Zacks Small-Cap Research

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Pressure Biosciences (PBIO-OTCQB)

PBIO: 2Q13 revenue continued to grow; total revenue expected to surpass $1.5 million in 2013; valuation very attractive--- Outperform.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	11/15/2012
Current Price (08/19/13)	$0.27
Twelve- Month Target Price	**$1.25**

OUTLOOK

Pressure BioSciences (PBIO) is a research products and services provider for the life science industry. We are impressed and optimistic about the Company's novel, enabling platform technology pressure cycling technology (PCT) which has competitive advantages over existing technologies in the sample preparation market. PCT is increasingly gaining recognition by research labs. We expect sales to grow further in 2013.

Valuation is very attractive at this time. Therefore, we maintain our Outperform rating.

SUMMARY DATA

52-Week High	**$0.48**
52-Week Low	**$0.18**
One-Year Return (%)	**-11.65**
Beta	**2.27**
Average Daily Volume (sh)	**15,291**
Shares Outstanding (mil)	**11.4**
Market Capitalization ($mil)	**$3**
Short Interest Ratio (days)	**3.01**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**41**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**37.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Value**
Industry	**Med Instruments**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	0.18 A	0.19 A	0.28 A	0.34 A	0.99 A
2012	0.31 A	0.32 A	0.39 A	0.22 A	1.24 A
2013	0.37 A	0.36 A	0.45 E	0.55 E	1.73 E
2014					3.00 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.34 A	-$0.41 A	-$0.19 A	-$0.30 A	-$1.14 A
2012	-$0.14 A	-$0.12 A	-$0.09 A	-$0.11 A	-$0.45 A
2013	-$0.11 A	-$0.10 A	-$0.06 E	-$0.05 E	-$0.31 E
2014					-$0.17 E

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

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WHAT'S NEW

- Revenue in 2Q13 continued to grow, especially sales from consumables;
- Breakthrough technology announced;
- New application of PCT in protein structure and function;
- Valuation is very attractive;

Pressure BioSciences Reports Second Quarter 2013 Financial Results

On Aug. 15, 2013, Pressure BioSciences (PBIO) announced financial results for the three and six-month periods ended June 30, 2013 and provided a business update.

Total revenue for the second quarter of 2013 was $357,736 compared to $324,908 for the same period in 2012, a 10% increase.

Revenue from the sale of pressure cycling technology (PCT) products and services was $196,522 for the second quarter of 2013 compared to $224,384 for the same period in 2012, a 12% decrease. This decrease was off-set by a concomitant 60% increase in grant revenue in the second quarter of 2013 compared to the same period in the prior year, i.e., $161,214 vs. $100,524, respectively.

Sales of PCT-based consumables generated revenue of $26,034 for the three months ended June 30, 2013 compared to $22,255 for the same period in 2012, an increase of 17%.

Operating loss for the second quarter of 2013 increased to $858,026, from $682,790 for the same period in 2012. Contributing to this increase in operating loss were quarter over quarter increases in legal, audit, patent, and investor relations expenses.

Total revenue for the six months ended June 30, 2013 was $728,474 compared to $630,569 for the same period in 2012, a 15% increase.

Revenue from the sale of PCT products and services was $418,092 for the six months ended June 30, 2012 compared to $389,156 for the same period in 2012, a 7% increase.

Sales of PCT-based consumables generated revenue of $53,258 for the six months ended June 30, 2012 compared to $38,876 for the same period in 2012, an increase of 37%.

Operating loss for the six months ended June 30, 2013 was $1,583,049 compared to $1,647,372 for the same period in 2012.

Loss per common share – basic and diluted – was $0.10 for the second quarter of 2013 compared to $0.11 for the same period in 2012. Loss per common share – basic and diluted – was $0.22 for the six months ended June 30, 2013 compared to $0.21 for the same six month period of 2012.

As of June 30, 2013, PBIO had cash and cash equivalents of $113,663. Management has been committed to strength its balance sheet by raising new funds to grow its business. The company's next goal is to greatly strengthen its cash position before year-end.

In general, we are pleased with second quarter financials. Although revenue from products and services declined 12%, grant revenue increased 60%, resulting in 10% increase in total revenue.

We are especially impressed with the increased revenue from **consumables** in the second quarter and first six months. Sales of PCT-based consumables generated revenue of $26,034 for the three

months ended June 30, 2013 compared to $22,255 for the same period in 2012, an increase of 17%. While sales of PCT-based consumables generated revenue of $53,258 for the six months ended June 30, 2012 compared to $38,876 for the same period in 2012, an increase of 37%. This is important to PBIO as we previously said. As more and more PCT instruments are installed, more consumables will be used on these instruments. Revenue from consumables is recurring, which will increase with the number of installed PCT instruments.

Pressure BioSciences Announces Core Technology Breakthrough

On June 4, 2013, PBIO announced that they have achieved and passed proof-of-principle objectives in their multi-year investment into the development of a **high throughput (HT) system** for their patented pressure cycling technology (PCT) platform. The new HT design will allow their PCT platform to integrate with the automated, universally accepted HT sample preparation and analytical system formats installed in tens of thousands of biological research laboratories worldwide.

This breakthrough also has the potential to significantly accelerate its growth in existing and new PCT-based applications and products, its ability to attract and form new strategic partnerships, and its overall revenue ramp going forward.

There are more than 80,000 research laboratories working with biological samples worldwide and that many of these laboratories use automated, HT sample preparation and analytical systems in their studies. HT systems generally use sample handling robotics and “multiwell” test plates in standardized formats (e.g., 24, 96, or 384 wells per plate) for processing and testing large numbers of samples simultaneously. The multiwell plate is often processed in an automated fashion, allowing scientists to perform other important tasks while samples are being processed unattended.

Although a number of studies have shown significant advantages of the PCT platform in preparing biomolecules (e.g., DNA, proteins, and lipids) for analysis, the PCT platform continues to be used primarily in small but important research studies. Unlike today’s popular HT multiwell plates that use an automated, unattended approach, the PCT Platform uses individual test tubes that require a lot of manual sample handling. These manual sample handling requirements have prevented the PCT platform from being better accepted by the research community. To that end, PBIO’s new HT multiwell format will substantially enhance and accelerate the acceptance of the PCT platform in the life sciences R&D marketplace.

First generation HT PCT platform applications are being planned for enhanced enzymatic digestion, deglycosylation, and lipid profiling. The Company expects beta units to be built and tested by the end of 2013, and market-ready units to be available for sale in the first quarter of 2014. The new HT multiwell PCT platform has the potential to significantly accelerate growth in existing and new PCT applications and products, sales reach, installed base, strategic partnerships, and overall revenue stream going forward. This technology breakthrough is a game-changer for PBIO.

Novel Use of PCT Platform Offers New Insights into Protein Structure and Function

On Aug. 1, 2013, PBIO announced that data supporting important advantages of PBIO’s powerful and enabling Pressure Cycling Technology (PCT) platform were presented at the 27th Annual Symposium of the Protein Society held July 20-23, 2013 in Boston, Massachusetts.

The use of highly sophisticated analytical instrument systems by research scientists worldwide has resulted in a greater understanding of complex biological molecules, including proteins. One such instrument system, Electron Paramagnetic Resonance (**EPR**) spectroscopy, has been shown to provide key information on the structure, flexibility, and function of proteins. This information is crucial to the development of new and better diagnostics, therapeutics, and vaccines.

At this year's annual Protein Society symposium, researchers from UCLA reported on the development of an improved EPR system based on the use of high pressure. This novel system combined (for the first time ever) two cutting-edge EPR methods: site directed spin labeling (SDSL) and double electron-electron resonance (DEER). This strategy allowed the investigation of dynamic events in proteins that would be difficult or even impossible to study by conventional EPR technology.

These and other data reported by researchers using pressure-based EPR and NMR systems strongly indicate that PCT can enhance the recovery, detection, and measurement of proteins from a wide variety of samples. In turn, this information has the potential to help accelerate the design and manufacture of new and better diagnostics, therapeutics, and vaccines. We believe that the advantages of pressure-based spectroscopic methods are just now beginning to be realized by scientists, and that as the body of data continues to grow from high pressure-based spectroscopic studies, that PBIO has the potential to become a major provider of high pressure equipment into the exciting and growing spectroscopy area.

PBIO Closes Final Tranche of Series J Above Market Private Placement

On June 14, 2013, PBIO announced that it has closed the third and final tranche of its Series J Private Placement of Convertible Preferred Stock and Warrants. Combined with two earlier tranche closings ($1,702,800 on February 6 and $156,900 on March 28, 2013), the Company has now closed a total of $2,034,800 in its Series J Private Placement, slightly over its goal of $2.0 million. The investors in the Series J Private Placement included all members of the Company's Board of Directors, plus new and existing accredited investors in PBIO.

The transaction consisted of the sale of 5,087 units of Series J Preferred Stock and Warrants to purchase the Company's Common Stock. The price per unit was $400.00. Each unit consisted of one (1) share of Series J Preferred Stock (convertible into 1,000 shares of Common Stock at a Common Stock equivalent price of $0.40 per share) and a Warrant to purchase 1,000 shares of restricted Common Stock. The Warrants are exercisable for a period of three (3) years from the applicable closing date, at an exercise price equal to $0.40 per share. Of the $2,034,800 amount, $921,100 was in cash and $1,113,700 was from the conversion of debt.

The Company also announced the closing of a $500,000, one-year, convertible debenture with an institutional investor on June 7, 2013. Interest on the Note is 10%. The Investor has the right to convert the Note into Common Stock of the Company at any time six months after each Closing Date. The Company has the right to pre-pay the Note at any time.

Valuation Is Very Attractive

We maintain our Outperform rating on PBIO shares and reiterate our twelve-month price target of $1.25.

Our call is based on two factors: financial results and business development are improving and valuation is very attractive.

In terms of valuation, we think PBIO shares are undervalued based on the Company's fundaments. Currently, the Company trades around $0.28 per share with a market cap of $3.2 million. We believe this deeply undervalues the Company based on the current fundamentals mentioned above. We understand that market discounts the value of the Company because the Company has only limited revenue base and has been losing money since its inception. We also understand that the Company has a relatively weak balance sheet, and further financing will be needed soon. However, when we look at the Company and the industry in which it operates in more detail, we realize that this is a company with huge opportunity and one that can grow its revenue and earnings at a tremendous rate in the next few years.

PBIO operates in the rather large, but underserved research services market. The Company has developed a unique and superior pressure cycling technology (PCT) for the preparation of biological

laboratory samples. The Company's PCT platform holds competitive advantages over incumbent technologies in many important aspects related to sample preparation.

Currently, the Company is in the early stage of commercialization of its platform technology. We have realized that sales have not been stellar so far, but this is understandable. Pressure cycling technology is quite new to most customers in the sample preparation market, and the costs for PCT are also higher than those for most existing technologies. Therefore, rollout of the PCT platform will take time. However, once customers become familiar with the new PCT platform, and realize its advantages over existing technologies, uptake of PCT and its consumable products by the industry will increase dramatically in our view.

We are especially optimistic about the Company's collaboration programs which will generate great awareness of the PCT platform among researchers in the sample preparation market. We are also impressed with the potential of the PCT technology in new application areas such as in the forensic, oil spill clean-up, agricultural applications and lipids extraction.

PBIO has established extensive distribution partnerships with leading companies in the life science industry. With a growing sales force and a clear growth strategy in place, sales should pick up steam in the coming quarters.

We are now optimistic about the Company's prospect. With a rapidly growing market worldwide, combined with its unique technology and broad range of product offering, the Company is well positioned to boost its top line and bottom line in the coming years. According to our long term financial model, the Company's revenue will grow at a compound annual growth rate (CAGR) of 110% in the next three fiscal years from 2012 to 2015.

We think PBIO is more like a development stage biotech company. Our price target of $1.25 per share values the company at 15 million in market cap based on 11.4 million outstanding shares. As long as the Company can execute its growth strategy correctly, we believe this goal is achievable.

PROJECTED INCOME STATEMENT

$ in million except per share data	12/11A	Q1	Q2	Q3	Q4	12/12A	Q1	Q2	Q3	Q4	12/13E	12/14E	12/15E
Product/Service Revenue	$0.77	$0.16	$0.22	$0.30	$0.12	$0.81	$0.22	$0.20	$0.30	$0.40	$1.12	$2.50	$7.50
YOY Growth	-12.51%	*-8.8%*	*17.7%*	*36.8%*	*-31.6%*	*5.4%*	*34.5%*	*-12.4%*	*0.7%*	*227.1%*	*38.2%*	*123.6%*	*200.0%*
Grant Revenue	$0.22	$0.14	$0.10	$0.09	$0.09	$0.43	$0.15	$0.16	$0.15	$0.15	$0.61	$0.50	$0.50
Total Revenues	**$0.99**	**$0.31**	**$0.32**	**$0.39**	**$0.22**	**$1.24**	**$0.37**	**$0.36**	**$0.45**	**$0.55**	**$1.73**	**$3.00**	**$8.00**
YOY Growth	*-26.3%*	*69.2%*	*70.4%*	*39.7%*	*-35.7%*	*25.4%*	*21.3%*	*10.1%*	*14.9%*	*154.6%*	*39.6%*	*73.6%*	*166.7%*
CoGS	$0.3	$0.1	$0.1	$0.1	$0.1	$0.4	$0.1	$0.1	$0.1	$0.2	$0.5	$1.1	$3.3
Gross Income	**$0.64**	**$0.23**	**$0.22**	**$0.28**	**$0.10**	**$0.82**	**$0.27**	**$0.27**	**$0.32**	**$0.38**	**$1.24**	**$1.91**	**$4.73**
Gross Margin	*65.3%*	*74.4%*	*66.4%*	*72.2%*	*44.3%*	*66.4%*	*71.8%*	*76.6%*	*71.6%*	*69.0%*	*71.8%*	*63.7%*	*59.2%*
Gross Margin for PCT revenue	*55.3%*	*52.5%*	*51.3%*	*63.5%*	*1.6%*	*48.5%*	*52.8%*	*57.3%*	*57.3%*	*57.3%*	*56.4%*	*56.4%*	*56.4%*
R&D	$1.0	$0.3	$0.3	$0.2	$0.2	$1.0	$0.2	$0.3	$0.3	$0.3	$1.0	$1.4	$1.6
% R&D	*98.2%*	*88.9%*	*78.9%*	*63.3%*	*87.9%*	*78.0%*	*66.5%*	*72.8%*	*55.6%*	*45.5%*	*58.3%*	*46.7%*	*20.0%*
SG&A	$3.0	$0.9	$0.6	$0.7	$1.0	$3.3	$0.7	$0.9	$0.9	$1.0	$3.5	$4.0	$5.0
% SG&A	*300.2%*	*301.1%*	*197.7%*	*184.3%*	*479.3%*	*268.1%*	*200.9%*	*243.6%*	*200.0%*	*181.8%*	*203.4%*	*133.3%*	*62.5%*
Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
% Other	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Operating Income	**($3.3)**	**($1.0)**	**($0.7)**	**($0.7)**	**($1.1)**	**($3.5)**	**($0.7)**	**($0.9)**	**($0.8)**	**($0.9)**	**($3.3)**	**($3.5)**	**($1.9)**
Operating Margin	*-333.1%*	*-315.6%*	*-210.1%*	*-175.3%*	*-523.0%*	*-279.7%*	*-195.6%*	*-239.8%*	*-184.0%*	*-158.3%*	*-189.9%*	*-116.3%*	*-23.3%*
Other Net	$0.31	($0.10)	$0.17	($0.11)	$0.05	$0.01	($0.05)	($0.21)	$0.05	$0.05	($0.16)	$0.00	$0.00
Pre-Tax Income	**($3.0)**	**($1.1)**	**($0.5)**	**($0.8)**	**($1.1)**	**($3.5)**	**($0.8)**	**($1.1)**	**($0.8)**	**($0.8)**	**($3.4)**	**($3.5)**	**($1.9)**
Pref. stk Div	$2.14	$0.02	$0.58	$0.13	$0.22	$0.95	$0.61	$0.11	$0.15	$0.15	$1.02	$0.00	$0.00
Taxes (Benefit)	$0.0	$0.0	$0.0	$0.0	($0.0)	($0.0)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Reported Net Income	**($5.1)**	**($1.1)**	**($1.1)**	**($0.9)**	**($1.3)**	**($4.4)**	**($1.4)**	**($1.2)**	**($0.9)**	**($1.0)**	**($4.5)**	**($3.5)**	**($1.9)**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	*-518.2%*	*-355.7%*	*-335.4%*	*-236.4%*	*-600.6%*	*-355.4%*	*-376.0%*	*-328.2%*	*-206.2%*	*-176.5%*	*-258.4%*	*-116.3%*	*-23.3%*
Shares Out	*4.7*	*7.7*	*10.2*	*10.9*	*11.8*	*10.2*	*12.1*	*11.5*	*16.0*	*18.0*	*14.4*	*20.0*	*25.0*
Reported EPS	**($1.10)**	**($0.14)**	**($0.11)**	**($0.09)**	**($0.11)**	**($0.43)**	**($0.11)**	**($0.10)**	**($0.06)**	**($0.05)**	**($0.31)**	**($0.17)**	**($0.07)**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	*($0.22)*	*$0.00*	*($0.18)*	*$0.00*	*$0.00*	*($0.18)*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($5.3)**	**($1.1)**	**($1.3)**	**($0.9)**	**($1.3)**	**($4.6)**	**($1.4)**	**($1.2)**	**($0.9)**	**($1.0)**	**($4.5)**	**($3.5)**	**($1.9)**
Non GAAP EPS	**($1.14)**	**($0.14)**	**($0.12)**	**($0.09)**	**($0.11)**	**($0.45)**	**($0.11)**	**($0.10)**	**($0.06)**	**($0.05)**	**($0.31)**	**($0.17)**	**($0.07)**

Source: Company filings and Zacks Investment Research Inc. estimates

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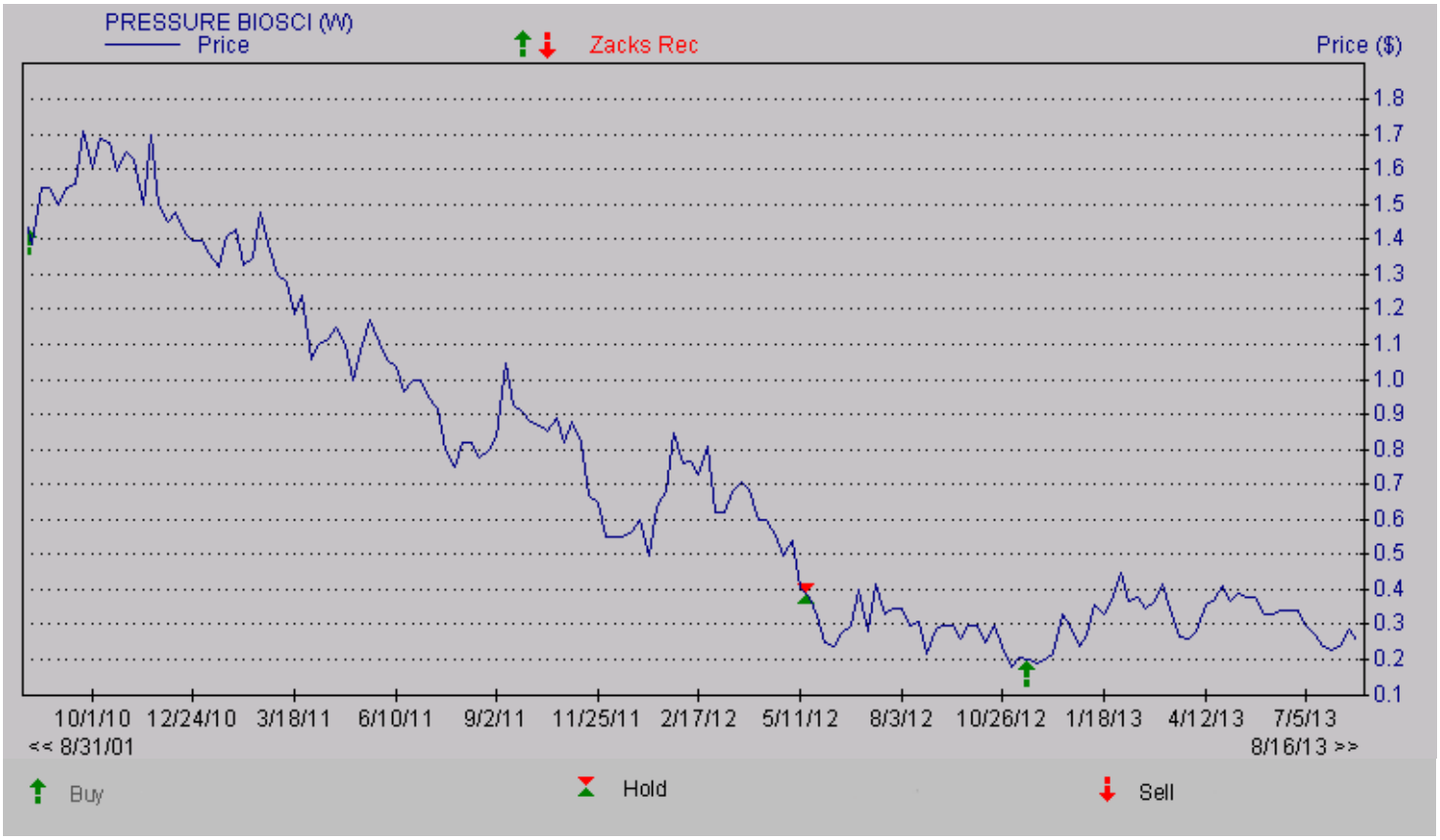
HISTORICAL ZACKS RECOMMENDATIONS



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