Zacks Small-Cap Research

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Brian Marckx, CFA
bmarckx@zacks.com
Ph (312) 265-9474

scr.zacks.com

111 North Canal Street, Chicago, IL 60606

Pharma-Bio Serv (PBSV-OTC)

PBSV: Record Revenue, Net Income. Shares Remain Cheap

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	09/15/2013
Current Price (01/29/14)	$2.05
Target Price	**$4.00**

OUTLOOK

Regularly recognized as one of the top validation companies in Puerto Rico, PBSV is principally engaged in providing compliance consulting to the pharmaceutical industry. Serving customers in the U.S., Europe, and Puerto Rico, PBSV counts many of the pharma "majors" as clients. The company's small size, high levels of expertise in various disciplines and reputation as an eminent life sciences consulting firm has allowed it to adapt to and capitalize on the changing regulatory landscape. This has helped push revenue up 75% in 2011, 47% in 2012 and 13% in 2013. The industry remains ripe for continued growth and PBSV is sitting in the cat-bird's seat ready to take advantage of it. PBSV is generating big net profits, significant cash flow, has a stellar balance sheet, and trades cheap. Despite all their success, mgmt has remained focused on running the business and running it the right way.

SUMMARY DATA

52-Week High	**$2.50**
52-Week Low	**$0.85**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**8,831**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$46**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**26.1**
Earnings Per Share (%)	**67.9**
Dividend (%)	**N/A**
P/E using TTM EPS	**9.8**
P/E using 2014 Estimate	**8.9**
P/E using 2015 Estimate	**8.2**
Zacks Rank	**N/A**

Risk Level	**N/A,**
Type of Stock	**N/A**
Industry	**Consulting**

ZACKS ESTIMATES

Revenue
(in millions)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2013	$7.7 A	$8.3 A	$8.4 A	$8.8 A	$33.1 A
2014	$8.5 E	$9.0 E	$9.2 E	$9.8 E	$36.4 E
2015					$40.0 E
2016					$43.8 E

Earnings per Share

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2013	$0.05 A	$0.06 A	$0.05 A	$0.05 A	$0.21 A
2014	$0.05 E	$0.06 E	$0.06 E	$0.06 E	$0.23 E
2015					$0.25 E
2016					$0.28 E

Zacks Projected EPS Growth Rate - Next 4 Years % **12**

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Fiscal Q4 2013 Results: *Revenue, Income Set Records and Dead-On With Our Estimates…*

PBSV reported financial results for the fiscal fourth quarter and year ending October 31, 2013. Both revenue and net income set all-time annual records.

Q4 revenue and EPS of $8.79M and $0.05 were just about dead-on with our $8.78M and $0.05 estimates. Revenue set a new quarterly record and represented an increase of almost 8% from the $8.17M generated in Q4 2012. Q4 EPS was flat yoy.

For the full year PBSV saw revenue increase just over 13% to $33.1M (from $29.2M in 2012), a new annual record. Net income was also a new annual record at $4.9M, up from $4.7M in 2012. Full-year EPS grew from $0.20 in 2012 to $0.21 in 2013. Gross margins also saw a nice uptick, widening 200 basis points, from 33.8% in 2012 to 35.8% in 2013.

The reason that all of the benefits of the top-line growth and gross margin expansion did not flow through to EPS was (expected) increased spending on business development and operational activities to support increased U.S.-based demand. As we had anticipated, the U.S. market was the area that contributed the majority of the revenue growth throughout 2013.

The company continues to generate significant cash flow and maintains a stellar balance sheet. Cash flow from operating activities was an inflow of $3.0M and $5.6M for the three and twelve month periods ending 10/31/2013. The company exited fiscal 2013 with $12.1M in cash and securities (up from $9.1M at the end of Q3) and remains debt free.

We have made only minor tweaks to our model following fiscal 2013 results. We look for revenue growth of just better than 10% in 2014 and EPS of $0.23.

While the stock price is up over 37% since we initiated coverage of PBSV in September 2013, we feel the shares remain undervalued with significant upside at the current market price. We are maintaining our Outperform rating and $4.00/share price target.

BACKGROUND

Pharma-Bio Serv, Inc (PBSV), headquartered in Dorado, Puerto Rico and with other offices in the U.S., Ireland and Spain, is principally engaged in providing compliance consulting to the pharmaceutical industry including to pharmaceutical, biotech, medical device and chemical manufacturing companies located in Puerto Rico, the United States and Europe. The company has regularly been recognized as one of the top validation companies in Puerto Rico.

Compliance consulting, which encompasses a broad range of services including regulatory (FDA and international regulatory agencies) compliance, validation, technology transfer, and project management, accounts for approximately 93% of the company's revenue. PBSV also provides information technology services and technical training (~2% of total revenue) and the company has a laboratory in Puerto Rico which provides microbiological and chemical testing services (~5% of total revenue). The company employs about 300 people, many of whom are highly-skilled engineers and quality assurance professionals with advanced degrees in their respective fields of expertise. The company counts many of the pharma "majors" as clients. Their clients include eight of the top ten global bio-pharma companies and seven of the top ten global medical technology companies.

PBSV has grown revenues from a combination of organic growth as well as through acquisitions over the last several years. Increasing awareness among many of the major pharma and medical device companies of the company's reputation as an eminent life sciences consulting firm without the relatively high cost of larger competitors has facilitated organic revenue growth. This has been complemented by small acquisitions since 2006 which has expanded the company's service offerings as well as their geographic footprint.

PBSV's small size has also been an asset, allowing the company to be very nimble and to rapidly adapt to regulatory, industry, market and competitive changes, affording the chance to quickly capitalize on new opportunities. When pharmaceutical activity in PBSV's homeland, Puerto Rico, began to stagnate they were able to quickly focus resources elsewhere which held greater opportunities. This meant entering the European market, initially in Ireland and then branching out to Spain. The U.S. market has been a particular boon for the company, accounting for over 40% of the revenue growth from 2010 to 2013.

A major focus for continuing their recent rapid growth (42% revenue CAGR over last three years) is to take their current capabilities and further expand geographically, in particular to areas of the world that hold the most promise - those with a high concentration of life sciences manufacturing and, preferably which are highly regulated. The U.S. market, with ever-increasing demand for compliance consulting services and where PBSV has already demonstrated early success, is likely where the bulk of the near-to-mid term growth opportunity lies for the company.

Focus Is Running The Biz With Integrity, Not On Investor Relations…
PBSV is somewhat of a rare-bird in terms of their lack investor-awareness activities and borderline shyness of the investment community. There's little question that management's focus is well directed given the company's double-digit revenue growth, double-digit net margins and a rock-solid balance sheet. PBSV's leadership has also placed significant importance on high ethics, integrity, honesty and values - which while maybe not explicitly shown in the income statement columns, almost certainly has contributed to the company's financial performance (via customer retention, repeat business, employee satisfaction, etc). Comb through the corporate website and, based on the amount of space dedicated to ethics, morals, trust and integrity versus that dedicated towards investor relations, it offers a glimpse of where management's priorities lie. Trust, honesty and integrity are characteristics not always present with micro-cap company managements and, coupled with PBSV's impressive financial performance and prospects for continued growth, offers what we believe is a very attractive investment.

PBSV also enjoys a lower tax rate than if they were domiciled in the U.S. As a result of a tax grant awarded PBSV by the government of Puerto Rico, the company is partially exempt from various taxes including Puerto Rico income tax.

Management's efforts have been rewarded with recognition from customers and other industry organizations, which have included;

> **Puerto Rico Ernst & Young Entrepreneur of the Year 2003 for the Health Services Category**

> **Casiano Communications: Puerto Rico's Leading Validation Co. Ranking #1 (2003,'04,'05,'06 & '07)**

> **20 Best Employers of PR 2006: Price Waterhouse**

> **2007 People to Watch: Caribbean Business**

> **2007 Top Puerto Rico Validation Company: Caribbean Business**

> **Johnson & Johnson: Service Partner of the Year 2008**

> **Johnson & Johnson: Consulting Labor and Professional Services Partner of the Year 2008, 2009**

> **Federal Minority Business Enterprise Center (MBEC) with the Exporter of the Year Award 2009**

SERVICES

PBSV's core business is FDA and international agencies regulatory compliance and related services, although they also offer other integrated services that affords them the ability to be a full-service solution provider.

The vast majority of the company's services are provided through time and materials contracts where clients are charged for the time, materials and expenses incurred on a particular project or service. Time and material contracts, which account for approximately 94% of the company's revenue, have somewhat of a built-in margin to PBSV.

Laboratory testing, which is usually completed and certified within days of sample receipt, represents about 5% of total revenue.

Compliance Consulting
PBSV has over 20 years of compliance consulting experience. Their consulting business caters to some of the largest life sciences organizations in the world including eight of the top ten pharmaceutical companies and seven of the top ten medical technology companies. The company believes their competitive advantages relative to compliance consulting include their two decades of experience, ability to offer a wide range and depth of services with very high levels of expertise, accomplished track record of exceptional performance that consistently meets or exceeds client's expectations, and being able to provide their services at a significantly lower cost. PBSV also puts considerable effort into maintaining close and trusting relationships with their client companies, which provides clear benefits in terms of repeat business. Compliance consulting services accounts for approximately 93% of the company's total revenue.

PBSV's compliance consulting spans a large menu of services under a variety categories.

Scienza Labs
Per the company's website and company filings, Scienza Labs is a state of the art microbiological testing facility with the latest equipment and technology and test methodologies available, harmonized with the current pharmacopeias. The labs are designed to exceed customers' expectations with an excellent organization, on time delivery, and shorter testing cycle times. The lab provides services to the company's core industry (life sciences) as well as to the cosmetic and food industries. Microbiology and chemical testing services accounts for approximately 5% of the company's total revenue.

> **State of the Art New Facilities with fully Validated Equipment**

> **FDA Registered and compliant with current regulations. Inspected by SJ District Office with zero observations**

> **ISO 9001:2008 Certified**

> **Certified Minority Controlled Company**

> **Excellent Organization**

> **On-Site Pick-up 24 hours a day / 7 days a week**

> **On time delivery**



SOURCE: pharmabioserv.com

Integratek
Per the company's website and company filings, Integratek, their Puerto Rico based information technology services and consulting division, provides a variety of information technology services such as web pages and portals development, digital art design, intranets, extranets, software development including database integration, Windows and web applications development, software technical training and learning management systems, technology project management, and compliance consulting services, among others. Integratek is a Microsoft Certified Partner and a reseller for technology products from leading vendors in the market. IT services and the company's Pharma Serv Academy (technical training) account for approximately 2% of PBSV's total revenue.

> **Application Development / Systems Integration**
> **Art Design / Web Pages and Portals**
> **Document Digitalization / Process Automation**
> **Networking / Help Desk / Virtualization**
> **E-Learning / Learning Mngmt Systems / Classroom & Webinar Courses**
> **Mobile Application Development**
> **Computer System Validation**
> **Project Management**
> **Systems Integration**
> **Temporary Staffing Services**

Pharma Serv Academy
Pharma Serv Academy (per company filings and website), through a network of leading industry professional experts in their field, including those from PBSV, provides technical seminars/training that incorporate the latest regulatory trends and standards as well as other related areas. These services are provided in the markets that PBSV currently serves, as well as other industries.

> **Project Management**
> **Risk Management Program**
> **Regulatory Guidance Documents**
> **Regulatory Enforcement**
> **ICH Guidelines for Product Life Cycle**
> **Computer Systems**
> **Lean Six Sigma / Process Excellence and Continuous Improvement Series**
> **Validation Courses**
> **Safety**
> **cGMPs**
> **Microbiology**
> **Quality Systems**
> **Other Seminars**

FINANCIAL CONDITION / FINANCIAL PERFORMANCE

Solid, Spotless Balance Sheet and Significant Positive Cash Flow
PBSV maintains a stellar balance sheet, which is particularly impressive for a micro-cap company. At the most recent quarter-end (October 31, 2013) cash balance stood at $12.1 million, up from $9.1 million at the previous quarter-end (July 31, 2013). The company has zero debt, zero preferred stock, and just 25 million fully-diluted common shares outstanding. Quality of assets appears to be strong with an immaterial amount of intangibles, cash and securities accounting for about 57% of total assets, and no indication that all of A/R is anything other than collectible.

PBSV also has a history of positive cash flow generation. Cash flow from operating activities was $2.1 million in fiscal 2011, $2.5 million in fiscal 2012 and was $5.6 million in fiscal 2013. The business is also not very capital intensive, with CapEx of just $123k in 2011, $169k in 2012 and $205k in 2013.

Impressive Performance: Revenue Grows 76% in 2011, 47% in 2012, 13% in 2013 and Mid-Teen Net Margins

PBSV has grown revenues from $11.4 million in fiscal 2010 to $19.9 million (+76%) in 2011 to $29.2 million (+47%) in 2012 and to $33.0 million (+13%) in 2013. Almost all of this revenue growth is organic, with little contribution from any acquisitions over these periods.

The company points to a few factors that have attributed to this impressive revenue growth including some contraction in the pharmaceutical industry which has eliminated some competition as well as recent regulatory changes that have increased demand for their services. As we indicated earlier, PBSV's relatively small size coupled with their high levels of expertise in various disciplines allows them to quickly shift resources when opportunities present themselves and to capitalize on changes within the regulatory environment and the industry. This appears to have been a significant benefit to PBSV over the recent past.

The company has done an excellent job with not just growing revenue but also with keeping expenses in check. The combination has resulted in EPS growing from $0.02 in fiscal 2010 to $0.14 in 2011 to $0.20 in 2012 and $0.21 in 2013.

Beneficial Income Tax Status…

One somewhat unique advantage that PBSV enjoys and helps maximize the amount of revenue that flows to the bottom line is that they are subject to a lower than normal statutory Puerto Rico income tax rate. In June 2011 the company obtained a Grant of Industrial Tax Exemption from the Puerto Rico Industrial Development Company. The grant was effective November 2009. The grant provides relief on various Puerto Rico taxes, including income tax, with certain limitations, for most of the activities carried on within Puerto Rico, including those that are for services to parties located outside of Puerto Rico. The grant, which is effective through 2024, significantly reduces PBSV's Puerto Rico income tax liability from what would have been a tax rate of 30% to what was an effective rate of 5.5% in fiscal 2011, 5.4% in 2012 and 4% in fiscal 2013 (and should remain at 4% until expiration).

This grant only covers operations in Puerto Rico. Operations carried out in the United States are taxed at a maximum regular federal income tax rate of 35%.

PBSV's total effective tax rate in 2012 and 2013 were 18.6% and 19.3% which is significantly favorable relative to the 35% U.S. federal statutory rate and PBSV's 2010 effective rate of 40.1% (which was prior to obtaining the grant).

United States federal statutory rate	35.0%	35.0%
Non United States earnings invested indefinitely, and Puerto Rico Act 73 Tax Grant effect	(15.7)%	(17.0)%
Other, net	-%	0.6%
Effective tax rate	19.3%	18.6%

OUTLOOK

The company is in the process of making a more deliberate effort to communicate with the investing public which we expect will provide more insight into the current status of operations and their near-term plans for continued growth. We also think it will confirm that management's lack of investor-awareness activities had everything to do with them spending their energies focused on running the company and running it in the right way, something that we think speaks highly of where their priorities lie and which should provide investors comfort.

Our current financial model, which is subject change, is largely based on recent trends along with some very general "guidance" that the company has publicly disclosed. This guidance includes that the bulk of PBSV's near-term growth opportunity lies with the U.S. market, that growth in Puerto Rico will likely be limited for the foreseeable future and that growth in Europe, while having meaningful potential over the longer-term, may be constrained for a period of time due to the widespread economic weakness.

Our modeled revenue growth (10% 2014, 10% 2015, 9.5% 2016) is arguably conservative given PBSV's recent historical financial performance (revenue growth of 76% 2011, 47% 2012, 13% in 2013). We reiterate that our estimates are subject to change. The majority of our modeled revenue growth is driven by growth in the U.S., with Puerto Rico revenue growth relatively flat to barely positive, and European revenue starting to pick up more meaningfully towards the 2015 - 2016 timeframe. We have incorporated only modest expansion in gross margin from current levels - which is also potentially conservative. During 2013 the company intentionally dedicated more resources towards beefing up their U.S. related capabilities in order to meet the anticipated increase in demand, which resulted in SG&A spend materially increasing during the year. We look for SG&A spend to remain higher (on an absolute basis) in the current year compared to 2013 but for the company to start to see some leverage from SG&A on a % of sales basis in 2014.

With U.S. revenue increasing as a % of total sales and Puerto Rico revenue remaining relatively flat, the benefit from the low Puerto Rico income tax rate will be lessened. As a result, we model the effective tax rate to increase throughout our modeled periods.

Valuation / Recommendation

Based on our model we look for EPS to grow at a four-year CAGR of about 12% through 2017. We use an industry PE/G ratio of 1.4x to value PBSV. We look for 2014 EPS of $0.23 which values the company at approximately $4.00/share. The stock currently trades at about $2.05, indicating the shares are trading cheaper than fair value. As such we recommend accumulating up to our $4.00 price target. We are maintaining our Outperform rating.

FINANCIAL MODEL

Pharma-Bio Serv, Inc

	2013 A	Q1E	Q2E	Q3E	Q4E	2014 E	2015 E	2016 E	2017 E
Puerto Rico Consulting	$15,833.2	$3,892.2	$4,007.0	$4,194.9	$4,375.7	$16,469.9	$16,964.0	$17,557.7	$18,277.6
YOY Growth	*4.1%*	*9.8%*	*5.5%*	*2.5%*	*-0.5%*	*4.0%*	*3.0%*	*3.5%*	*4.1%*
% of total sales	47.9%	45.7%	44.8%	45.5%	44.8%	45.2%	42.4%	40.1%	38.3%
U.S. Consulting	$11,334.1	$3,217.2	$3,376.6	$3,490.5	$3,807.3	$13,891.5	$16,280.9	$18,592.8	$20,861.1
YOY Growth	*23.7%*	*17.0%*	*18.0%*	*27.0%*	*28.0%*	*22.6%*	*17.2%*	*14.2%*	*12.2%*
% of total sales	34.3%	37.8%	37.7%	37.9%	39.0%	38.1%	40.7%	42.4%	43.7%
Europe Consulting	$3,596.6	$932.6	$914.4	$960.6	$1,055.3	$3,862.8	$4,249.1	$4,776.0	$5,377.8
YOY Growth	*12.0%*	*9.1%*	*7.7%*	*6.5%*	*6.5%*	*7.4%*	*10.0%*	*12.4%*	*12.6%*
% of total sales	10.9%	10.9%	10.2%	10.4%	10.8%	10.6%	10.6%	10.9%	11.3%
Lab (microbiological & chemical testing)	$1,866.9	$381.3	$545.5	$461.9	$427.1	$1,815.8	$2,079.1	$2,345.2	$2,617.2
YOY Growth	*117.6%*	*4.0%*	*-15.0%*	*-12.0%*	*28.0%*	*-2.7%*	*14.5%*	*12.8%*	*11.6%*
% of total sales	5.6%	4.5%	6.1%	5.0%	4.4%	5.0%	5.2%	5.4%	5.5%
Other segments	$431.1	$94.2	$107.4	$101.9	$98.0	$401.5	$461.7	$563.3	$637.1
YOY Growth	*-45.0%*	*-32.0%*	*2.0%*	*6.4%*	*7.1%*	*-6.9%*	*15.0%*	*22.0%*	*13.1%*
% of total sales	1.3%	1.1%	1.2%	1.1%	1.0%	1.1%	1.2%	1.3%	1.3%
Total Revenues	$33,062.0	$8,517.4	$8,950.9	$9,209.9	$9,763.4	$36,441.5	$40,034.8	$43,835.0	$47,770.8
YOY Growth	*13.1%*	*11.3%*	*8.4%*	*10.1%*	*11.1%*	*10.2%*	*9.9%*	*9.5%*	*9.0%*
Cost of Services	$21,228.6	$5,578.9	$5,567.5	$5,866.7	$6,199.7	$23,212.8	$25,422.1	$27,747.5	$30,143.4
Gross Income	$11,833.5	$2,938.5	$3,383.4	$3,343.2	$3,563.6	$13,228.8	$14,612.7	$16,087.4	$17,627.4
Gross Margin	*35.8%*	*34.5%*	*37.8%*	*36.3%*	*36.5%*	*36.3%*	*36.5%*	*36.7%*	*36.9%*
SG&A	$5,761.7	$1,439.4	$1,512.7	$1,556.5	$1,650.0	$6,158.6	$6,485.6	$6,662.9	$7,070.1
% SG&A	*17.4%*	*16.9%*	*16.9%*	*16.9%*	*16.9%*	*16.9%*	*16.2%*	*15.2%*	*14.8%*
Operating Income	$6,071.7	$1,499.1	$1,870.7	$1,786.7	$1,913.6	$7,070.1	$8,127.1	$9,424.5	$10,557.3
Operating Margin	*18.4%*	*17.6%*	*20.9%*	*19.4%*	*19.6%*	*19.4%*	*20.3%*	*21.5%*	*22.1%*
Total Other Income (Expense)	$4.6	$1.5	$1.5	$1.5	$1.5	$6.0	$8.0	$12.0	$15.0
Pre-Tax Income	$6,076.3	$1,500.6	$1,872.2	$1,788.2	$1,915.1	$7,076.1	$8,135.1	$9,436.5	$10,572.3
Tax expense (benefit)	$1,169.8	$286.6	$361.3	$348.7	$402.2	$1,398.8	$1,903.6	$2,245.9	$2,569.1
Tax Rate	*19.3%*	*19.1%*	*19.3%*	*19.5%*	*21.0%*	*19.8%*	*23.4%*	*23.8%*	*24.3%*
Net Income	$4,906.5	$1,213.9	$1,510.9	$1,439.5	$1,512.9	$5,677.3	$6,231.5	$7,190.6	$8,003.3
YOY Growth	*4.7%*	*15.3%*	*8.9%*	*15.5%*	*24.1%*	*15.7%*	*9.8%*	*15.4%*	*11.3%*
Net Margin	*14.8%*	*14.3%*	*16.9%*	*15.6%*	*15.5%*	*15.6%*	*15.6%*	*16.4%*	*16.8%*
EPS	$0.21	$0.05	$0.06	$0.06	$0.06	$0.23	$0.25	$0.28	$0.32
YOY Growth	*1.5%*	*4.7%*	*1.3%*	*7.3%*	*24.0%*	*9.0%*	*9.6%*	*14.7%*	*11.1%*
Diluted Shares O/S	23,660	25,119	25,120	25,125	25,130	25,124	25,150	25,300	25,350

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BALANCE SHEET

	October 31, 2013	October 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,046	$ 6,538
Marketable Securities	71	95
Accounts Receivable	7,404	7,580
Other	768	383
Total current assets	20,289	14,596
Property and equipment, net	976	1,113
Other assets	17	26
Total assets	$ 21,282	$ 15,735
LIABILITIES		
Current liabilities:		
Current portion-obligations under capital lease	$ 32	$ 39
Accounts payable and accrued expenses	28.25.5	2,562
Income taxes payable	323	174
Total current liabilities	3,180	2,776
Obligations under capital leases	52	84
Total liabilites	3,232	2,859
STOCKHOLDERS' EQUITY		
Preferred Stock	-	-
Common stock	2	2
Additional paid-in capital	931	678
Retained earnings	17,193	12,287
Accumulated other comprehensive loss	(77)	(91)
Total stockholders' equity	18,050	12,876
Total liabilities and stockholders' equity	$ 21,282	$ 15,735

CASH FLOW STATEMENT

	Three months October 31, 2013	2012
Cash flows from operating activities:		
Net income	$ 4,906	$ 4,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposition of P&E	(1)	(18)
Stock-based compensation	53	24
Depreciation and amortization	345	322
Changes in operating assets and liabilities:		
Accounts receivable	428	(2,735)
Other assets	(384)	(50)
Liabilities	280	231
Net cash provided by operating activities	5,627	2,459
Cash flows from investing activities:		
Acquisition of P&E	(219)	(187)
Proceeds from disposition of P&E	14	19
Net cash used in investing activities	(205)	(169)
Cash flows from financing activities:		
Proceeds from common stock issuance	110	-
Payments on obligations under capital lease	(39)	(33)
Net cash provided by (used in) financing activities	70	(33)
Effect of exchange rate changes on cash	16	(36)
Net increase (decrease) in cash and cash equivalents	5,508	2,221
Cash and cash equivalents, beginning of period	6,538	4,317
Cash and cash equivalents, end of period	$ 12,046	$ 6,538

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Elizabeth Plaza

Senior Strategic Consultant

Elizabeth Plaza had been our President and Chief Executive Officer since January 25, 2006. Effective January 1, 2013, she stepped down as President and Chief Executive Officer and assumed a new role as Senior Strategic Consultant to the Company for a term of one year, though she continues to serve as the Company's Chairman. Ms. Plaza holds a B.S. in Pharmaceutical Sciences, magna cum laude, from the School of Pharmacy of the University of Puerto Rico. She was a 40 under 40 Caribbean Business Award recipient in 2002, the 2003 recipient of Ernst & Young's Entrepreneur of the Year Award in Health Science, one of the 2003 recipients of the Puerto Rico Powerful Business Women Award, elected as Puerto Rico Manufacturers Association 2004 (Metropolitan-West Region) Executive of the Year, and Puerto Rico 2008 Executive of the Year. She is member of the US Department of Commerce National Advisory Council on Minority Business Enterprise and Puerto Rico Manufacturers Association Board of Directors.

Nélida Plaza

President and Chief Executive Officer

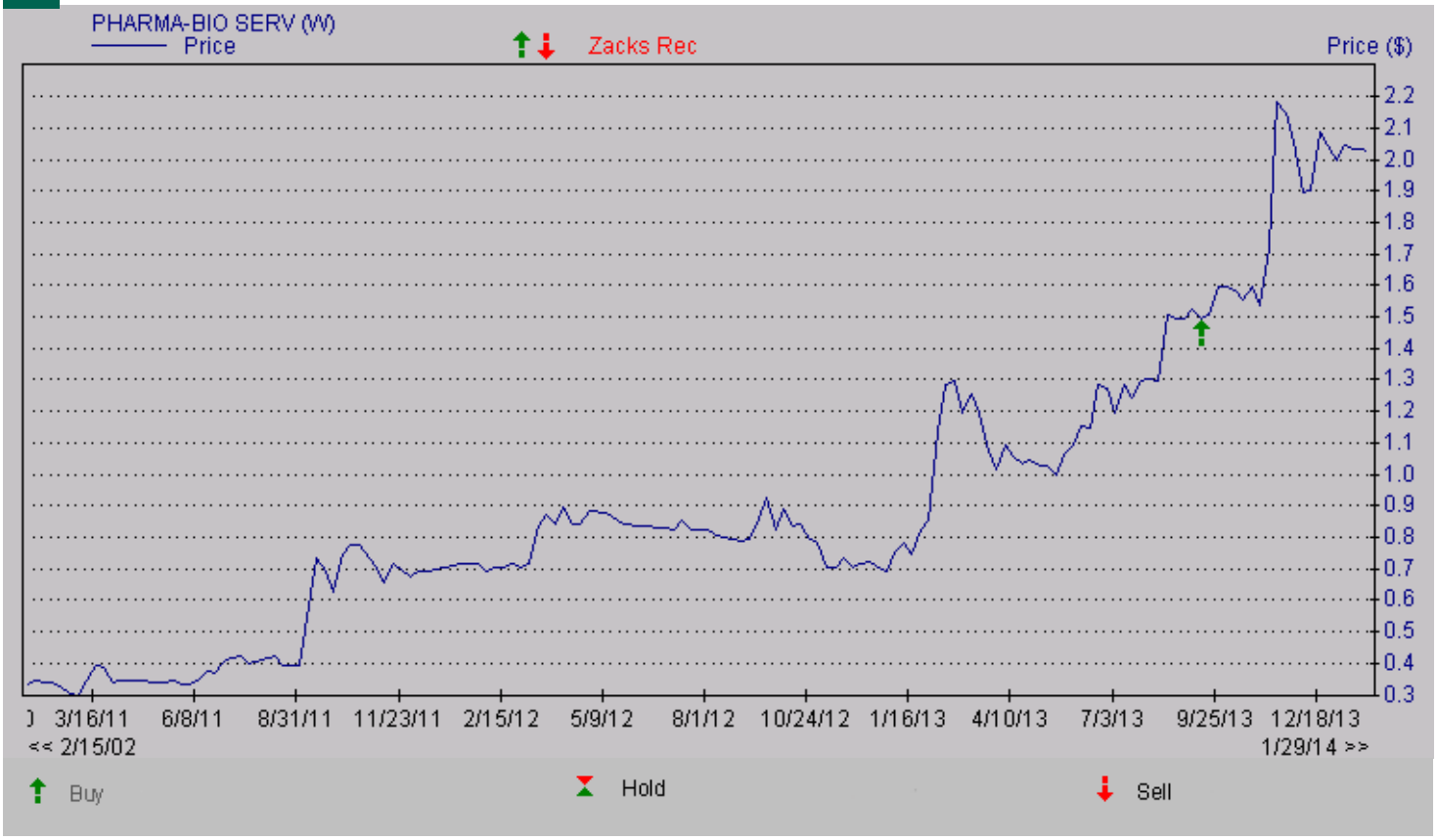
Nélida Plaza has served as our Acting President and Chief Executive Officer since January 1, 2013. She has also served as the Vice President of Operations of Pharma-PR since January 2004, our Secretary since January 25, 2006, and our President of Puerto Rico Operations since December 31, 2009, in charge of Scienza Labs, Pharma Academy and Pharma-PR. Ms. Plaza served as our Vice President from January 25, 2006 to December 31, 2009. In July 2000, Ms. Plaza joined Pharma-PR as a project management consultant. In the past, Ms. Plaza was a Unit Operations Leader and Safety Manager at E.I. DuPont De Nemours where she was in charge of all manufacturing operations and was involved with the development, support and audit of environmental, safety and occupational health programs. Ms. Plaza holds a M.S. in Environmental Management from the University of Houston in Clear Lake and a B.S. in Chemical Engineering from the University of Puerto Rico. Nélida Plaza was recognized by Casiano Communications as one of the 40 under 40 distinguished executives in Puerto Rico.

Pedro J. Lasanta

Chief Financial Officer and Vice President - finance and administration

Pedro J. Lasanta has served as our Chief Financial Officer and Vice President - finance and administration since November 2007. From 2006 until October 2007, Mr. Lasanta was in private practice as an accountant, tax and business counselor. From 1999 until 2006, Mr. Lasanta was the Chief Financial Officer for Pearle Vision Center PR, Inc. In the past, Mr. Lasanta was also an audit manager for Ernst & Young, formerly Arthur Young & Company. He is a cum laude graduate in business administration (accounting) from the University of Puerto Rico. Mr. Lasanta is a Certified Public Accountant. In 2012, he was awarded the Puerto Rico Manufacturers Association (North Region) Service Manager of the Year.

HISTORICAL ZACKS RECOMMENDATIONS



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Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.6%, Hold/Neutral- 77.3%, Sell/Underperform – 5.5%. Data is as of midnight on the business day immediately prior to this publication.