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Zacks Small-Cap Research

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Pharma-Bio Serv (OTCQB: PBSV)

PBSV: Boost Profit Margins

Phama-Bio Serv is a company that offers compliance and validation consulting services to the pharmaceutical industry.

Using discounted cash flow analysis, we value the shares of PBSV at $1.80, as the company continues to improve margins and its international reach.

OUTLOOK

Pharma-Bio Serv released its full-year 2023 results and showed a modest decrease in revenues over the previous year but noticeably increased profit margins.

Additionally, the company continues to pay a nice dividend and is solidifying their business lines and cost structure, which should set them up nicely for the future.

Current Price (01/29/24)	$1.07
Valuation	**$1.80**

SUMMARY DATA

52-Week High	**$1.17**
52-Week Low	**$0.78**
One-Year Return (%)	**2.88**
Beta	**0.53**
Average Daily Volume (sh)	**5,513**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**12**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**7.14%**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**

Risk Level	**Medium**
Type of Stock	**Small-Value**
Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2021	4 A	5 A	5 A	6 A	20.1 A
2022	5 A	5 A	5 A	4.4 A	19.4 A
2023	4.2 A	4.6 A	4.6 A	3.6 A	17.0 A
2024	5.0 E	5.0 E	5.1 E	5.1 E	20.2 E

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2021	$0.01 A	$0.01 A	$0.10 A	-$0.21 A	-$0.09 A
2022	$0.01 A	$0.01 A	$0.01 A	$0.01 A	$0.04 A
2023	$0.02 A	$0.02 A	$0.02 A	$0.00 A	$0.06 A
2024	$0.02 E	$0.03 E	$0.03 E	$0.03 E	$0.11 E

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COMPANY UPDATE

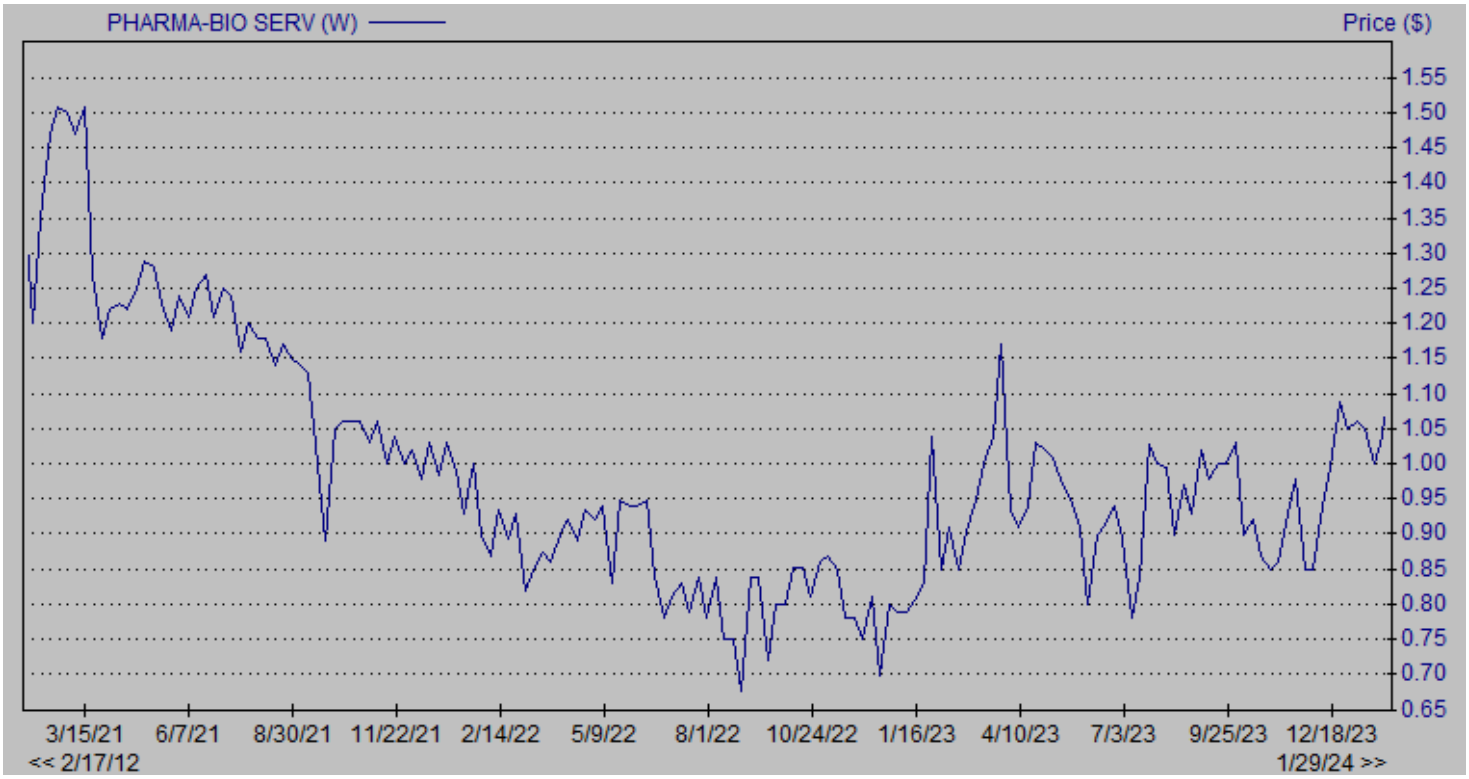
Pharma-Bio Serv announced its full year 2023 (October) results. The headline showed that earnings per share of $0.06 were slightly below our estimates as revenues dropped modestly from the previous year. However, the company continues to report continued impressive improvement in gross margin on sales revenue by 4.6% over the course of the year. We believe the company is putting itself in a better position for the future, reducing its reliance on the volatile Puerto Rico market and increasing the company's business exposure to the European market. Puerto Rico had been one of the company's major markets, but the country has had multiple problems and, as a result, the share of business from Puerto Rico dropped from 62.6% to 47.4%, while Europe almost doubled from 13.7% to 25.1%. While bumpy at times, this shift is encouraging to us as Pharma-Bio Serv looks to continue to expand its global footprint. The company also showed improved its US revenues and we believe this is a reflection of management's commitment to look for opportunities in new markets and industries.

Pharma-Bio Serv also recently announced that it is again paying a dividend of $0.075 per share for shareholders of record as of January 30, 2024. This announcement continues a trend for the company of rewarding shareholders with a healthy dividend. The recent dividend announcement gives investors a close to 8% yield through investing in a business that has been steady and shown improvement over the past couple of years. We believe this makes a nice combination and urge investors to look at the under-the-radar stock for a potential addition to a portfolio.

Additionally, the balance sheet continues to look solid. At first glance it appears that the company's cash balance has decreased from $14.4 million in October 2022 to just under $10.5 million. As we've discussed before, the company has done something with that "missing" cash that we believe is much smarter and will benefit the company and shareholders—management has decided to invest around $4.5 million in US Treasury Bills. With recent yields on T-bills between 4-5%, this move allows the company to hold cash equivalents that are actually earning a nice yield, while remaining safe and liquid—a win, win for investors and the company and adding to the revenue for Pharma-Bio Serv.

Despite the revenue decline, the company continues to show the ability to pivot and expand its reach, evidenced by the rapid growth seen in the European markets and a growing US business with the potential to expand. These facts continue to lead us to have a positive view on PBSV stock. We suggest investors who are looking for a steady investment with a consistent dividend and with management dedicated to shareholders take a look at PBSV.

HISTORICAL STOCK PRICE



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