Zacks Small-Cap Research

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Pressure Biosciences (PBIO-OTCQB)

PBIO: Sales expected to grow further in 2013; valuation very attractive--- Outperform.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	11/15/2012
Current Price (05/15/13)	$0.34
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 grow further in 2013.

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

SUMMARY DATA

52-Week High	**$0.63**
52-Week Low	**$0.18**
One-Year Return (%)	**-15.00**
Beta	**2.38**
Average Daily Volume (sh)	**29,129**
Shares Outstanding (mil)	**12**
Market Capitalization ($mil)	**$4**
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 E
2013	0.20 E	0.30 E	0.40 E	0.50 E	1.40 E
2014					5.50 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	-$0.08 E	-$0.07 E	-$0.06 E	-$0.05 E	-$0.25 E
2014					-$0.08 E

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

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WHAT'S NEW

PBIO Reports Full Year 2012 Financial Results

Total revenue for 2012 was $1,238,217 as compared with $987,729 in the prior year, an increase of 25.4%.

Revenue from the sale of PCT products and services was $809,308 in the year ended December 31, 2012 as compared with $767,765 in the year ended December 31, 2011, an 5.4% increase.

Consumable sales were $85,493 for the year ended December 31, 2012 as compared with $102,209 during the similar period of the prior year, a decrease of $16,716, or 16%. Conversely, sales of PCT Sample Preparation Accessories increased to $93,712 in 2012 from $49,834 in 2011, an increase of $43,878, or 88%. The number of PCT sales and active leases decreased during 2012 as compared with 2011. The decrease in revenue from PCT sales and leases during 2012 was offset by increased sales of SG3 Shredder System, sales of the more expensive and higher gross margin Barocycler HUB440 PCT System, and sales of PCT instrument accessories.

During 2012, PBIO recorded $428,909 of grant revenue as compared with $219,964 in 2011.

The cost of PCT products and services was $416,415 for the year ended December 31, 2012, as compared with $342,865 in 2011. Gross profit margin on PCT products and services was 48% for the year ended December 31, 2012 vs. 55% at December 31, 2011. The change is primarily due to a non-cash charge to an inventory reserve of $50,000.

Research and development expenditures were essentially unchanged at $965,623 for 2012 compared to $969,473 in 2011.

Selling and marketing expenses were $714,635 in 2012 compared to $931,073 in 2011, a decrease of $216,438, or 23%. This decrease was primarily due to a reduction in headcount. General and administrative costs were $2,605,186 in the year ended December 31, 2012, as compared with $2,034,458 in 2011, an increase of $570,728 or 28%.

Operating loss was $3,463,642 for the year ended December 31, 2012 as compared with $3,290,140 for the prior year, an increase of $173,502 or 5%. The increased operating loss was due primarily to the additional general and administrative expenses resulting from the delisting by NASDAQ partially offset by the increase in revenues and gross margin and reduced selling and marketing expense.

Net loss for 2012 was $4,400,215 or $(0.43) per share, as compared with $5,107,661 or $(0.77) per share for 2011.

As of December 31, 2012, PBIO held cash of $1461.

On February 6 and March 28, 2013, PBIO entered into a Securities Purchase Agreement with various individuals pursuant to which the Company sold an aggregate of 4,650 units for a purchase price of $400.00 per unit or an aggregate Purchase Price of $1,859,700. This represents the first two tranches of a $2.0 million private placement. One or more additional tranches in the Private Placement may close on or before May 31, 2013. Each unit purchased in the first two tranches consists of (i) one share of a newly created series of preferred stock, designated Series J Convertible Preferred Stock, par value $0.01 per share convertible into 1,000 shares of the Company's Common Stock, par value $0.01 per share, and (ii) a warrant to purchase 1,000 shares of Common Stock at an exercise price equal to $0.40 per share, with a term expiring three years from the respective closing date. Of the $1,859,700 invested in the first two

tranches of the Private Placement, $746,000 was received in cash and $1,113,700 was from the conversion of outstanding indebtedness and accrued board of directors' fees.

Current cash will only last into May 2013.

We estimate sales to grow further in fiscal 2013 to $1.76 million.

PCT Platform May Be Used to Extract Lipids from Fecal Material

On May 16, 2013, PBIO announced the publication in the journal Analytical Chemistry of a study by a team of scientists led by Dr. Bruce Kristal, Associate Professor of Surgery at Harvard Medical School and the Department of Neurosurgery at Brigham and Women's Hospital, entitled: Method Development for Fecal Lipidomics Profiling. The long-term goal of the study was to gain a greater understanding of the gastrointestinal (GI) system and its role in health and disease in certain high-risk patient populations (such as premature infants) by analyzing the full lipid profile in fecal material.

The importance of understanding and evaluating the GI system is evident with recent scientific advances in diseases such as colon cancer, inflammatory bowel disease, and chronic diarrhea, and in disorders such as autism, allergy, and obesity. It is believed that new and improved laboratory tools that enable a better understanding of gut function could have a significant impact on diagnosing, treating, curing, and preventing such diseases and disorders. Furthermore, the ability to better evaluate GI function, especially through simple and non-invasive means, could have a significant impact on decreasing the cost and increasing the quality of healthcare worldwide.

In their publication, Dr. Kristal and colleagues reported that the combination of **PBIO's PCT platform** and certain chemicals improved the extraction of lipids from fecal material. They concluded that their new method "opens the door to the use of fecal lipid profiling for both scientific and clinical applications" and that it "provides a reproducible, generally applicable, broad-based, and non-invasive technique for establishing gut function in patients regardless of age or disease."

This is a simple, non-invasive method to get a lot of information about what is happening in the GI system, which has a direct relation to a number of diseases and disorders This could be a way to get vital information about the health of a premature baby, a newborn, an elderly person, or some from whom taking blood is just not feasible. It is possibly a new way to screen for multiple diseases and disorders.

Using PCT and certain reagents, this method allows scientists to access this information in a simple and non-invasive way.

This is very exciting for PBIO. We are happy to know that PBIO's PCT platform is an important part of this exciting, potentially paradigm-changing method, one which we believe could play a significant role in future research and clinical applications.

Leadership Strengthened by Appointing New Chief Financial Officer

On December 5, 2012, Pressure BioSciences, Inc. (PBIO) announced that Mr. Conrad F. Mir has joined the Company as its chief financial officer, effective immediately.

Mr. Mir has over twenty years experience in investment banking, financial structuring, and corporate reengineering. He has served in various executive management roles and on the Board of Directors of several companies in the biotechnology industry. Most recently, Mr. Mir was chairman and CEO of Genetic Immunity, Inc. (GI), a plasmid, DNA company in the HIV space. Prior to GI, Mr. Mir served as executive director of Advaxis, Inc., a vaccine company. During his tenure at GI and Advaxis, Mr. Mir was responsible for raising nearly $40 million in growth capital and broadening corporate reach to new investors and current shareholders.

Prior to GI and Advaxis, Mr. Mir worked for several investment banks including Sanford C. Bernstein, First Liberty Investment Group, and Nomura Securities International. He holds a BA/BS in Economics and English with special concentrations in Mathematics and Physics from New York University.

PBIO recently announced record PCT product sales for the third quarter of 2012, and we expect another strong quarter of product sales for the 4Q12. The Company has implemented aggressive commercialization strategy in 2012 to accelerate the revenue growth of its patented PCT products and services which included, among other things, an increase in international sales and distribution coverage from three to over twenty countries. But PBIO needs to properly finance this initiative. This is currently the biggest concern.

We believe the strong investment banking background of Mr. Mir will help PBIO raise new capital to fund its operations. It is also one of Conrad's best strengths. He has proven over the past few years that he has the ability to raise significant funds for small, developing companies in a smart and timely way.

VALUATION AND RECOMMENDATION

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 $0.38 per share with a market cap of $4.6 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 135% in the next three fiscal years from 2012 to 2015. The Company will become profitable in fiscal 2015 with earnings per share (EPS) of $0.06 according to our model.

We think PBIO is more like a development stage biotech company. Shares of the Company should trade around a P/E of 30x, which is similar to the average P/E multiple of the research services/biotech industry. If we apply this P/E to our estimated EPS of $0.06 in fiscal 2015, discounted at 20% for 2 years, we get our price target of $1.25 per share. As long as the Company can execute its growth strategy correctly, we believe this goal is achievable.

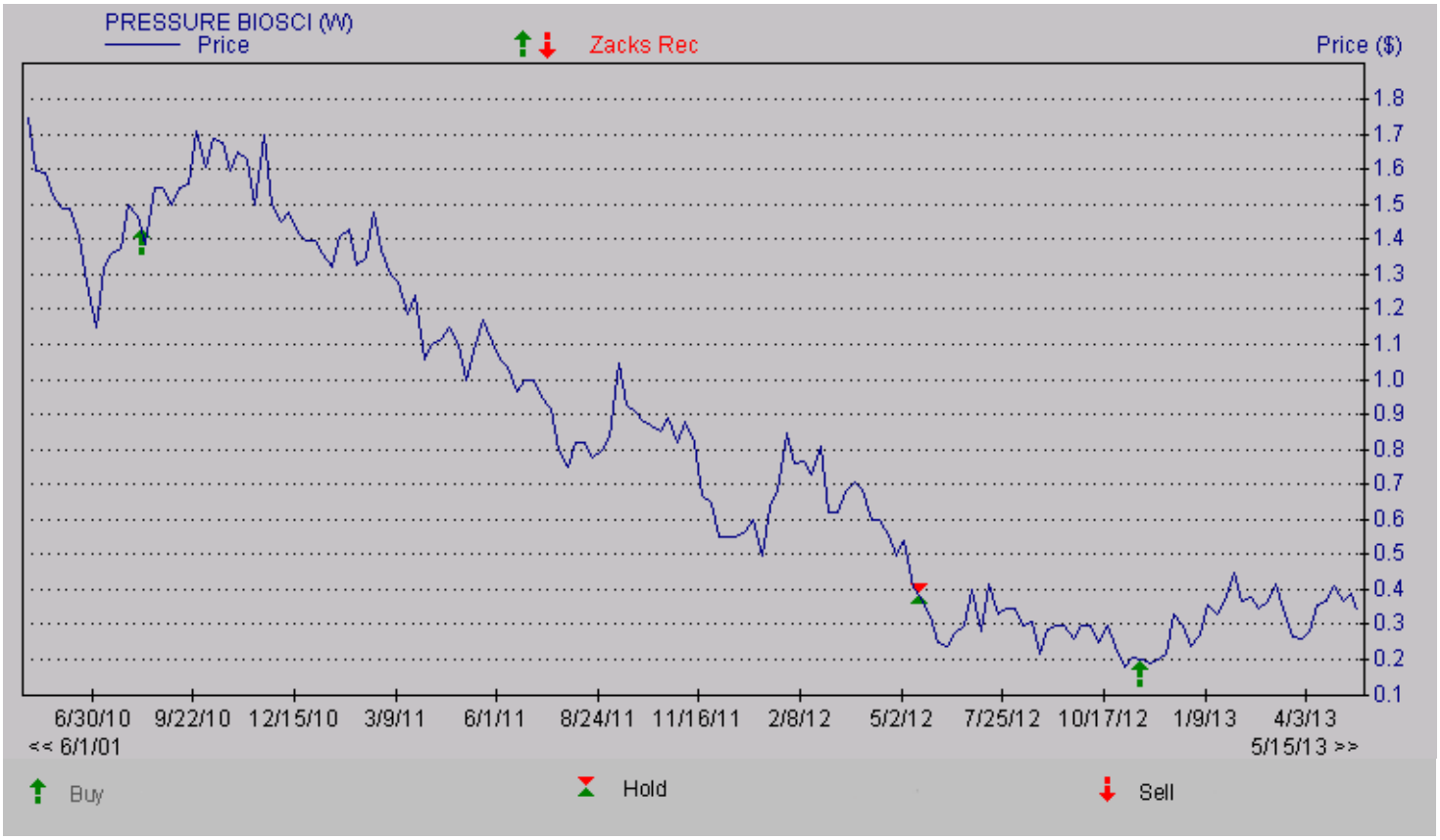
PROJECTED INCOME STATEMENT

$ 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	$0.20	$0.30	$0.40	$0.50	$1.40	$5.00	$10.50
YOY Growth	-12.51%	*-8.8%*	*17.7%*	*36.8%*	*-31.6%*	*5.4%*	*21.4%*	*33.7%*	*34.3%*	*308.9%*	*73.0%*	*257.1%*	*110.0%*
Grant Revenue	$0.22	$0.14	$0.10	$0.09	$0.09	$0.43	$0.09	$0.09	$0.09	$0.09	$0.36	$0.50	$0.50
Total Revenues	**$0.99**	**$0.31**	**$0.32**	**$0.39**	**$0.22**	**$1.24**	**$0.29**	**$0.39**	**$0.49**	**$0.59**	**$1.76**	**$5.50**	**$11.00**
YOY Growth	*-26.3%*	*69.2%*	*70.4%*	*39.7%*	*-35.7%*	*25.4%*	*-5.1%*	*20.0%*	*25.1%*	*173.1%*	*42.1%*	*212.5%*	*100.0%*
CoGS	$0.3	$0.1	$0.1	$0.1	$0.1	$0.4	$0.1	$0.1	$0.2	$0.2	$0.6	$1.7	$3.0
Gross Income	**$0.64**	**$0.23**	**$0.22**	**$0.28**	**$0.10**	**$0.82**	**$0.19**	**$0.26**	**$0.33**	**$0.40**	**$1.18**	**$3.84**	**$8.04**
Gross Margin	*65.3%*	*74.4%*	*66.4%*	*72.2%*	*44.3%*	*66.4%*	*67.0%*	*67.0%*	*67.0%*	*67.0%*	*67.0%*	*69.8%*	*73.1%*
Gross Margin for PCT revenue	*55.3%*	*52.5%*	*51.3%*	*63.5%*	*1.6%*	*48.5%*	*52.2%*	*57.1%*	*59.6%*	*61.1%*	*58.5%*	*66.8%*	*71.8%*
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%*	*82.8%*	*64.1%*	*51.0%*	*42.4%*	*56.3%*	*25.5%*	*14.5%*
SG&A	$3.0	$0.9	$0.6	$0.7	$1.0	$3.3	$0.9	$0.9	$0.9	$1.0	$3.6	$4.0	$5.0
% SG&A	*300.2%*	*301.1%*	*197.7%*	*184.3%*	*479.3%*	*268.1%*	*293.1%*	*220.5%*	*183.7%*	*169.5%*	*205.1%*	*72.7%*	*45.5%*
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)**	**($0.9)**	**($0.8)**	**($0.8)**	**($0.9)**	**($3.4)**	**($1.6)**	**$1.4**
Operating Margin	*-333.1%*	*-315.6%*	*-210.1%*	*-175.3%*	*-523.0%*	*-279.7%*	*-308.9%*	*-217.6%*	*-167.7%*	*-144.9%*	*-194.4%*	*-28.4%*	*13.1%*
Other Net	$0.31	($0.10)	$0.17	($0.11)	$0.05	$0.01	$0.05	$0.05	$0.05	$0.05	$0.20	$0.00	$0.00
Pre-Tax Income	**($3.0)**	**($1.1)**	**($0.5)**	**($0.8)**	**($1.1)**	**($3.5)**	**($0.8)**	**($0.8)**	**($0.8)**	**($0.8)**	**($3.2)**	**($1.6)**	**$1.4**
Pref. stk Div	$2.14	$0.02	$0.58	$0.13	$0.22	$0.95	$0.15	$0.15	$0.15	$0.15	$0.60	$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)**	**($1.0)**	**($0.9)**	**($0.9)**	**($1.0)**	**($3.8)**	**($1.6)**	**$1.4**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	*-518.2%*	*-355.7%*	*-335.4%*	*-236.4%*	*-600.6%*	*-355.4%*	*-343.3%*	*-243.3%*	*-188.1%*	*-161.8%*	*-217.1%*	*-28.4%*	*13.1%*
Shares Out	*4.7*	*7.7*	*10.2*	*10.9*	*11.8*	*10.2*	*12.0*	*14.0*	*16.0*	*18.0*	*15.0*	*20.0*	*25.0*
Reported EPS	**($1.10)**	**($0.14)**	**($0.11)**	**($0.09)**	**($0.11)**	**($0.43)**	**($0.08)**	**($0.07)**	**($0.06)**	**($0.05)**	**($0.25)**	**($0.08)**	**$0.06**
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)**	**($1.0)**	**($0.9)**	**($0.9)**	**($1.0)**	**($3.8)**	**($1.6)**	**$1.4**
Non GAAP EPS	**($1.14)**	**($0.14)**	**($0.12)**	**($0.09)**	**($0.11)**	**($0.45)**	**($0.08)**	**($0.07)**	**($0.06)**	**($0.05)**	**($0.25)**	**($0.08)**	**$0.06**

Source: Company filings and Zacks Investment Research Inc. estimates

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HISTORICAL ZACKS RECOMMENDATIONS



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