Zacks Small-Cap Research

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Pressure Biosciences (PBIO-OTCQB)

PBIO: 1Q13 product sales grew 35% year over year; total revenue expected to surpass $2 million in 2013; valuation very attractive---Outperform.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	11/15/2012
Current Price (05/20/13)	$0.38
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	**$0.63**
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)	**$4.6**
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	0.45 E	0.55 E	0.65 E	2.02 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	-$0.11 A	-$0.06 E	-$0.06 E	-$0.05 E	-$0.27 E
2014					-$0.09 E

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

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WHAT'S NEW

PBIO Gets Off To A Good Start

On May 20, PBIO reported its first quarter financial results ended March 31, 2013.

Total revenue for the 1Q13 was $370,737 for the three months ended March 31, 2013 as compared to $305,661 during the three months ended March 31, 2012, an increase of $65,076 or 21%. This increase was due to increased revenues across both of the primary product lines, product revenue and grant revenue.

Revenue from the sale of PCT products and services was $221,569 for the three months ended March 31, 2013 as compared to $164,772 during the three months ended March 31, 2012, an increase of 34.5%. Sales of PCT Instruments and PCT Shredder Kits were $135,939 in the three months ended March 31, 2013 as compared to $94,842 during the same period in the prior year, an increase of approximately 43%.

Grant revenue was $149,168 for the three months ended March 31, 2013, compared to $140,889 in the three months ended March 31, 2012. In February 2013, PBIO began to work on a **Phase I grant** received from the National Institutes of Health (NIH) to help fund the development of a high pressure-based system to improve the extraction of DNA for next generation sequencing platforms. The Company also continued to work on a **Phase II grant** received in October 2011 from the Department of Defense (DOD) to fund the development of a PCT-based system to improve the processing of pathogenic organisms.

The cost of PCT products and services was $104,544 for the three months ended March 31, 2013 compared to $78,194 for the comparable period in 2012. Gross margins were 53% for the period ended March 31, 2013 and March 31, 2012.

Research and development expenditures were $246,458 during the three months ended March 31, 2013 as compared to $271,611 in the same period in 2012. Research and development expenses decreased due to a reduction in spending for outside services and employee related expenses, as compared to the prior year period.

Selling and marketing expenses decreased to $193,900 for the three months ended March 31, 2013 from $238,092 for the comparable period in 2012. This decrease was primarily due to employee related savings from a smaller headcount partially offset by an increase in tradeshow and travel related expenses.

General and administrative costs totaled $550,859 for the three months ended March 31, 2013 as compared to $682,346 for the comparable period in 2012.

Operating loss was $725,024 for the three months ended March 31, 2013 as compared to $964,582 for the comparable period in 2012. The decreased operating loss resulted from higher sales while, at the same time, lower operating expenses.

Net loss to common shareholders was $1,394,090 or $(0.11) per share for 1Q13, as compared to a net loss to common shareholders of $1,087,321 or $(0.14) per share in the three months ended March 31, 2012.

As of March 31, 2013, PBIO held $167,910 in cash. Current cash resources, plus the $175,000 from an existing investor can only enable PBIO to fund normal operations until the end of May 2013.

We are pleased to see that sales have resumed growing in the first quarter of 2013. Total revenue increased 21%, while product and service revenue grew even more at 34.5%. Furthermore, in 1Q12 PBIO reported total revenue that was a 69% increase over 1Q11.

We estimate total revenue to grow 63% to $2.02 million in 2013, first time to reach the mark of $2 million in sales. Product sales will increase 76% to $1.42 million in 2013.

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 35x, 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	Q1	Q2	Q3	Q4	12/12A	Q1	Q2	Q3	Q4	12/13E	12/14E	12/15E
Product/Service Revenue	$0.16	$0.22	$0.30	$0.12	$0.81	$0.22	$0.30	$0.40	$0.50	$1.42	$5.00	$10.50
YOY Growth	*-8.8%*	*17.7%*	*36.8%*	*-31.6%*	*5.4%*	*34.5%*	*33.7%*	*34.3%*	*308.9%*	*75.7%*	*251.7%*	*110.0%*
Grant Revenue	$0.14	$0.10	$0.09	$0.09	$0.43	$0.15	$0.15	$0.15	$0.15	$0.60	$0.50	$0.50
Total Revenues	**$0.31**	**$0.32**	**$0.39**	**$0.22**	**$1.24**	**$0.37**	**$0.45**	**$0.55**	**$0.65**	**$2.02**	**$5.50**	**$11.00**
YOY Growth	*69.2%*	*70.4%*	*39.7%*	*-35.7%*	*25.4%*	*21.3%*	*38.5%*	*40.4%*	*200.9%*	*63.2%*	*172.2%*	*100.0%*
CoGS	$0.1	$0.1	$0.1	$0.1	$0.4	$0.1	$0.1	$0.2	$0.2	$0.6	$1.8	$3.3
Gross Income	**$0.23**	**$0.22**	**$0.28**	**$0.10**	**$0.82**	**$0.27**	**$0.30**	**$0.37**	**$0.44**	**$1.37**	**$3.67**	**$7.74**
Gross Margin	*74.4%*	*66.4%*	*72.2%*	*44.3%*	*66.4%*	*71.8%*	*67.0%*	*67.0%*	*67.0%*	*67.9%*	*66.8%*	*70.4%*
Gross Margin for PCT revenue	*52.5%*	*51.3%*	*63.5%*	*1.6%*	*48.5%*	*52.8%*	*50.5%*	*54.6%*	*57.1%*	*54.3%*	*63.5%*	*69.0%*
R&D	$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	*88.9%*	*78.9%*	*63.3%*	*87.9%*	*78.0%*	*66.5%*	*55.6%*	*45.5%*	*38.5%*	*49.3%*	*25.5%*	*14.5%*
SG&A	$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	*301.1%*	*197.7%*	*184.3%*	*479.3%*	*268.1%*	*200.9%*	*191.1%*	*163.6%*	*153.8%*	*173.4%*	*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
% 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%*
Operating Income	**($1.0)**	**($0.7)**	**($0.7)**	**($1.1)**	**($3.5)**	**($0.7)**	**($0.8)**	**($0.8)**	**($0.8)**	**($3.1)**	**($1.7)**	**$1.1**
Operating Margin	*-315.6%*	*-210.1%*	*-175.3%*	*-523.0%*	*-279.7%*	*-195.6%*	*-179.7%*	*-142.1%*	*-125.3%*	*-154.9%*	*-31.4%*	*10.4%*
Other Net	($0.10)	$0.17	($0.11)	$0.05	$0.01	($0.05)	$0.05	$0.05	$0.05	$0.10	$0.00	$0.00
Pre-Tax Income	**($1.1)**	**($0.5)**	**($0.8)**	**($1.1)**	**($3.5)**	**($0.8)**	**($0.8)**	**($0.7)**	**($0.8)**	**($3.0)**	**($1.7)**	**$1.1**
Pref. stk Div	$0.02	$0.58	$0.13	$0.22	$0.95	$0.61	$0.15	$0.15	$0.15	$1.06	$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
Tax Rate	*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	**($1.1)**	**($1.1)**	**($0.9)**	**($1.3)**	**($4.4)**	**($1.4)**	**($0.9)**	**($0.9)**	**($0.9)**	**($4.1)**	**($1.7)**	**$1.1**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	*-355.7%*	*-335.4%*	*-236.4%*	*-600.6%*	*-355.4%*	*-376.0%*	*-201.9%*	*-160.3%*	*-140.7%*	*-202.8%*	*-31.4%*	*10.4%*
Shares Out	*7.7*	*10.2*	*10.9*	*11.8*	*10.2*	*12.1*	*14.0*	*16.0*	*18.0*	*15.0*	*20.0*	*25.0*
Reported EPS	**($0.14)**	**($0.11)**	**($0.09)**	**($0.11)**	**($0.43)**	**($0.11)**	**($0.06)**	**($0.06)**	**($0.05)**	**($0.27)**	**($0.09)**	**$0.05**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	*$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	**($1.1)**	**($1.3)**	**($0.9)**	**($1.3)**	**($4.6)**	**($1.4)**	**($0.9)**	**($0.9)**	**($0.9)**	**($4.1)**	**($1.7)**	**$1.1**
Non GAAP EPS	**($0.14)**	**($0.12)**	**($0.09)**	**($0.11)**	**($0.45)**	**($0.11)**	**($0.06)**	**($0.06)**	**($0.05)**	**($0.27)**	**($0.09)**	**$0.05**

Source: Company filings and Zacks Investment Research Inc. estimates

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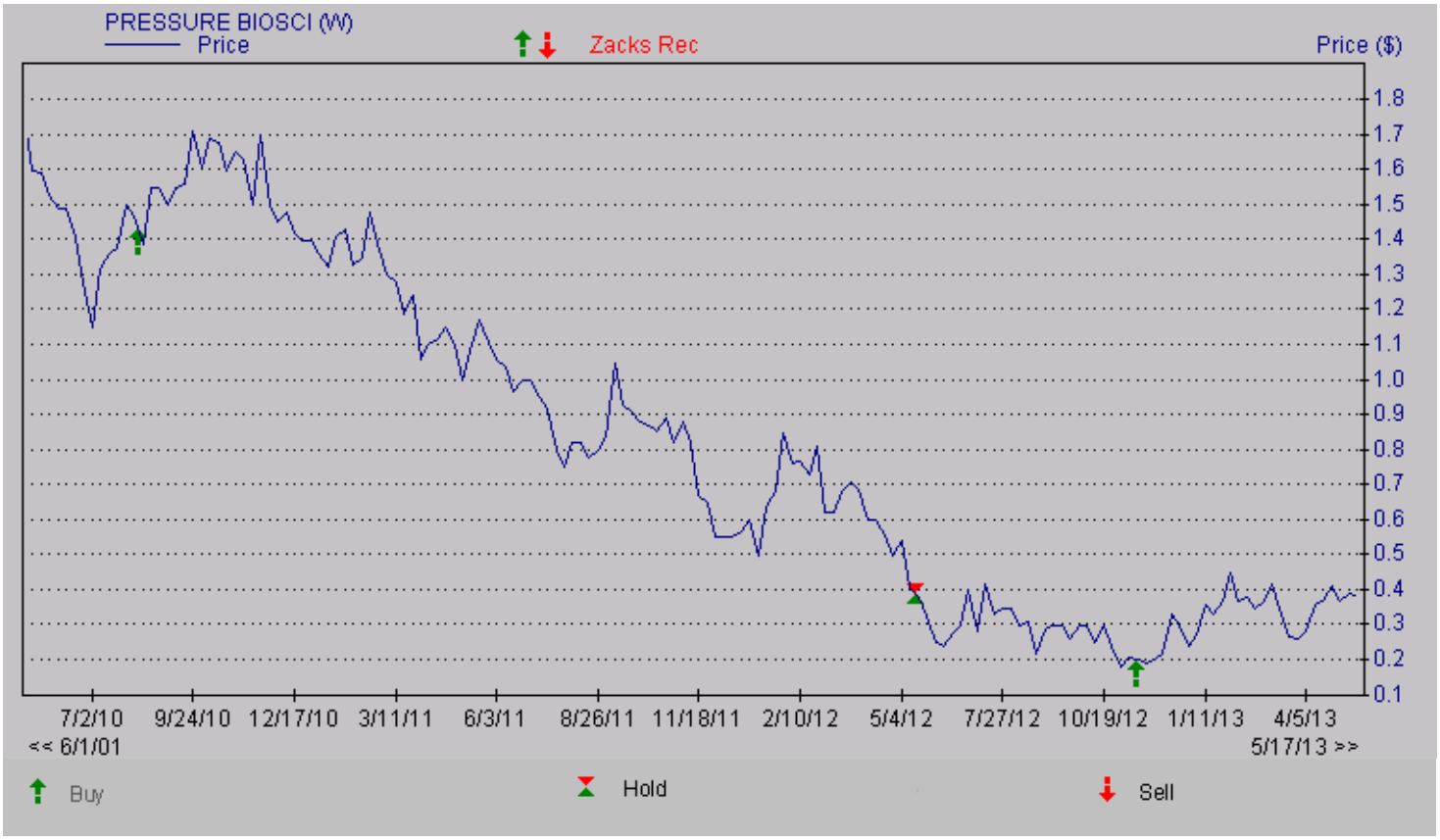
HISTORICAL ZACKS RECOMMENDATIONS



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