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# Zacks Small-Cap Research

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## Pharma-Bio Serv, Inc. (PBSV-OTCQB)

### PBSV: Reiterating $2.25/share Price Target

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 $0.08 which values the company at approximately $2.25/share. The stock currently trades at about $0.99, indicating the shares are trading cheaper than fair value.

| | |
|---|---|
| Current Price (01/24/19) | $0.99 |
| **Valuation** | **$2.25** |

### OUTLOOK

Announced in mid-August and closed on September 17th, sale of the Scienza Lab laboratory assets sheds a segment which accounted for 12% - 13% of PBSV's total revenue over the last two years but which also struggled to cover its fixed costs. The assets were bought for $5M, which is payable as $2M cash and a $3M two-year promissory note.

Given that the lab segment struggled to cover fixed costs (and, presumably, the outlook was that that would continue to be the case) and PBSV had an opportunity to sell the lab for $5M (and to an existing customer), we think it was a sensible and shareholder-friendly decision. Or model updates reflect incremental benefit from the sale of the lab. Specifically, significant improvement to service margin, a slight improvement to operating expenses, operating income and EPS.

PBSV used some of their bolstered cash balance to pay a $0.075/share dividend, announced in early October and payable on October 26, 2018 to shareholders of record at the close of business on October 15, 2018. This consumed roughly 10% (i.e. $1.7M of $16.9M) of their (pro forma for the lab sale) cash balance (as of 7/31/18). While not specifically characterized as such, we assume, at least for now, that this is a one-time 'special dividend' – although also point out that the PR (filed with 8-K, Oct 4th) leaves open the possibility of future dividends as they evaluate their strategic options.

### SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$1.24** |
| **52-Week Low** | **$0.45** |
| **One-Year Return (%)** | **73.96** |
| **Beta** | **0.23** |
| **Average Daily Volume (sh)** | **4,120** |
| **Shares Outstanding (mil)** | **23** |
| **Market Capitalization ($mil)** | **$23** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **0** |
| **Insider Ownership (%)** | **52** |
| **Annual Cash Dividend** | **$0.08** |
| **Dividend Yield (%)** | **7.58** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **-15.3** |
| **Earnings Per Share (%)** | **-42.0** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2019 Estimate** | **24.8** |
| **P/E using 2020 Estimate** | **12.4** |
| **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 | $5.2 A | $4.6 E | $18.4 E |
| 2019 | | | | | $18.0 E |
| 2020 | | | | | $20.6 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 | $0.03 A | $0.10 E | $0.01 E |
| 2019 | | | | | $0.04 E |
| 2020 | | | | | $0.08 E |

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

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***We are publishing a refresher of PBSV's Q3 2018 results and our commentary regarding the $0.075/share dividend announced in early October and payable on October 26, 2018 to shareholders of record at the close of business on October 15, 2018. We will again publish an update following filing of their 10-K.***

**Fiscal Q3 2018 Results:** *Lab Sale Improves Profitability, Further Bolsters Cash, Provides Strategic Options…*

Revenue growth remains very robust, particularly as it relates to Puerto Rico and U.S. consulting – the #1 and #2 largest contributors to total revenue. Total revenue jumped 31% yoy and more than 18% sequentially to $5.2M, the highest level since Q4 2015 ($5.9M). Through the first nine months of fiscal 2018, total revenue was $13.8M, up nearly 16% from the comparable prior-year period.

Consulting revenue was $4.7M, up 35% yoy and 22% better than Q2. Consulting revenue increased sequentially for the third consecutive quarter, expanding by an average of 12% per quarter since fiscal Q4 '17. Through the first nine months of 2018, consulting revenue grew almost 20%. The recent and accelerating strength in consulting revenue is particularly encouraging given PBSV's decision to sell their (Puerto Rico-based) laboratory assets (i.e. Scienza Labs). Lab revenue grew 4% in Q3 but was down almost 7% through the first nine months of the year. The lab similarly lagged consulting on a profitability basis (per 10-Q footnotes) with the former generating an operating loss of $237k YTD, compared to $911k of operating income generated by consulting services.

Similar to results through the first six months of the year, revenue growth in Q3 did not come at the expense of elevated spend - in fact, operating expenses as a percentage of revenue were the lowest in 3 ½ years. That, combined revenue at an 11-quarter high and the beefiest margins in 2 ½ years, pushed operating profit to $368k – a level not achieved since Q1 2016.

Net income and EPS, which further benefitted from $368k in non-recurring income associated with adverse effects of last years' hurricanes, also were at multi-year highs. Captured in 'other income' (i.e. below operating income) on the income statement, $148k relates to property damage-related insurance recoveries while the other $220k relates to U.S. federal grant money paid to P.R. employers that retained (i.e. did not lay off) staff during the post-storm recovery period. Q3 net income and EPS were $731k / $0.03 on a GAAP basis and approximately $400k / $0.02 adjusted for the non-recurring income – even on an adjusted basis, Q3's numbers are the best since Q4 2015.

**Lab divestiture**

Announced in mid-August and closed on September 17th, sale of the Scienza Lab laboratory assets sheds a segment which accounted for 12% - 13% of PBSV's total revenue over the last two years but which also struggled to cover its fixed costs. Romark Global Pharma, LLC, a pharmaceutical client of PBSV's (per company investor presentation), bought the assets for $5M, which is payable as $2M cash and a $3M two-year promissory note.

Consistent with management's historic approach towards not providing much in the way of financial or strategic guidance, sale of the lab was accompanied by only brief comments from the company…. *"With the completion of the sale, we move forward with our strategy to concentrate our focus and efforts on our core consulting business, and streamline our operating segments"* (Victor Sanchez, PBSV CEO, 8-k filed 9/21/18). But, given disclosures in their public filings which indicated that the lab segment had consistently been less profitable (proportional to revenue contribution) than their consulting operations (in aggregate) over the last two years, anything more than just brief comments may not (necessarily) have been necessary.

While opportunistic timing may have played a role, we think the decision was based around strategic initiatives aimed at accelerating revenue and income growth. While lab revenue posted strong growth from 2014 through 2016 and quickly bounced back following interruption from the hurricanes, this segment was never consistently profitable. Conversely, while consulting revenue has been on a downward trend since reaching a peak of more than $31M in 2013, it did not dip into the red until 2016. And while 2017 was marked from interruption from the hurricanes, PBSV's quick recovery and resurgence of growth from Puerto Rico as well as the United States has resulted in rapid improvement in profitability of consulting services.

PBSV employed expense-control initiatives during times of lower activity which were effective in mitigating losses/improving profitability. That, along with time and material contracts which provide a large degree of 'margin protection' helped to limit losses from consulting services. Unlike the consulting business, the capital-intensive nature of the lab does not lend itself to significant cost-cutting. In order to generate a profit, PBSV's lab

needed to meet a minimum revenue threshold to cover its fixed costs (including depreciation on capital assets). Given that it struggled to do so (and, presumably, the outlook was that that would continue to be the case) and PBSV had an opportunity to sell the lab for $5M (and to an existing customer), we think it was a sensible and shareholder-friendly decision.

| Revenue | 2010 A | 2011 A | 2012 A | 2013 A | 2014 A | 2015 E | 2016 A | 2017 A | 6mths 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Lab | $740.5 | $754.8 | $857.9 | $1,866.9 | $1,718.7 | $2,005.6 | $2,446.6 | $2,040.6 | $1,062.6 |
| *% of total sales* | *6.5%* | *3.8%* | *2.9%* | *5.6%* | *6.2%* | *8.6%* | *12.5%* | *13.1%* | *12.3%* |
| Consulting | $10,606.0 | $19,178.4 | $28,369.2 | $31,195.1 | $25,836.3 | $21,379.3 | $17,090.1 | $13,538.7 | $7,554.2 |
| *% of total sales* | *93.5%* | *96.2%* | *97.1%* | *94.4%* | *93.8%* | *91.4%* | *87.5%* | *86.9%* | *87.7%* |
| **Total Revenue** | **$11,346.5** | **$19,933.2** | **$29,227.2** | **$33,062.0** | **$27,555.0** | **$23,384.9** | **$19,536.7** | **$15,579.3** | **$8,616.8** |
| **Pre-tax income (loss)** | **2010 A** | **2011 A** | **2012 A** | **2013 A** | **2014 A** | **2015 E** | **2016 A** | **2017 A** | **6mths 2018** |
| Lab | ($272.1) | ($299.3) | ($381.4) | $250.5 | ($116.7) | ($41.9) | ($45.9) | ($648.6) | ($219.5) |
| *pre-tax margin* | *-36.7%* | *-39.7%* | *-44.5%* | *13.4%* | *-6.8%* | *-2.1%* | *-1.9%* | *-31.8%* | *-20.7%* |
| *% of total pre-tax income* | *-43.8%* | *-8.6%* | *-6.6%* | *4.1%* | *-4.1%* | *-2.3%* | *22.5%* | *46.0%* | *240.3%* |
| Consulting | $893.3 | $3,763.1 | $6,137.0 | $5,825.8 | $2,979.0 | $1,834.7 | ($157.8) | ($762.4) | $128.2 |
| *pre-tax margin* | *8.4%* | *19.6%* | *21.6%* | *18.7%* | *11.5%* | *8.6%* | *-0.9%* | *-5.6%* | *1.7%* |
| *% of total pre-tax income* | *143.8%* | *108.6%* | *106.6%* | *95.9%* | *104.1%* | *102.3%* | *77.5%* | *54.0%* | *-140.3%* |
| **Total Pre-Tax Income** | **$621.2** | **$3,463.8** | **$5,755.6** | **$6,076.3** | **$2,862.3** | **$1,792.8** | **($203.7)** | **($1,411.0)** | **($91.3)** |
| *pre-tax margin* | *5.5%* | *17.4%* | *19.7%* | *18.4%* | *10.4%* | *7.7%* | *-1.0%* | *-9.1%* | *-1.1%* |

The table above is aggregated from PBSV's filings and provides a general guide as to the profitability of the lab versus that of the consulting business. Note that the respective pre-tax income figures, as presented above, of each of the two itemized business segments (i.e. lab, consulting) does not reconcile exactly with what is implied in the pro formas (8-k filed Sept 21st and included in this report, below). For example, according to the table above (i.e. per the 10-K) FY2017 lab pre-tax loss was $649k. But, the pro formas imply that it was only $369k. We think the difference (i.e. $649k - $369k = $280k) likely represents general overhead expenses that have been allocated to the lab (but which is not specific to either business segment). If that is the case, we think much or all of this expense ($280k in FY2017) is likely to remain following the lab sale, while it is the direct-lab expenses ($368k in FY2017) that will be shed.

So, while the table above provides insight into relative profitability of consulting versus that of the lab, the pro formas may be more representative of aggregate profitability ex-lab. The tables below illustrate the benefit to margins, operating expense, net income and EPS for fiscal 2017 and the nine months ending 7/31/18.

| Expenses per Revenue | | | | |
|---|---|---|---|---|
| | | COGS | OpEx | **Total** |
| **9 mths thru Q3'18** | Actual | 73.3% | 25.0% | 98.3% |
| | PF ex-Lab | 69.2% | 28.0% | 97.2% |
| **FY2017** | Actual | 76.8% | 32.3% | 109.1% |
| | PF ex-Lab | 71.4% | 36.5% | 107.9% |

| Improvement pro forma ex-Lab | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rev growth | GM | Op Income | Op margin | Net Income | EPS | | |
| - | | - | - | - | - | | **9 mths thru Q3'18** |
| 380 bps | 410 bps | $103.2K | 110 bps | $9.4K | $0.002 | PR ex-Lab | |
| - | | - | - | - | - | | **FY2017** |
| -50 bps | 550 bps | $368.5K | 130 bps | $368.3K | $0.016 | PR ex-Lab | |

| | FY2017 | FY2017 ex-Lab | 9Mths 2018 Actual | 9Mths 2018 ex-Lab |
|---|---|---|---|---|
| Puerto Rico Consulting | $10,936.2 | $10,936.2 | $9,737.9 | $9,737.9 |
| % of total sales | 70.2% | 80.8% | 70.4% | 79.7% |
| U.S. Consulting | $1,217.5 | $1,217.5 | $1,311.9 | $1,311.9 |
| % of total sales | 7.8% | 9.0% | 9.5% | 10.7% |
| Europe Consulting | $1,087.6 | $1,087.6 | $1,042.1 | $1,042.1 |
| % of total sales | 7.0% | 8.0% | 7.5% | 8.5% |
| Lab (microbiological & chemical | $2,040.6 | $0.0 | $1,612.0 | $0.0 |
| % of total sales | 13.1% | 0.0% | 11.7% | 0.0% |
| Other segments | $297.4 | $297.4 | $128.4 | $128.4 |
| % of total sales | 1.9% | 2.2% | 0.9% | 1.1% |
| Total Revenues | $15,579.3 | $13,538.7 | $13,832.0 | $12,220.3 |
| *YOY Growth* | *-20.3%* | *-20.8%* | *15.8%* | *19.6%* |
| Cost of Services | $11,968.1 | $9,659.8 | $10,133.7 | $8,453.9 |
| Gross Income | $3,611.1 | $3,878.9 | $3,698.6 | $3,766.3 |
| *Gross Margin* | *23.2%* | *28.7%* | *26.7%* | *30.8%* |
| SG&A | $5,036.3 | $4,935.5 | $3,460.3 | $3,425.1 |
| *% SG&A* | *32.3%* | *36.5%* | *25.0%* | *28.0%* |
| Operating Income | ($1,425.1) | ($1,056.6) | $238.2 | $341.3 |
| *Operating Margin* | *-9.1%* | *-7.8%* | *1.7%* | *2.8%* |
| Total Other Income (Expense) | $14.1 | $13.8 | $436.6 | $393.2 |
| Pre-Tax Income | ($1,411.0) | ($1,042.7) | $674.8 | $734.5 |
| Tax expense (benefit) | $3.9 | $3.9 | $2,736.6 | $2,746.0 |
| *Tax Rate* | *-0.3%* | *-0.4%* | *405.5%* | *373.9%* |
| Net Income | ($1,414.9) | ($1,046.6) | ($2,061.7) | ($2,011.6) |
| *Net Margin* | - | - | - | - |
| EPS | ($0.061) | ($0.045) | ($0.089) | ($0.087) |
| *YOY Growth* | - | - | | |
| Diluted Shares O/S | 23,097 | 23,097 | 23,076 | 23,076 |

**$0.075 Per Share Dividend Declared:** *Returning Cash To Shareholders As PBSV Evaluates Strategic Options…*

Bolstered by the sale of their Puerto Rico-based laboratory assets, PBSV wasted little time in putting their ever-greater cash balance to work for shareholders. The sale, which closed in mid-September, brought in $2M cash upfront and includes another $3M in proceeds in the form of a two-year promissory note. Pro forma for the sale, cash balance was $16.9M as of July 31st – and this does not include the $3M promissory note (which will be fully collected over two years). And with operations now at a better-than-break even rate of cash flow generation, we think cash could continue to pile up.

As we noted in our October 1st report (*Lab Assets Sold, Should Benefit Margins, Profitability. Big Cash Balance Affords Strategic Flexibility*, Oct 1st), aside from possibly repurchasing additional shares (another ~1.7M shares can be repurchased under their existing stock buyback program), we did not have any particular insight as to management's plans for potentially reinvesting their now even-larger cash position.

We also noted that, given that the lab had consistently ran in the red (and presumably would continue to do so), that selling off the assets was a sensible and shareholder-friendly decision by PBSV. While a too-big cash balance is usually a good 'problem' to have, given that the return on cash isn't particularly attractive (especially at today's interest rates), we also applaud management's subsequent decision to declare a (very healthy) ~7.5% (i.e. $0.075/share) dividend.

The dividend, announced in early October and payable on October 26, 2018 to shareholders of record at the close of business on October 15, 2018, will consume roughly 10% (i.e. $1.7M of $16.9M) of their (pro forma for the lab sale) cash balance (as of 7/31/18). While not specifically characterized as such, we assume, at least for now, that this is a one-time 'special dividend' – although also point out that the PR (filed with 8-K, Oct 4th) leaves open the possibility of future dividends as they evaluate their strategic options *("The Board will continue to*

*evaluate the Company's strategic plan, which might include future acquisitions, sales of business units, dividends or any combination of these opportunities while continuing our stock repurchase plan.").*

## FINANCIAL MODEL

Pharma-Bio Serv, Inc

| | 2017 A | Q1 A | Q2 A | Q3 A | Q4E | 2018 E | 2019 E | 2020 E | 2021 E |
|---|---|---|---|---|---|---|---|---|---|
| **Lab** (microblgical & chem testing) | $2,040.6 | $478.9 | $583.7 | $549.4 | $301.8 | $1,913.8 | $0.0 | $0.0 | $0.0 |
| *YOY Growth* | *-16.6%* | *-25.4%* | *4.2%* | *4.1%* | *-2.8%* | *-6.2%* | *0.0%* | *0.0%* | *0.0%* |
| % of total sales | 13.1% | 11.4% | 13.3% | 10.5% | 6.6% | 10.4% | 0.0% | 0.0% | 0.0% |
| **Consulting Total (ie. non-lab)** | $13,538.7 | $3,733.5 | $3,820.8 | $4,666.0 | $4,272.8 | $16,493.0 | $18,023.1 | $20,608.9 | $23,535.7 |
| *YOY Growth* | *-20.8%* | *9.7%* | *13.7%* | *35.2%* | *28.7%* | *21.8%* | *9.3%* | *14.3%* | *14.2%* |
| % of total sales | 86.9% | 88.6% | 86.7% | 89.5% | 93.4% | 89.6% | 100.0% | 100.0% | 100.0% |
| Total Revenues | $15,579.3 | $4,212.4 | $4,404.4 | $5,215.4 | $4,574.6 | $18,406.8 | $18,023.1 | $20,608.9 | $23,535.7 |
| *YOY Growth* | *-20.3%* | *4.1%* | *12.3%* | *31.0%* | *26.0%* | *18.1%* | *-2.1%* | *14.3%* | *14.2%* |
| Cost of Services | $11,968.1 | $3,129.2 | $3,397.2 | $3,607.2 | $3,316.6 | $13,450.3 | $12,165.6 | $13,292.7 | $14,804.0 |
| Gross Income | $3,611.1 | $1,083.1 | $1,007.2 | $1,608.2 | $1,258.0 | $4,956.6 | $5,857.5 | $7,316.1 | $8,731.7 |
| *Gross Margin* | *23.2%* | *25.7%* | *22.9%* | *30.8%* | *27.5%* | *26.9%* | *32.5%* | *35.5%* | *37.1%* |
| SG&A | $5,036.3 | $1,064.0 | $1,156.4 | $1,240.0 | $1,669.7 | $5,130.0 | $4,974.4 | $5,519.1 | $6,166.4 |
| *% SG&A* | *32.3%* | *25.3%* | *26.3%* | *23.8%* | *36.5%* | *27.9%* | *27.6%* | *26.8%* | *26.2%* |
| Operating Income | ($1,425.1) | $19.2 | ($149.2) | $368.2 | ($411.7) | ($173.5) | $883.1 | $1,797.1 | $2,565.4 |
| *Operating Margin* | *-9.1%* | *0.5%* | *-3.4%* | *7.1%* | *-9.0%* | *-0.9%* | *4.9%* | *8.7%* | *10.9%* |
| Total Other Income (Expense) | $14.1 | $17.8 | $20.8 | $397.9 | $2,925.0 | $3,361.6 | $65.0 | $50.0 | $44.0 |
| Pre-Tax Income | ($1,411.0) | $37.0 | ($128.3) | $766.2 | $2,513.3 | $3,188.1 | $948.1 | $1,847.1 | $2,609.4 |
| Tax expense (benefit) | $3.9 | $2,701.0 | $0.0 | $35.6 | $127.7 | $2,864.3 | $98.6 | $288.1 | $443.6 |
| *Tax Rate* | *-0.3%* | *7297.9%* | *0.0%* | *4.6%* | *5.1%* | *89.8%* | *10.4%* | *15.6%* | *17.0%* |
| Net Income | ($1,414.9) | ($2,664.0) | ($128.3) | $730.6 | $2,385.6 | $323.9 | $849.5 | $1,558.9 | $2,165.8 |
| *YOY Growth* | *451.5%* | *597.1%* | *-60.2%* | *-548.3%* | *-536.1%* | *-122.9%* | *162.3%* | *83.5%* | *38.9%* |
| *Net Margin* | *-9.1%* | *-63.2%* | *-2.9%* | *14.0%* | *52.1%* | *1.8%* | *4.7%* | *7.6%* | *9.2%* |
| EPS | ($0.06) | ($0.12) | ($0.01) | $0.03 | $0.10 | $0.01 | $0.04 | $0.08 | $0.11 |
| *YOY Growth* | *453.7%* | *596.8%* | *-60.2%* | *-548.8%* | *-537.2%* | *-122.9%* | *186.1%* | *89.3%* | *38.9%* |
| Diluted Shares O/ S | 23,097 | 23,064 | 23,063 | 23,075 | 23,062 | 23,066 | 21,150 | 20,500 | 20,500 |

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## BALANCE SHEET

| | Pro forma for lab sale July 31, 2018 | July 31, 2018 | October 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 16,939 | $ 15,189 | $ 11,752 |
| Marketable Securities | 39 | 39 | 27 |
| Accounts Receivable | 5,180 | 5,180 | 7,208 |
| Promissory note (ST portion) | 500 | - | |
| Other | 489 | 489 | 550 |
| **Total current assets** | 23,146 | 20,896 | 19,537 |
| Property and equipment, net | 242 | 1,992 | 2,391 |
| Promissory note (LT portion) | 2,500 | - | |
| Other assets | 419 | 419 | 423 |
| **Total assets** | $ 26,307 | $ 23,307 | $ 22,350 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Current portion-obligations under capital lease | $ 14 | $ 14 | $ 14 |
| Accounts payable and accrued expenses | 1,812 | 1,787 | 1,527 |
| Income taxes payable | 372 | 253 | 2 |
| **Total current liabilities** | 2,198 | 2,054 | 1,543 |
| US Tax Reform Transition tax payable | 2,485 | 2,485 | - |
| Obligations under capital leases | 50 | 50 | 60 |
| **Total liabilites** | 4,733 | 4,589 | 1,603 |
| **STOCKHOLDERS' EQUITY** | | | |
| Preferred Stock | - | - | - |
| Common stock | 2 | 2 | 2 |
| Additional paid-in capital | 1,348 | 1,348 | 1,295 |
| Retained earnings | 20,354 | 17,498 | 19,560 |
| Accumulated other comprehensive loss | 131 | 131 | 138 |
| **Total stockholders' equity** | 21,836 | 18,980 | 20,995 |
| **Total liabilities and stockholders' equity** | $ 26,307 | $ 23,307 | $ 22,350 |

## CASH FLOW STATEMENT

| | July 31, 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 731 | $ (163) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on disposition of P&E | - | (19) |
| Stock-based compensation | 18 | 20 |
| Depreciation and amortization | 154 | 88 |
| Impairment of avail-for-sale securities | - | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,377 | (312) |
| Other assets | (138) | (102) |
| Liabilities | 104 | 9 |
| **Net cash provided by operating activities** | 2,245 | (478) |
| **Cash flows from investing activities:** | | |
| Acquisition of P&E | | (41) |
| Proceeds from disposition of P&E | - | 48 |
| **Net cash used in investing activities** | | 7 |
| **Cash flows from financing activities:** | | |
| Proceeds from common stock issuance | - | - |
| Repurchase of common stock | - | |
| Payments on obligations under capital lease | (3) | (43) |
| **Net cash provided by (used in) financing activities** | (3) | (43) |
| Effect of exchange rate changes on cash | (40) | 6 |
| Net increase (decrease) in cash and cash equivalents | 2,202 | (507) |
| Cash and cash equivalents, beginning of period | 12,987 | 12,705 |
| Cash and cash equivalents, end of period | 15,189 | $ 12,198 |

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## HISTORICAL STOCK PRICE



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