

## Pressure Biosciences (PBIO-OTC)

### PBIO: Zacks Company Report

**PBIO:** revenue increased in 1Q16, great achievements in PIPE financing, partnership with SCIEX will enhance product sales, valuation very attractive

Current Price (06/07/16) \$0.40  
Valuation **\$2.00**

### OUTLOOK

PBIO is a research products and services provider for the life science industry. We are impressed with and optimistic about the Company's novel, enabling platform technology PCT which has competitive advantages over existing technologies in the sample preparation market. PCT is increasingly gaining recognition by research labs.

PBIO recently boosted its balance sheet through PIPE financing, and we expect to see significant revenue growth in 2016 and beyond.

We continue to be bullish on PBIO shares.

### SUMMARY DATA

52-Week High \$0.54  
52-Week Low \$0.21  
One-Year Return (%) 38.07  
Beta 1.42  
Average Daily Volume (sh) 114,782

Shares Outstanding (mil) 28  
Market Capitalization (\$mil) \$11  
Short Interest Ratio (days) N/A  
Institutional Ownership (%) N/A  
Insider Ownership (%) N/A

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	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2014	0.40 A	0.31 A	0.37 A	0.29 A	1.37 A
2015	0.44 A	0.41 A	0.58 A	0.36 A	1.80 A
2016	0.51 A	0.54 E	0.61 E	0.86 E	2.52 E
2017					10.25 E

#### Earnings per Share

(EPS is operating earnings before non-recurring items)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2014	-\$0.19 A	-\$0.05 A	-\$0.07 A	-\$0.09 A	-\$0.39 A
2015	-\$0.11 A	-\$0.07 A	-\$0.03 A	-\$0.14 A	-\$0.36 A
2016	-\$0.05 A	-\$0.04 E	-\$0.04 E	-\$0.04 E	-\$0.16 E
2017					\$0.02 E

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

## WHAT'S NEW

### *Update on First Quarter 2016 Financials*

Total revenue for 1Q16 was \$0.51 million, as compared to \$0.44 million during the three months ended March 31, 2015, an increase of 16%. This increase was attributable to increased sales of products and services.

Revenue from the sale of products and services increased 26% to \$0.45 million for the three months ended March 31, 2016 as compared to \$0.36 million during the three months ended March 31, 2015. This increase was primarily attributable to an increase in the sale of pressure-based instrument systems. Sales of consumables also increased for the three months ended March 31, 2016 to \$44,234 compared to \$39,835 during the same period in the prior year, an increase of 11%.

Grant revenue for 1Q16 was \$56,128 compared to grant revenue of \$80,770 in the comparable period in 2015. Work on the \$1.05 million NIH grant decreased during the first quarter as the company needed to wait for certain significant parts to be manufactured. These parts are expected to be received during the second quarter of 2016, which should result in an increase in grant work beginning in the third quarter of the 2016 calendar year.

The cost of products and services for 1Q16 was \$0.22 million, compared to \$0.19 million for the comparable period in 2015. Gross profit margin on products and services was 51% for the three months ended March 31, 2016, as compared to 47% for the prior period.

R&D expenditures were \$0.34 million for 1Q16, as compared to \$0.23 million in the same period in 2015.

Selling and marketing expenses increased to \$0.19 million for 1Q16, as compared to \$0.17 million for the comparable period in 2015.

G&A costs totaled \$0.81 million for the three months ended March 31, 2016 as compared to \$0.73 million for the comparable period in 2015.

Operating loss was \$1.0 million for 1Q16, as compared to \$0.87 million for the comparable period in 2015.

Net loss for 1Q16 was \$5.9 million (\$0.26 per share), as compared to a net loss of \$2.1 million (\$0.11 per share) in the three months ended March 31, 2015.

As of March 31, 2016, PBIO held \$93,387 in cash and cash equivalents.

### *Great Achievements in PIPE Financing*

On April 7, 2016, announced the receipt of \$769,667 in the final close of its \$5 Million PIPE Financing. This final closing increased the total raised in the Offering to \$6,329,667, an amount substantially above the Company's goal of \$5 Million. The Company netted \$719,049 in cash from the final close and \$5,101,049 in cash from the total Offering.

Pursuant to the terms of the Offering, the Company issued to the investors, senior secured convertible debentures with a fixed conversion price of \$0.28 per restricted common share, and common stock purchase warrants exercisable into shares of restricted common stock at an exercise price of \$0.40 per share. The Company is under no obligation to file a registration statement to register the shares underlying the Debentures and Warrants.

As a result of the PIPE financing, the company

- successfully eliminated 100% of its variable rate (floorless) convertible debt,

- developed the new Barocycler NEP2320 Extreme, designed specifically for use in mass spectrometry sample preparation, including PCT-SWATH;
- supported new marketing initiatives to potential customers worldwide (which have already begun to show positive results through increased requests for instrument/consumable information and quotations);
- supported multiple scientific collaborators, many of whom are considered Key Opinion Leaders, whose studies readily highlight the advantages of the PCT platform to potential customers worldwide, and
- strongly supported the recently announced co-marketing agreement with SCIEX, a leader in life sciences analytical technologies worldwide.

### ***PBIO and SCIEX Team Up Together to Improve Protein Quantitation in Complex Samples***

On January 12, 2016, PBIO and SCIEX, a global leader in life science analytical technologies, announced an exclusive co-marketing agreement.

Pursuant to the agreement, PBIO and SCIEX will jointly promote PCT-based sample preparation systems such as PCT-HD from PBIO with SWATH® Acquisition based next-generation proteomics, Triple proteomics, TripleTOF® Systems, QTRAP® Systems, and Triple Quad Systems from SCIEX.

This agreement will position the two companies to address a major challenge in complex sample preparation by marketing a complete solution to increase the depth, breadth, and reproducibility of protein extraction, digestion and quantitation in all tissue types, including challenging samples like tumors.

PCT-HD was developed by PBIO. When combined with SCIEX's SWATH-Mass Spectrometry – with a resulting name of PCT-SWATH, this unique protocol can yield proteome analysis results within 12 hours from the start of processing tissue, much faster than current methods. The net result is more comprehensive protein quantitation from complex samples, increased productivity and higher quality results.

SCIEX is one of the six major mass spectrometry suppliers in the world. They are owned by Danaher Corp with \$60 billion in market cap. SCIEX holds the largest market share in the mass spec field for proteomics.

SCIEX enables scientists and laboratory analysts to find answers to the complex analytical challenges they face. The company's global leadership and world-class service and support in the capillary electrophoresis and liquid chromatography-mass spectrometry industry have made it a trusted partner to thousands of the scientists and lab analysts worldwide who are focused on basic research, drug discovery and development, food and environmental testing, forensics and clinical research.

### ***We Expect Significant Revenue Growth in 2016***

With the significantly improved balance sheet and expanded sales and marketing capabilities, as well as the newly established multi-national co-marketing partner SCIEX, we continue to believe revenue will grow significantly in 2016 and beyond. Specifically, we believe total revenue for 2016 will surpass the \$2.0 million mark.

These increases will be driven by sales from both existing and new products (instruments and consumables), from the Company's expanding distribution network, and from the additional sales and marketing personnel the company is committed to hire.

### ***We Continue to be Bullish on PBIO Shares***

We continue to be optimistic about the prospect of PBIO and our fair value indicates a share price at \$2.00 per share.

In terms of valuation, we think P BIO shares are undervalued based on the Company's fundamentals. Currently, the Company trades around \$0.40 per share with a market cap of \$10.0 million based on 28 million outstanding shares. We believe this deeply undervalues the Company based on the current fundamentals we discussed 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. However, when we look at the Company and the industry in which it operates in detail, we realize that P BIO is a company with huge opportunity and one that can grow its revenue and earnings at a tremendous rate in the next few years.

P BIO 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 even more optimistic about the Company's prospect than ever. 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 products and services revenue will grow at a compound annual growth rate (CAGR) of 75% in the next five fiscal years from 2015 to 2019. P BIO will become profitable in fiscal 2018 with an EPS of \$0.04.

We think P BIO is more like a development stage biotech company. We use a 30x P/E ratio, multiplied by the EPS of \$0.18 in 2019, and discount at 25% for 3 years. Then we come up with our price target of \$2.00 per share.

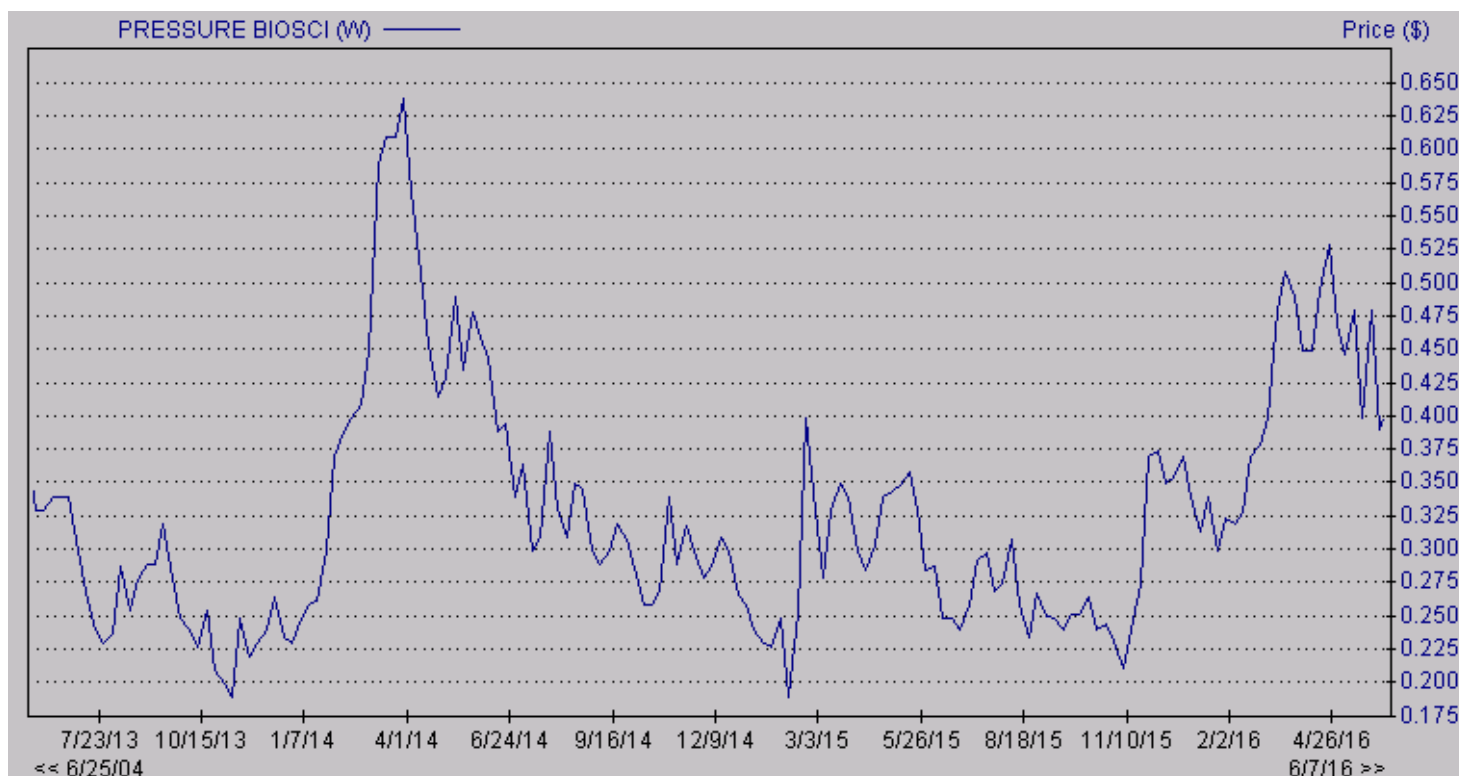
Our price target values the company at \$56 million in market cap. This valuation is still very conservative in our view. As long as the Company can execute on its growth strategy correctly, we believe this goal is achievable. Patient investors will get rewarded.

## PROJECTED INCOME STATEMENT

\$ in million except per share data	12/14A	Q1	Q2	Q3	Q4	12/15A	Q1	Q2	Q3	Q4	12/16E	12/17E	12/18E	12/19E
<i>Product/Service Revenue</i>	\$1.35	\$0.36	\$0.33	\$0.48	\$0.24	\$1.41	\$0.45	\$0.48	\$0.55	\$0.80	\$2.28	\$10.00	\$15.00	\$22.00
<i>YOY Growth</i>	29.0%	-11.1%	8.5%	29.2%	-11.4%	4.4%	26.4%	43.9%	14.2%	239.6%	62.0%	337.8%	50.0%	46.7%
<i>Grant Revenue</i>	\$0.02	\$0.08	\$0.08	\$0.10	\$0.13	\$0.39	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24	\$0.25	\$0.25	\$0.25
<b>Total Revenues</b>	<b>\$1.37</b>	<b>\$0.44</b>	<b>\$0.41</b>	<b>\$0.58</b>	<b>\$0.36</b>	<b>\$1.80</b>	<b>\$0.51</b>	<b>\$0.54</b>	<b>\$0.61</b>	<b>\$0.86</b>	<b>\$2.52</b>	<b>\$10.25</b>	<b>\$15.25</b>	<b>\$22.25</b>
<i>YOY Growth</i>	-8.6%	8.9%	34.4%	55.8%	25.3%	30.8%	16.0%	30.7%	5.1%	136.2%	40.2%	306.7%	48.8%	45.9%
<i>CoGS</i>	\$0.7	\$0.2	\$0.2	\$0.2	\$0.0	\$0.6	\$0.2	\$0.2	\$0.3	\$0.4	\$1.1	\$4.9	\$7.3	\$10.7
<b>Gross Income</b>	<b>\$0.72</b>	<b>\$0.25</b>	<b>\$0.24</b>	<b>\$0.37</b>	<b>\$0.33</b>	<b>\$1.23</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$0.34</b>	<b>\$0.47</b>	<b>\$1.41</b>	<b>\$5.37</b>	<b>\$7.93</b>	<b>\$11.52</b>
<i>Gross Margin</i>	52.5%	56.7%	57.6%	63.8%	90.9%	68.6%	56.6%	56.6%	56.0%	54.6%	55.8%	52.4%	52.0%	51.8%
<i>Gross Margin for PCT revenue</i>	51.7%	46.9%	47.5%	56.4%	85.9%	60.0%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%
<i>R&amp;D</i>	\$1.0	\$0.2	\$0.3	\$0.4	\$0.2	\$1.1	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2	\$1.6	\$1.8	\$2.0
<i>% R&amp;D</i>	69.3%	52.7%	70.5%	61.3%	62.2%	61.5%	65.7%	55.6%	49.2%	34.9%	49.0%	15.6%	11.8%	9.0%
<i>SG&amp;A</i>	\$3.1	\$0.9	\$1.0	\$0.7	\$1.0	\$3.6	\$1.0	\$1.0	\$1.1	\$1.2	\$4.3	\$4.2	\$4.8	\$5.2
<i>% SG&amp;A</i>	226.1%	202.7%	244.6%	121.6%	285.7%	203.0%	195.8%	185.2%	180.3%	139.5%	170.6%	41.0%	31.5%	23.4%
<i>Other</i>	\$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	\$0.0
<i>% Other</i>	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%	0.0%
<b>Operating Income</b>	<b>(\$3.3)</b>	<b>(\$0.9)</b>	<b>(\$1.1)</b>	<b>(\$0.7)</b>	<b>(\$0.9)</b>	<b>(\$3.5)</b>	<b>(\$1.0)</b>	<b>(\$1.0)</b>	<b>(\$1.1)</b>	<b>(\$1.0)</b>	<b>(\$4.1)</b>	<b>(\$0.4)</b>	<b>\$1.3</b>	<b>\$4.3</b>
<i>Operating Margin</i>	-242.8%	-198.8%	-257.5%	-119.0%	-257.0%	-195.8%	-204.9%	-184.1%	-173.5%	-119.8%	-163.8%	-4.2%	8.7%	19.4%
<i>Other Net</i>	(\$1.27)	(\$1.17)	(\$0.32)	\$0.03	(\$2.39)	(\$3.85)	(\$4.90)	\$0.00	\$0.00	\$0.00	(\$4.90)	\$0.00	\$0.00	\$0.00
<b>Pre-Tax Income</b>	<b>(\$4.6)</b>	<b>(\$2.0)</b>	<b>(\$1.4)</b>	<b>(\$0.7)</b>	<b>(\$3.3)</b>	<b>(\$7.4)</b>	<b>(\$6.0)</b>	<b>(\$1.0)</b>	<b>(\$1.1)</b>	<b>(\$1.0)</b>	<b>(\$9.0)</b>	<b>(\$0.4)</b>	<b>\$1.3</b>	<b>\$4.3</b>
<i>Pref. stk Div</i>	\$1.64	\$0.02	\$0.00	\$0.00	\$0.00	\$0.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Taxes (Benefit)</i>	\$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	\$0.0
<i>Tax Rate</i>	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%	0.0%
<b>Reported Net Income</b>	<b>(\$6.3)</b>	<b>(\$2.1)</b>	<b>(\$1.4)</b>	<b>(\$0.7)</b>	<b>(\$3.3)</b>	<b>(\$7.4)</b>	<b>(\$6.0)</b>	<b>(\$1.0)</b>	<b>(\$1.1)</b>	<b>(\$1.0)</b>	<b>(\$9.0)</b>	<b>(\$0.4)</b>	<b>\$1.3</b>	<b>\$4.3</b>
<i>YOY Growth</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Net Margin</i>	-454.8%	-469.0%	-335.6%	-113.7%	-914.1%	-411.3%	1165.7%	-184.1%	-173.5%	-119.8%	-358.4%	-4.2%	8.7%	19.4%
<i>Shares Out</i>	14.3	18.8	19.7	20.7	23.6	20.7	23.2	24.3	26.0	28.0	25.4	27.0	30.0	35.0
<b>Reported EPS</b>	<b>(\$0.44)</b>	<b>(\$0.11)</b>	<b>(\$0.07)</b>	<b>(\$0.03)</b>	<b>(\$0.14)</b>	<b>(\$0.36)</b>	<b>(\$0.26)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.36)</b>	<b>(\$0.02)</b>	<b>\$0.04</b>	<b>\$0.12</b>
<i>YOY Growth</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>One time charge</i>	\$0.73	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.90	\$0.00	\$0.00	\$0.00	\$4.90	\$0.00	\$0.00	\$0.00
<b>Non GAAP Net Income</b>	<b>(\$5.5)</b>	<b>(\$2.1)</b>	<b>(\$1.4)</b>	<b>(\$0.7)</b>	<b>(\$3.3)</b>	<b>(\$7.4)</b>	<b>(\$1.0)</b>	<b>(\$1.0)</b>	<b>(\$1.1)</b>	<b>(\$1.0)</b>	<b>(\$4.1)</b>	<b>(\$0.4)</b>	<b>\$1.3</b>	<b>\$4.3</b>
<b>Non GAAP EPS</b>	<b>(\$0.39)</b>	<b>(\$0.11)</b>	<b>(\$0.07)</b>	<b>(\$0.03)</b>	<b>(\$0.14)</b>	<b>(\$0.36)</b>	<b>(\$0.05)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.16)</b>	<b>(\$0.02)</b>	<b>\$0.04</b>	<b>\$0.12</b>

Source: Company filings and Zacks Investment Research Inc. estimates

## HISTORICAL STOCK PRICE



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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- 15.7%, Hold/Neutral- 78.3%, Sell/Underperform – 5.8%. Data is as of midnight on the business day immediately prior to this publication.