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Zacks Small-Cap Research

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Brad Sorensen, CFA
312-265-9574
bsorensen@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Pharma-Bio Serv (OTCQB: PBSV)

PBSV: Company Invests for the Future

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 $1.50, as the company invests in future growth.

OUTLOOK

Pharma-Bio Serv released results for the quarter and year ended October 31, 2024, which showed a decrease in revenues over the previous year and an unexpected earnings loss.

The company noted a challenging environment but that it believes its investments in 2024 will set the stage for future growth and expanded markets. Management continues to maintain a solid dividend and a clean balance sheet that helps the company weather the change in business conditions.

Current Price (01/29/25)	$0.63
Valuation	**$1.50**

SUMMARY DATA

52-Week High	**$1.07**
52-Week Low	**$0.41**
One-Year Return (%)	**-38.90**
Beta	**0.51**
Average Daily Volume (sh)	**3,173**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$13**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**12**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**11.9%**
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)
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	2.3 A	2.4 A	2.4 A	2.4 A	9.5 A
2025	2.7 E	3.0 E	3.0 E	3.3 E	12.0 E

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
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	-$0.01 A	-$0.01 A	-$0.01 A	$0.00 A	-$0.03 A
2025	$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 results for the year ended October 31, 2024. The headline revenue and earnings releases were below expectations quarter, but management issued comments regarding future prospects that have us optimistic that the trend of decreasing revenue will soon be reversed. Management noted that, "As we move forward, we believe these measures (investments in the future) position us well for potential growth in 2025." The company had revenues for the year of $9.5 million, which was $7.5 million below the year ago revenue, while a loss of $777,619 reversed the gain seen in 2023 of over $1.3 million.

We have believed the company needed to invest in improved technology and expand its presence in the marketplace for some time, while bringing in new customers and fostering profitable partnerships and are pleased to hear that the company is making the investments required to achieve those goals. The previous few quarters were certainly disappointing, but we believe a period like this is needed to move the company forward. Sometimes a company must take a step back in order to move forward in a meaningful way and we believe this is one of those cases.

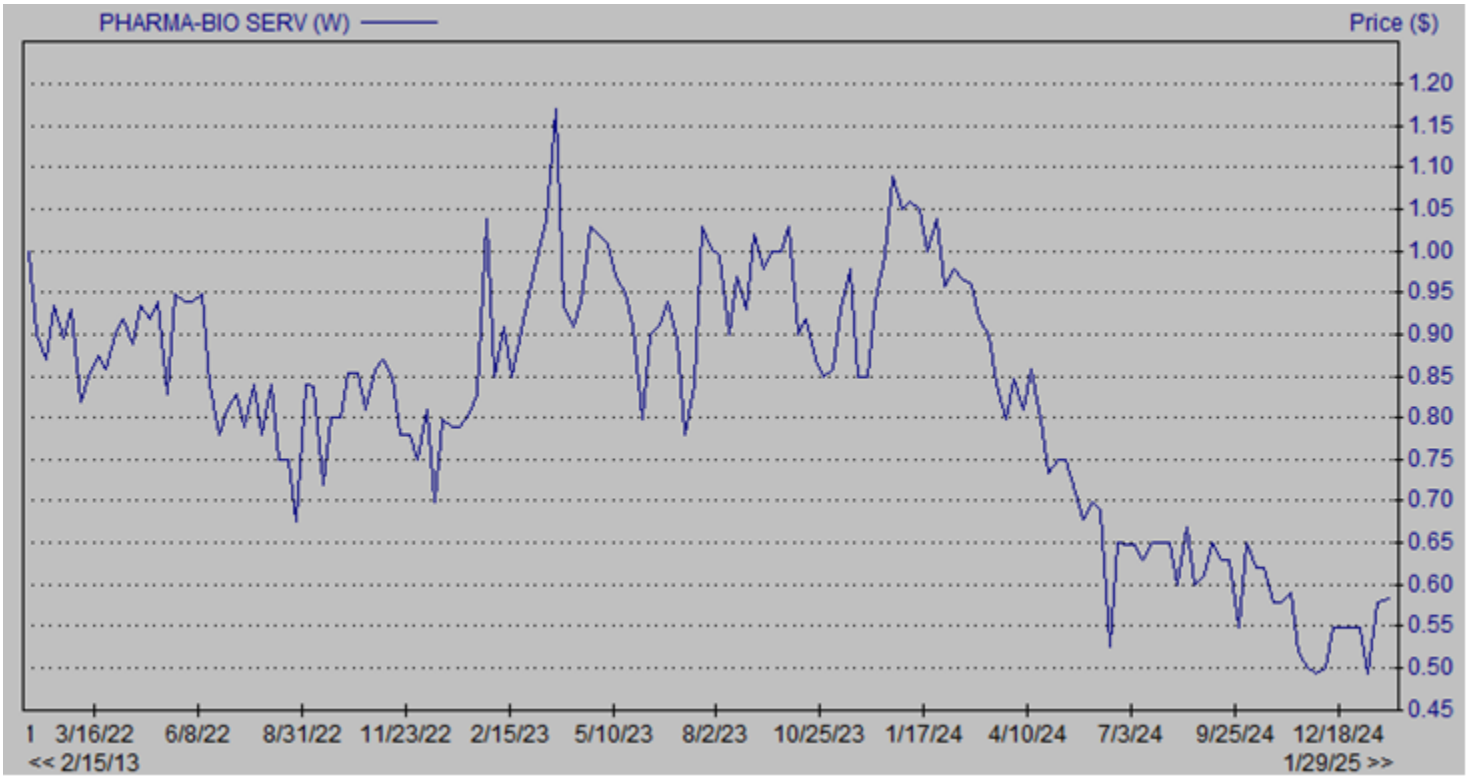
For investors, however, the company continues to focus on rewarding shareholders. Pharma-Bio Serv again paid a dividend of $0.075 per share for shareholders of record as of February 28, 2025, and we believe management is committed to continuing to pay this dividend. This announcement continues a trend for the company of rewarding shareholders with a healthy dividend. 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 $10.5 million in October 2023 to just under $6.7 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 $6.8 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. Additionally, the solid liquidity of the company means that management has the internal funds needed to make the investments that will get PBSV back on the growth trajectory investors want to see.

As a result of the revenue and earnings declines, we have decreased our estimates for the current year and reduced the price target to $1.50 per share. We look forward to seeing the company's investments over the past year start to pay off and as we see evidence of that our price target will be raised.

Despite the revenue decline, the company continues to have a solid business model in our view, and we are pleased to see investments being made in expanding that business. These facts continue to lead us to continue to have a positive view on PBSV stock, but the company needs to show progress throughout 2025, and we are confident they will.

HISTORICAL STOCK PRICE



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