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Zacks Small-Cap Research

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Pharma-Bio Serv (PBSV-OTCQB)

PBSV: A boost to pharma in Puerto Rico?

We value PBSV at $1.95/share, based on a 12x multiple applied to our 2021 EPS estimate. The shares trade barely higher than book value, which we think will continue to be supported by cash flow generation and positive ROI reinvestment and will act as a floor on the share price.

OUTLOOK

Pharma-Bio Serv provides compliance consulting to the pharmaceutical industry. Serving customers in the U.S., Europe, and Puerto Rico, PBSV counts many of the pharma "majors" as clients. In recent years, revenues have grown in the low double-digits. With stable profit margins, $16 million cash on the balance sheet, and myriad opportunities to expand their focus beyond pharmaceutical manufacturers, we view Pharma-Bio Serv as an interesting opportunity for the long-term.

Current Price (09/18/20)	$1.29
Valuation	**$1.95**

SUMMARY DATA

52-Week High	**$1.29**
52-Week Low	**$0.62**
One-Year Return (%)	**34.81**
Beta	**0.33**
Average Daily Volume (sh)	**4,638**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$30**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**51**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**5.81**
5-Yr. Historical Growth Rates	
Sales (%)	**-2.9**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**12.9**
P/E using 2020 Estimate	**9.9**
P/E using 2021 Estimate	**8.1**
Zacks Rank	**N/A**

Risk Level	**Average,**
Type of Stock	**Small-Value**
Industry	**Consulting**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2018	4 A	4 A	5 A	6 A	18 A
2019	5 A	5 A	5 A	5 A	20 A
2020	5 A	6 A	6 A		21 E
2021					24 E

Earnings per share

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2018	$0.00 A	-$0.01 A	$0.03 A		-$0.05 A
2019	$0.02 A	$0.03 A	$0.02 A	$0.02 A	$0.09 A
2020	$0.02 A	$0.03 A	$0.03 A		$0.13 E
2021					$0.16 E

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

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RECENT NEWS

Pharma-Bio Serv's shares got a boost late last week when President Trump remarked during a press briefing that his administration plans to, "bring pharmaceutical manufacturing back to Puerto Rico."

The administration announced it will provide $13 billion in emergency relief award to Puerto Rico to rebuild its infrastructure was devastated by Hurricane Maria three years ago. The reward represents a shift in position for an administration that has largely denied funding to the island since the incident.

Any effort to incentivize pharmaceutical manufacturing in Puerto Rico is likely to benefit Pharma-Bio Serv. However, as with much election season rhetoric, the President's comments were light on details and more likely directed at boosting support among Latinx voters rather than implementing meaningful change. In our view, the announcement is at worst a neutral for PBSV, should the administration not follow through. A change in control in the White House and/or Congress would increase the likelihood of new investment in Puerto Rico.

Pharma-Bio Serv continues to post solid results despite economic disruption from the pandemic. In the quarter ended July, revenues rose 26% to $6.3 million from $5.0 million in the year-earlier period. Revenue growth was strongest in all geographies. Sales for the quarter in Puerto Rico rose 14%, while US business increased 86% and European revenues rose ten-fold to $0.3 million. It's important to note, however that as a project-based business, quarterly results can be volatile as contracts roll on or roll off.

Gross profit margins declined slightly to to 29.5% from 31.5% in the year-earlier period, reflecting higher growth in smaller geographies.

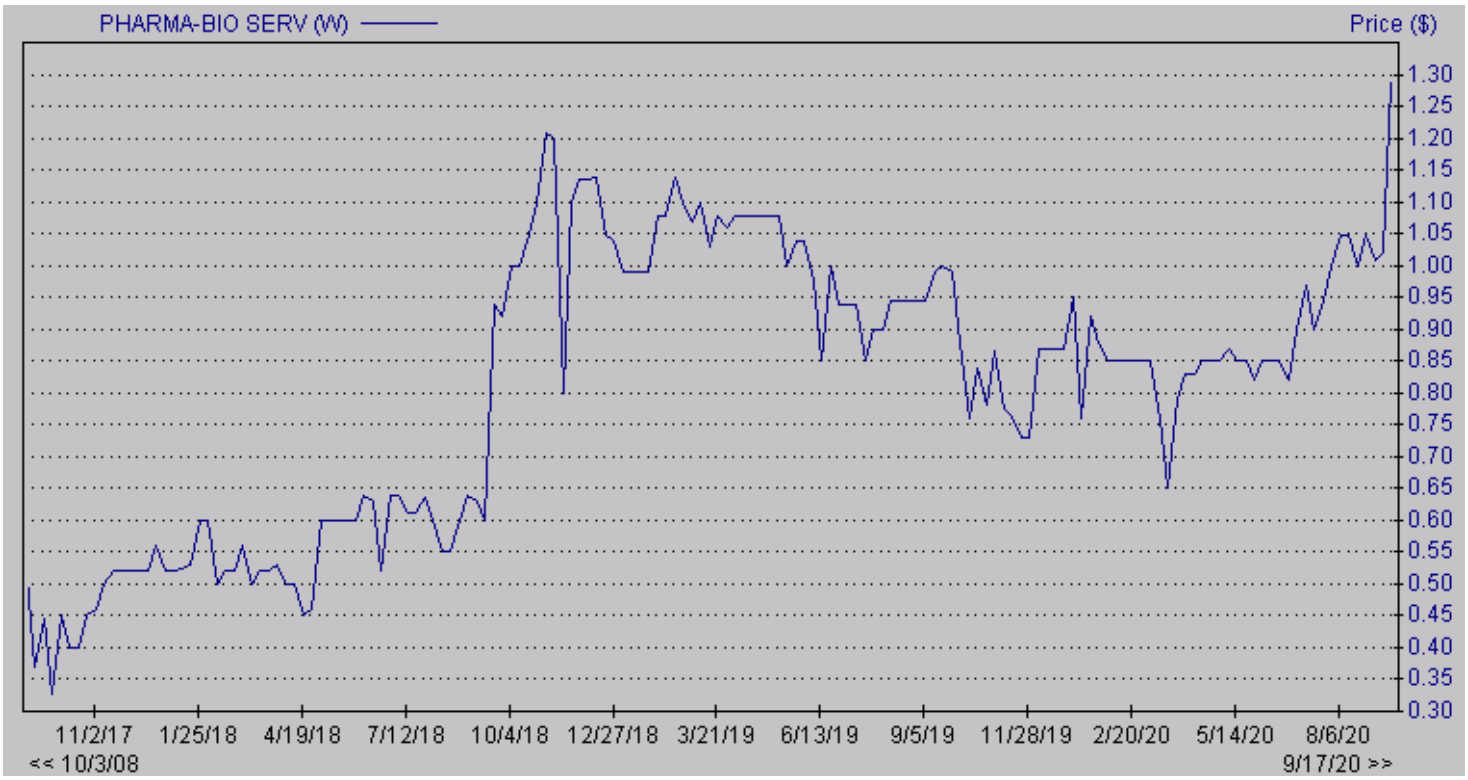
SG&A declined 14% to $1.0 million compared with $1.2 million in the year-earlier period and declined as a percent of revenue to 16.5% from 24.3%.

These minor changes led to a 109% gain in operating income to $0.82 million, from $0.39 million a year ago. Net income was roughly flat sequentially $0.69 million in July compared with the April quarter, but rose 60% from $0.43 million in the year-earlier period.

Pharma-Bio Serv's balance sheet remains strong with $16.8 million in cash.

We are maintaining our 2020 estimates of $21.4 million in revenues and EPS of $0.13. We are maintaining our valuation of $1.95. The shares trade largely in-line with book value, suggesting there is a solid floor on the current share price. With expectations that PBSV generates positive cash flow and continues to generate positive ROI on reinvested capital, we think there is good reason to believe that book value will grow.

HISTORICAL STOCK PRICE



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