revenue growth. Over the same period revenue increased by 8% - the net result was operating expenses as a percentage of revenue falling from 35% to 26%. This is the lowest level (as a percent of revenue) for any consecutive six-month period since Q3-Q4 2015 and a major impetus to significant narrowing of operating loss. Operating loss was $130k through the first half of 2018, the best two-consecutive quarter period since Q2-Q3 2016 (op loss of $26k). Given their obvious importance to profitability, OpEx levels will be something to continue to keep an eye on – 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. GM was 25.7% in Q1 and 22.9% in Q2 '18 - while not what we would necessarily characterize as robust and still well below historical levels, the 24.3% average through the first six months of 2018 compares favorably to the second half of 2017 (20.1%) and hopefully indicates an upward trend. This will also be a metric to watch. While GM may show some short-term variability, we think it expands with revenue growth and currently model full-year 2018 GM of 24.7%, compared to 23.2% in 2017.

In terms of liquidity, **PBSV continues to maintain a solid balance sheet and cash position**. Cash balance was $13.0M at fiscal Q2 quarter-end – which is a slight decrease from $13.2M at the close of Q1. Collection of A/R, current balance of which is $6.6M, could further bolster cash position. Importantly, PBSV continues to have no concerns about collectability.

Operating cash flow was a $151k outlflow and $1.3M inflow in the three and six months ending April 30, 2018. When excluding changes in working capital, these were $42k inflow and $2.5M outflow - the relatively large

outflow mostly relates to the $2.7M income tax liability which PBSV first recorded during fiscal Q1 '18 (i.e. ending January 31, 2018). As a reminder, this liability was initially disclosed in the 2017 10-K (and which we explained in a prior update) and relates to recent changes to U.S. income tax treatment of subsidiaries' earnings and profits. Specifically, it relates to accumulated (i.e. prior to fiscal 2018) undistributed earnings and profits of PBSV's 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. The company 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. In addition to A/R collections, 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 both the Q1 and Q2 10-Qs, "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 Recovers From Hurricanes…

Hurricane Maria slammed Puerto Rico on September 20, 2017, causing massive and widespread destruction throughout the island which has been 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 and their quick recovery as evidenced by the significant growth in revenue. 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.

While European revenue fell to more historical levels in Q2, we think there could be more outsized growth from this territory as a result of new consulting opportunities. Meanwhile, U.S. consulting has shown some recent signs of picking up, which may be a direct result of a renewed and 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 made only incremental tweaks to our model following Q2 2018 results. We think there may be some hangover from the hurricanes, although the relatively muted disruption to Q4 '17 and quick recovery over the following two quarters suggests these should not be long-term issues. Despite upward revisions to our modeled revenue as a result of PBSV's more rapid and robust recovery, we still underestimated top-line growth in both of

the first two quarters of fiscal 2018. And while we have, again, made upward revisions, our 2H '18 forecasts could still prove too conservative.

As it relates to gross margin - we now look for GM of 24.7% (revised down from 25.5% as a result of softer than expected GM in Q2) for the full year 2018, which compares to 23.2% in 2017 and 29.6% in 2016. PBSV's 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 as well as to cash flow.

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 $0.63, indicating the shares are trading cheaper than fair value.

We also note that the shares continue to trade well below book value and only slightly higher than cash value. Book value was $18.0M, or $0.78/share as of April 30, 2018. Cash balance currently sits at $13.0M, or ~$0.56/share. We think book value should provide a floor on the stock.

FINANCIAL MODEL

Pharma-Bio Serv, Inc

	2017 A	Q1A	Q2A	Q3E	Q4E	2018 E	2019 E	2020 E	2021 E
Total Revenues	$15,579.3	$4,212.4	$4,404.4	$4,294.9	$4,123.8	$17,035.5	$19,726.9	$22,453.1	$25,786.3
YOY Growth	-20.3%	4.1%	12.3%	7.9%	13.6%	9.3%	15.8%	13.8%	14.8%
Cost of Services	$11,968.1	$3,129.2	$3,397.2	$3,234.1	$3,072.2	$12,832.8	$14,163.9	$15,380.4	$17,276.8
Gross Income	$3,611.1	$1,083.1	$1,007.2	$1,060.8	$1,051.6	$4,202.8	$5,563.0	$7,072.7	$8,509.5
Gross Margin	23.2%	25.7%	22.9%	24.7%	25.5%	24.7%	28.2%	31.5%	33.0%
SG&A	$5,036.3	$1,064.0	$1,156.4	$1,202.6	$1,162.9	$4,585.8	$5,306.5	$5,613.3	$6,188.7
% SG&A	32.3%	25.3%	26.3%	28.0%	28.2%	26.9%	26.9%	25.0%	24.0%
Operating Income	($1,425.1)	$19.2	($149.2)	($141.7)	($111.3)	($383.1)	$256.4	$1,459.4	$2,320.8
Operating Margin	-9.1%	0.5%	-3.4%	-3.3%	-2.7%	-2.2%	1.3%	6.5%	9.0%
Total Other Income (Expense)	$14.1	$17.8	$20.8	$280.0	$0.0	$318.7	$18.0	$35.0	$44.0
Pre-Tax Income	($1,411.0)	$37.0	($128.3)	$138.3	($111.3)	($64.4)	$274.4	$1,494.4	$2,364.8
Tax expense (benefit)	$3.9	$2,701.0	$0.0	$9.1	$5.8	$2,715.9	$29.6	$240.6	$413.8
Tax Rate	-0.3%	7297.9%	0.0%	6.6%	-5.2%	-4216.4%	10.8%	16.1%	17.5%
Net Income	($1,414.9)	($2,664.0)	($128.3)	$129.1	($117.1)	($2,780.4)	$244.8	$1,253.8	$1,950.9
YOY Growth	451.5%	597.1%	-60.2%	-179.2%	-78.6%	96.5%	-108.8%	412.2%	55.6%
Net Margin	-9.1%	-63.2%	-2.9%	3.0%	-2.8%	-16.3%	1.2%	5.6%	7.6%
EPS	($0.06)	($0.12)	($0.01)	$0.01	($0.01)	($0.12)	$0.01	$0.06	$0.10
YOY Growth	453.7%	596.8%	-60.2%	-179.4%	-78.5%	96.8%	-109.6%	428.4%	55.6%
Diluted Shares O/S	23,097	23,064	23,063	23,063	23,064	23,063	21,150	20,500	20,500

Brian Marckx, CFA

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BALANCE SHEET

	April 30, 2018	January 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	12,987	13,176
Marketable Securities	36	25
Accounts Receivable	6,567	6,053
Other	352	440
Total current assets	19,943	19,694
Property and equipment, net	2,146	2,292
Other assets	422	423
Total assets	22,511	22,409
LIABILITIES		
Current liabilities:		
Current portion-obligations under capital lease	14	14
Accounts payable and accrued expenses	1,719	1,468
Income taxes payable	218	3
Total current liabilities	1,951	1,485
US Tax Reform Transition tax payable	2,485	2,700
Obligations under capital leases	53	56
Total liabilites	4,489	4,241
STOCKHOLDERS' EQUITY		
Preferred Stock	-	-
Common stock	2	2
Additional paid-in capital	1,330	1,313
Retained earnings	16,768	16,896
Accumulated other comprehensive loss	183	219
Total stockholders' equity	18,283	18,430
Total liabilities and stockholders' equity	22,511	22,409

CASH FLOW STATEMENT

	April 30, 2018	2017
Cash flows from operating activities:		
Net income	$ (128)	$ (323)
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	153	101
Impairment of avail-for-sale securities	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(537)	(588)
Other assets	85	65
Liabilities	258	(186)
Net cash provided by operating activities	(151)	(909)
Cash flows from investing activities:		
Acquisition of P&E	(7)	(43)
Proceeds from disposition of P&E	-	-
Net cash used in investing activities	(7)	(43)
Cash flows from financing activities:		
Proceeds from common stock issuance	-	-
Repurchase of common stock	-	(8)
Payments on obligations under capital lease	(3)	(4)
Net cash provided by (used in) financing activities	(3)	(12)
Effect of exchange rate changes on cash	(28)	(1)
Net increase (decrease) in cash and cash equivalents	(189)	(966)
Cash and cash equivalents, beginning of period	13,176	13,671
Cash and cash equivalents, end of period	12,987 $	12,705

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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

HISTORICAL STOCK PRICE



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