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Pharma-Bio Serv (OTCQB: PBSV)

PBSV: Quarterly Results Prove Business Concept is Working

Pharma-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 $1.55, as the company invests in future growth.

Current Price (09/14/26)	$0.56
Valuation	**$1.55**

OUTLOOK

Pharma-Bio Serv released results for the quarter ended July 31, 2026, which revealed that measures to improve efficiency are gaining traction.

The company has made some investments and decisions that are now starting to see results in the form of higher revenues and lower costs. The company continues to have a strong balance sheet and a consistent dividend that should be attractive to investors.

SUMMARY DATA

52-Week High	**$0.69**
52-Week Low	**$0.42**
One-Year Return (%)	**-5.26**
Beta	**0.71**
Average Daily Volume (sh)	**862**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$12**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**13**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**16.7%**
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)
2024	2.3 A	2.4 A	2.4 A	2.4 A	9.5 A
2025	2.5 A	2.4 A	2.0 A	2.1 A	9.0 A
2026	2.3 A	2.7 A	2.3 A	2.7 E	11.0 E
2027	2.6 E	3.0 E	3.0 E	3.3 E	12.9 E

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2024	-$0.01 A	-$0.01 A	-$0.01 A	$0.00 A	-$0.03 A
2025	$0.00 A	$0.00 A	-$0.01 A	$0.01 A	$0.00 A
2026	$0.00 A	$0.01 A	$0.00 A	$0.03 E	$0.04 E
2027	$0.02 E	$0.02E	$0.03 E	$0.04 E	$0.11 E

COMPANY UPDATE

Pharma-Bio Serv, Inc. (OTCQB: PBSV) is beginning to show the benefits of the operational changes management has been implementing over the past several quarters. The company's fiscal third-quarter results provide additional evidence that the strategy of concentrating resources on higher-value markets, improving operating efficiency and controlling overhead is beginning to translate into better financial performance.

Pharma-Bio Serv is a specialized consulting company serving highly regulated industries, particularly pharmaceutical and biotechnology manufacturers. The company provides regulatory compliance, quality assurance, validation, technology transfer, engineering, project management and process-support services. Its core competency is helping clients comply with requirements imposed by the FDA and international regulatory agencies. PBSV also works with companies in the medical-device, chemical, cosmetics and food industries.

That specialization is important. Compliance work in pharmaceutical and biotechnology manufacturing is generally not discretionary in the same way as many conventional consulting projects. Manufacturers operating FDA-regulated facilities must continually demonstrate that their processes, equipment, documentation and quality systems meet increasingly demanding regulatory standards. PBSV brings experienced engineering, life-science and quality-assurance professionals into these environments, allowing customers to supplement their internal teams with specialized expertise.

The company operates primarily in Puerto Rico, the continental United States and Europe, with a smaller presence in Brazil and other markets. Puerto Rico remains particularly important because of the island's substantial pharmaceutical manufacturing base, while PBSV has increasingly sought opportunities in Europe and other markets where it believes its capabilities can generate attractive margins.

The latest results suggest that this strategy is gaining traction.

For the fiscal third quarter ended July 31, 2026, revenue increased to approximately $2.34 million from $1.96 million a year earlier, representing growth of roughly 19%. Importantly, the growth was geographically diversified. Revenue increased by approximately $200,000 in Puerto Rico, $100,000 in the United States and $100,000 in Europe compared with the prior-year quarter.

The improvement becomes even more meaningful to us when viewed against the company's recent history. PBSV spent much of fiscal 2025 rationalizing its service portfolio, reducing expenses and concentrating resources on markets and customers where it believed it could generate stronger returns. The current quarter increasingly looks like evidence that those actions are working.

Gross profit increased to approximately $692,000 from $574,000 in the year-earlier quarter. Gross margin also improved modestly, from 29.2% to 29.6%. While the percentage-point increase appears small, the combination of higher revenue and stable-to-improving margins suggests PBSV is not sacrificing profitability simply to generate additional sales.

Perhaps the most encouraging development, however, is occurring further down the income statement. Selling, general and administrative expenses fell to approximately $764,000 during the quarter, compared with approximately $888,000 a year earlier. For the first nine months of fiscal 2026, SG&A declined to approximately $2.34 million from $2.67 million. Management attributed much of the reduction to lower occupancy costs and other planned administrative savings.

We believe that combination—revenue growth alongside lower overhead—is particularly attractive for a consulting business. Because PBSV has already built much of the administrative infrastructure needed to support its operations, incremental revenue has the potential to produce increasingly meaningful operating leverage if management can continue keeping expenses under control.

PBSV reported a third-quarter net loss of just $14,219, compared with a loss of approximately $204,000 in the comparable quarter last year. Effectively, the company came very close to quarterly break-even while improving earnings by approximately $190,000 year over year.

The nine-month comparison is even more impressive. Revenue increased to approximately $7.33 million from $6.85 million, a gain of roughly 7%. PBSV generated net income of approximately $252,000, or $0.011 per diluted share, compared with a net loss of approximately $100,000, or $0.004 per share, during the same period last year. That represents a roughly $352,000 year-over-year improvement in earnings.

In other words, relatively modest revenue growth has produced a disproportionately large improvement in profitability. That is exactly the type of operating leverage we believed we would see following the restructuring and cost-rationalization program.

CEO Victor Sanchez emphasized this point in discussing the quarter, saying the results demonstrate the strength of PBSV's customer relationships and specialized regulatory and compliance capabilities. Management specifically credited its sharper focus on markets where PBSV believes it has a competitive advantage, together with improved operating efficiency, for the improvement in financial results. Sanchez also expressed confidence that the company can carry the momentum into the fiscal fourth quarter.
There are also signs that the improvement is not confined to one geographic market. For the first nine months of fiscal 2026, Puerto Rico revenue increased by approximately $500,000 and European revenue increased by approximately $100,000, partially offset by about a $100,000 decline in U.S. consulting revenue. The geographic diversification gives PBSV multiple avenues for growth rather than leaving the company dependent entirely on conditions in one market.

Another element of the PBSV investment story that deserves considerably more attention is the balance sheet.

As of July 31, the company held approximately $1.52 million in cash and cash equivalents and another $7.06 million in marketable securities, primarily short-term U.S. Treasury securities. That gives PBSV approximately $8.6 million of combined cash and marketable securities. Total liabilities were only approximately $1.0 million, while working capital stood at roughly $10.2 million.

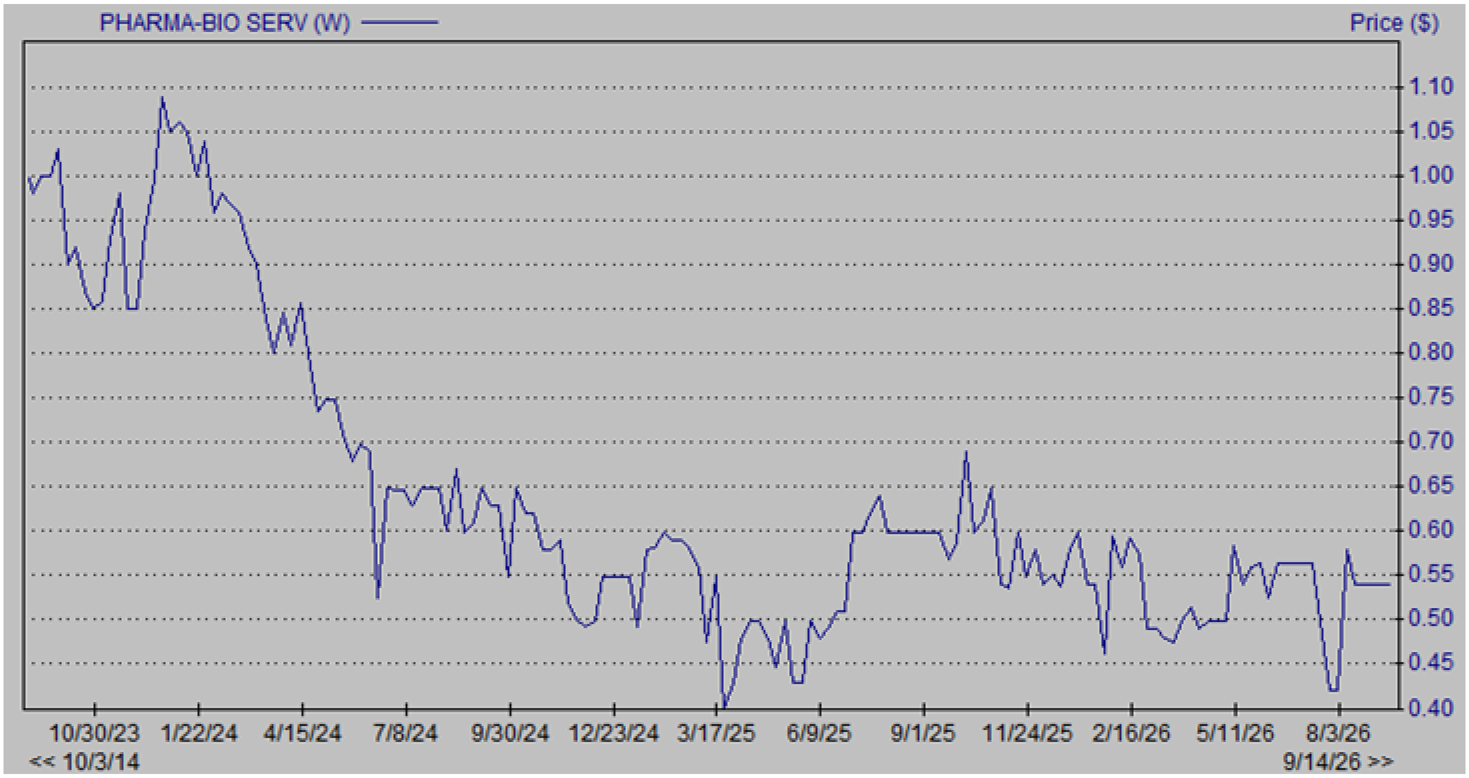
For a company generating roughly $9 million to $10 million of annual revenue, this is a substantial liquidity position and provides an unusually strong financial cushion. Management stated that its working capital, operations, cash flows and high-quality receivables should be sufficient to fund expected expenses and contractual obligations for at least the next twelve months and beyond.
The strength of that balance sheet has already allowed management to return capital directly to shareholders. Earlier this year, PBSV paid a special cash dividend of $0.075 per share, distributing approximately $1.72 million to investors. Remarkably, the company retained its strong liquidity position even after making that payment.

This capital-allocation history is an important component of our positive view of the company. PBSV is not a heavily leveraged small company that must continually access the capital markets to finance operations. Instead, it carries a sizable pool of liquid assets relative to the size of the business and has demonstrated a willingness to return excess capital to shareholders through dividends and share repurchases.

To summarize, third-quarter revenue rose nearly 19%, gross profit increased, administrative expenses declined substantially, and the quarterly loss was reduced from more than $200,000 to essentially break-even. On a nine-month basis, PBSV has already moved from a $100,000 loss last year to approximately $252,000 of net income this year. Meanwhile, the company continues to hold approximately $8.6 million in cash and Treasury securities and more than $10 million of working capital.

To us, PBSV appears to be entering a more interesting and compelling phase of its turnaround. The latest quarter does not represent explosive growth, and the company remains small, but the direction of the numbers is increasingly favorable: revenue is growing, margins are holding, overhead is declining, profitability has improved dramatically and the balance sheet remains exceptionally strong relative to the scale of the business. For a micro-cap investor, that combination can be attractive and we urge investors to take a good look at PBSV.

HISTORICAL STOCK PRICE



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