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# Zacks Small-Cap Research

*Sponsored – Impartial - Comprehensive*

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# Pharma-Bio Serv, Inc. (PBSV-OTCQB)

## Lab Sale Proving To Be Wise Move As Profitability Continues To Improve

Given that, post-lab sale, we now forecast positive net income and EPS, we are moving to a P/E valuation methodology. Given the projected steep growth rate of earnings of the company, we use a 30x multiple applied to our 2021 EPS estimate of $0.11 (i.e. $3.30/share) and discount this back to the present at 15% per year. This values PBSV shares at approximately $2.50/share.

| | |
|---|---|
| Current Price (06/06/19) | $0.98 |
| **Valuation** | **$2.50** |

## OUTLOOK

As we await the reporting of PBSV's fiscal Q2 2019 results (ending April 30th), which will likely happen either late next week or early the following week, we review their recent financial highlights. As a reminder, the company divested their laboratory assets in September 2018 and as we had predicted, it has resulted in substantial improvement in their financial performance. This speaks to our proposition that we believe the shares are significantly undervalued, particularly in the context of the company's sizeable cash balance which may be put to use to further bolster growth and profitability.

We look for consulting revenue to grow at a 4-year CAGR of approximately 8% through 2022 and for EPS to grow from $0.07 in the current year to $0.14 in 2022, an implied CAGR of 26%. Given the projected steep growth rate of earnings of the company, we use a 30x multiple applied to our 2021 EPS estimate of $0.12 (i.e. $3.60/share) and discount this back to the present at 15% per year. This values PBSV shares at approximately $2.60/share. The stock currently trades at about $0.98, indicating the shares are trading much cheaper than fair value.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$1.25** |
| **52-Week Low** | **$0.43** |
| **One-Year Return (%)** | **62.26** |
| **Beta** | **0.32** |
| **Average Daily Volume (sh)** | **1,580** |
| **Shares Outstanding (mil)** | **23** |
| **Market Capitalization ($mil)** | **$23** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **0** |
| **Insider Ownership (%)** | **60** |
| **Annual Cash Dividend** | **$0.08** |
| **Dividend Yield (%)** | **7.58** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **-12.4** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2019 Estimate** | **24.8** |
| **P/E using 2020 Estimate** | **12.4** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **Above Avg.,** |
| **Type of Stock** | **Small-Value** |
| **Industry** | **Consulting** |

## ZACKS ESTIMATES

**Revenue**
(in millions)

| | **Q1** (Jan) | **Q2** (Apr) | **Q3** (Jul) | **Q4** (Oct) | **Year** (Oct) |
|---|---|---|---|---|---|
| 2018 | | | | | $17.8 A |
| 2019 | $4.6 A | $4.5 E | $4.4 E | $4.7 E | $18.2 E |
| 2020 | | | | | $19.9 E |
| 2021 | | | | | $22.0 E |

**Earnings per Share**

| | **Q1** (Jan) | **Q2** (Apr) | **Q3** (Jul) | **Q4** (Oct) | **Year** (Oct) |
|---|---|---|---|---|---|
| 2018 | | | | | -$0.05 A |
| 2019 | $0.02 A | $0.01 E | $0.02 E | $0.02 E | $0.07 E |
| 2020 | | | | | $0.09 E |
| 2021 | | | | | $0.12 E |

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

**Fiscal Q1 2019 Results:** *Lab Sale Proving To Be Wise Move As Profitability Continues To Improve…*

As we await the reporting of PBSV's fiscal Q2 2019 results (ending April 30th), which will likely happen either late next week or early the following week, we review their recent financial highlights. As a reminder, the company divested their laboratory assets in September 2018 and as we had predicted, it has resulted in substantial improvement in their financial performance.

**Revenue** (which is now reported ex-lab), jumped 34% in fiscal 2018, to $17.8M. Puerto Rico consulting revenue increased 32% yoy while U.S. consulting revenue was up 76%, which included 102% growth in Q4'18. The benefit to revenue growth is even more apparent now that we can compare year-over-year financial results on pre and post-lab sale bases. So while pre-lab sale, total revenue grew 8% from Q1'18 to Q1'19, growth on a post-sale basis was 23%.

But the even more significant highlight that has come from shedding of the lab assets relates to the decrease in the expense base. Gross margin in fiscal 2017 with the lab included was 23%, but (pro forma for) ex-lab, it was 29%. On a continuing operations basis (i.e. excluding lab), gross margin was 32% in fiscal 2018, up 310 basis points from 2017. Meanwhile, gross margin in Q1'18 with the lab included was 26%, but ex-lab, it was 32%. Gross margin in Q1'18 was also 32%.

Total expenses were (i.e. cost of services and opex) were $17.0M, or 109% of revenue, in 2017 with the lab, but only $14.1M, or 106% of revenue without the lab. That improved further in 2018, with total expenses aggregating to $16.7M, or 94% of revenue, in that year. And this continues to improve – in the most quarter (i.e. Q1'19), total expenses were $4.1M, or 90% of total revenue. This compares to $4.2M (100% of revenue) with the lab and $3.5M (94% of revenue) ex-lab in Q1'18.

Total expenses as a percentage of revenue is a key metric and one that, given the consulting businesses' inherent built-in margin (reflecting a largely variable cost expense structure), one that we think will continue to improve with growth in revenue. As while shedding of the lab means that PBSV's expense base is now less significantly fixed, there undoubtedly remains meaningful overhead and therefore, opportunity to further improve upon operating leverage.

Most importantly, the lab divestiture has resulted in significant improvement in profitability. Pre-tax loss was $1.4M in 2017 but pro-forma for the lab sale, this improved to a loss of just $774k. Pre-tax income then improved substantially, growing by $2.3M to finish 2018 at $1.5M (in the black). And the most current publicly available financials indicate that shedding expenses associated with the lab were responsible for a significant portion of the improved profitability in fiscal 2018. Specifically, the fiscal Q1'19 10-Q shows that the lab divestiture improved Q1'18 pre-tax income from just $37k (i.e. prior to the sale) to $229k (pro forma for the sale) and, excluding the $2.7M tax expense associated with the recent reformed tax code ("Tax Cut and Jobs Act of 2017, enacted December 2017), resulted in net margin improving from approximately 1% to 6% in that same period.

Q1'19 pre-tax and net income were $514k and $471k, respectively. Net margin and EPS were 10.3% and $0.02. This is the most profitable start to any fiscal year since Q1'14 (and on a net margin basis, the best start since Q1'13), when the company posted net income and EPS of $662k and $0.03. Perhaps interestingly, the stock trades today at less than 50% of what it did when the company reported Q1'14 financial results. This speaks to our proposition that we believe the shares are significantly undervalued, particularly in the context of the company's sizeable cash balance which may be put to use to further bolster growth and profitability.

**Cash balance was $15.8M** at the close of Q1'19 (January 31, 2019). The lab sale brought $2.0M in cash and $3.0M in promissory notes. As a reminder, PBSV used ~$1.7M to pay a $0.075/share dividend to shareholders of record as of the close of business on October 15, 2018. While not specifically characterized as such, we assume, at least for now, that this is a one-time 'special dividend' – although also point out that the PR left open the possibility of future dividends as they evaluate their strategic options.

Given the health of the balance sheet including sizeable cash position and coupled with our expectation that PBSV's consulting business generates positive cash flow, we think management will be actively engaged in looking at additional ways to put their resources to work. We think that, barring finding any attractive opportunities in the near term that another dividend or cash repurchases may potentially be under consideration.

**Lab divestiture**

As a reminder, announced in mid-August and closed on September 17, 2018 sale of the Scienza Lab laboratory assets sheds a segment which accounted for 12% - 13% of PBSV's total revenue over the last two years but which also struggled to cover its fixed costs. Romark Global Pharma, LLC, a pharmaceutical client of PBSV's (per company investor presentation), bought the assets for $5M, which is payable as $2M cash ($1.75M plus the application of a previously paid deposit of $0.25M), which has been received, and a $3M promissory note (tranches of $750k, $1.25M, $500k and $500k due in September 2019, September 2020, March 2019 and September 2019, respectively).

While opportunistic timing may have played a role, we think the decision to sell the lab was based around strategic initiatives aimed at accelerating revenue and income growth. While lab revenue posted strong growth from 2014 through 2016 and quickly bounced back following interruption from the hurricanes, this segment was never consistently profitable. Conversely, while consulting revenue had been on a downward trend since reaching a peak of more than $31M in 2013, it did not dip into the red until 2016. And while 2017 was marked from interruption from the hurricanes, PBSV's quick recovery and resurgence of growth from Puerto Rico as well as the United States has resulted in rapid improvement in profitability of consulting services.

PBSV employed expense-control initiatives during times of lower activity which were effective in mitigating losses/improving profitability. That, along with time and material contracts which provide a large degree of 'margin protection' helped to limit losses from consulting services. Unlike the consulting business, the capital-intensive nature of the lab did not lend itself to significant cost-cutting. In order to generate a profit, PBSV's lab needed to meet a minimum revenue threshold to cover its fixed costs.

These fixed costs included depreciation on capital assets and amortization – which, based on the most recent 10-K, appears to have been significant lab-related expenses. We know this by comparing the 'depreciation and amortization' lines from the cash flow statements of the 2017 10-K versus that included in the most recent (i.e. 2018) 10-K, which treats everything lab-related as a discontinued operation – and therefore aggregates its effect (revenue, expenses, taxes, etc) into a 'loss from discontinued operations' line item. Per the 2017 10-K (i.e. when the lab was not considered a discontinued operation), depreciation and amortization (i.e. of the entire company) was $444k in 2017, which compares to $108k when the lab is accounted for as a discontinued operation. This means that the lab assets incurred ($444k - $108k = ) $336k of depreciation and amortization in 2017, or 76% of the total in that year.

The allocation in 2018 appears to be even more significant. Through the first nine months of 2018 (i.e. prior to the lab sale) depreciation and amortization expense was at an annual run-rate of approximately $608k (for the entire company). The cash flow statement in the 2018 10-K, which treats the lab as a discontinued operation, shows depreciation and amortization of just $75k. This implies annualized lab-related depreciation and amortization of ~$533, or almost 88% of the (rough calculated) total.

So, given that the lab struggled to cover its fixed expenses (and, presumably, the outlook was that that would continue to be the case) and PBSV had an opportunity to sell the lab for $5M (and to an existing customer), we think it was a sensible and shareholder-friendly decision.

| Revenue | 2010 A | 2011 A | 2012 A | 2013 A | 2014 A | 2015 E | 2016 A | 2017 A | 6mths 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Lab | $740.5 | $754.8 | $857.9 | $1,866.9 | $1,718.7 | $2,005.6 | $2,446.6 | $2,040.6 | $1,062.6 |
| *% of total sales* | *6.5%* | *3.8%* | *2.9%* | *5.6%* | *6.2%* | *8.6%* | *12.5%* | *13.1%* | *12.3%* |
| Consulting | $10,606.0 | $19,178.4 | $28,369.2 | $31,195.1 | $25,836.3 | $21,379.3 | $17,090.1 | $13,538.7 | $7,554.2 |
| *% of total sales* | *93.5%* | *96.2%* | *97.1%* | *94.4%* | *93.8%* | *91.4%* | *87.5%* | *86.9%* | *87.7%* |
| **Total Revenue** | **$11,346.5** | **$19,933.2** | **$29,227.2** | **$33,062.0** | **$27,555.0** | **$23,384.9** | **$19,536.7** | **$15,579.3** | **$8,616.8** |

| Pre-tax income (loss) | 2010 A | 2011 A | 2012 A | 2013 A | 2014 A | 2015 E | 2016 A | 2017 A | 6mths 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Lab | ($272.1) | ($299.3) | ($381.4) | $250.5 | ($116.7) | ($41.9) | ($45.9) | ($648.6) | ($219.5) |
| *pre-tax margin* | *-36.7%* | *-39.7%* | *-44.5%* | *13.4%* | *-6.8%* | *-2.1%* | *-1.9%* | *-31.8%* | *-20.7%* |
| *% of total pre-tax income* | *-43.8%* | *-8.6%* | *-6.6%* | *4.1%* | *-4.1%* | *-2.3%* | *22.5%* | *46.0%* | *240.3%* |
| Consulting | $893.3 | $3,763.1 | $6,137.0 | $5,825.8 | $2,979.0 | $1,834.7 | ($157.8) | ($762.4) | $128.2 |
| *pre-tax margin* | *8.4%* | *19.6%* | *21.6%* | *18.7%* | *11.5%* | *8.6%* | *-0.9%* | *-5.6%* | *1.7%* |
| *% of total pre-tax income* | *143.8%* | *108.6%* | *106.6%* | *95.9%* | *104.1%* | *102.3%* | *77.5%* | *54.0%* | *-140.3%* |
| **Total Pre-Tax Income** | **$621.2** | **$3,463.8** | **$5,755.6** | **$6,076.3** | **$2,862.3** | **$1,792.8** | **($203.7)** | **($1,411.0)** | **($91.3)** |
| *pre-tax margin* | *5.5%* | *17.4%* | *19.7%* | *18.4%* | *10.4%* | *7.7%* | *-1.0%* | *-9.1%* | *-1.1%* |

The table above is aggregated from PBSV's filings and provides a general guide as to the profitability of the lab versus that of the consulting business prior to the announced sale. Note that the respective pre-tax income figures, as presented above, of each of the two itemized business segments (i.e. lab, consulting) does not reconcile exactly with what is implied in the pro formas (8-k filed Sept 21st and included in this report, below). For example, according to the table above (i.e. per the 10-K) FY2017 lab pre-tax loss was $649k. But, the pro formas imply that it was only $369k. We think the difference (i.e. $649k - $369k = $280k) likely represents general overhead expenses that have been allocated to the lab (but which is not specific to either business segment). If that is the case, we think much or all of this expense ($280k in FY2017) likely remained following the lab sale, while it is the direct-lab expenses ($368k in FY2017) that were shed.

The most obvious indicator that illustrates the relative unprofitability of the lab is the 'net loss from operations through disposal' line item in the income statement of the most recent 10-K. This shows that the lab, net of tax, negatively impacted income by $171k in 2018 while the consulting business generated operating income of $1.5M (while the $1.5M is not net of tax, if adjusted the difference is not likely to be meaningful in the context of our discussion).

So, while the table above provides insight into relative profitability of consulting versus that of the lab, the pro formas may be more representative of aggregate profitability ex-lab. The tables below illustrate the benefit to margins, operating expense, net income and EPS for fiscal 2017 and the nine months ending 7/31/18.

| Expenses per Revenue | | COGS | OpEx | **Total** |
|---|---|---|---|---|
| **9 mths thru Q3'18** | Actual | 73.3% | 25.0% | 98.3% |
| | PF ex-Lab | 69.2% | 28.0% | 97.2% |
| **FY2017** | Actual | 76.8% | 32.3% | 109.1% |
| | PF ex-Lab | 71.4% | 36.5% | 107.9% |

| Improvement pro forma ex-Lab | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rev growth | GM | Op Income | Op margin | Net Income | EPS | | |
| - | | - | - | - | - | | **9 mths thru Q3'18** |
| 380 bps | 410 bps | $103.2K | 110 bps | $9.4K | $0.002 | PR ex-Lab | |
| - | | - | - | - | - | | **FY2017** |
| -50 bps | 550 bps | $368.5K | 130 bps | $368.3K | $0.016 | PR ex-Lab | |

| | FY2017 | FY2017 ex-Lab | 9Mths 2018 Actual | 9Mths 2018 ex-Lab |
|---|---|---|---|---|
| Puerto Rico Consulting | $10,936.2 | $10,936.2 | $9,737.9 | $9,737.9 |
| % of total sales | 70.2% | 80.8% | 70.4% | 79.7% |
| U.S. Consulting | $1,217.5 | $1,217.5 | $1,311.9 | $1,311.9 |
| % of total sales | 7.8% | 9.0% | 9.5% | 10.7% |
| Europe Consulting | $1,087.6 | $1,087.6 | $1,042.1 | $1,042.1 |
| % of total sales | 7.0% | 8.0% | 7.5% | 8.5% |
| Lab (microbiological & chemical | $2,040.6 | $0.0 | $1,612.0 | $0.0 |
| % of total sales | 13.1% | 0.0% | 11.7% | 0.0% |
| Other segments | $297.4 | $297.4 | $128.4 | $128.4 |
| % of total sales | 1.9% | 2.2% | 0.9% | 1.1% |
| **Total Revenues** | $15,579.3 | $13,538.7 | $13,832.0 | $12,220.3 |
| *YOY Growth* | *-20.3%* | *-20.8%* | *15.8%* | *19.6%* |
| Cost of Services | $11,968.1 | $9,659.8 | $10,133.7 | $8,453.9 |
| **Gross Income** | $3,611.1 | $3,878.9 | $3,698.6 | $3,766.3 |
| *Gross Margin* | *23.2%* | *28.7%* | *26.7%* | *30.8%* |
| SG&A | $5,036.3 | $4,935.5 | $3,460.3 | $3,425.1 |
| *% SG&A* | *32.3%* | *36.5%* | *25.0%* | *28.0%* |
| **Operating Income** | ($1,425.1) | ($1,056.6) | $238.2 | $341.3 |
| *Operating Margin* | *-9.1%* | *-7.8%* | *1.7%* | *2.8%* |
| Total Other Income (Expense) | $14.1 | $13.8 | $436.6 | $393.2 |
| **Pre-Tax Income** | ($1,411.0) | ($1,042.7) | $674.8 | $734.5 |
| Tax expense (benefit) | $3.9 | $3.9 | $2,736.6 | $2,746.0 |
| *Tax Rate* | *-0.3%* | *-0.4%* | *405.5%* | *373.9%* |
| **Net Income** | ($1,414.9) | ($1,046.6) | ($2,061.7) | ($2,011.6) |
| *Net Margin* | - | - | - | - |
| **EPS** | ($0.061) | ($0.045) | ($0.089) | ($0.087) |
| *YOY Growth* | - | - | | |
| Diluted Shares O/S | 23,097 | 23,097 | 23,076 | 23,076 |

**Model Update…**
We are encouraged by the recent accelerated growth in PR and US consulting revenue, particularly given the relatively high margins and direct benefit to cash flow, income and EPS. Given that consulting at these current levels is in the black and generating cash, a substantial portion of each incremental dollar should flow through the income statement.

Or model updates reflect benefit from the sale of the lab as it relates to the cost bases - specifically, significant improvement to service margin, and a moderate improvement to operating expenses, operating income and EPS. While the now even more sizeable cash balance provides that much more flexibility in terms of strategy, our model does not (yet) reflect any assumed new (i.e. inorganic) growth catalysts. That could change, however. In the meantime, share buybacks afford an opportunity to reinvest cash and do so at a very attractive valuation.

We look for consulting revenue to grow at a 4-year CAGR of approximately 8% through 2022 and for EPS to grow from $0.07 in the current year to $0.14 in 2022, an implied CAGR of 26%. Given the projected steep growth rate of earnings of the company, we use a 30x multiple applied to our 2021 EPS estimate of $0.12 (i.e. $3.60/share) and discount this back to the present at 15% per year. This values PBSV shares at approximately $2.60/share. The stock currently trades at about $0.98, indicating the shares are trading much cheaper than fair value.

We also note that the shares trade only about 9% higher than book value (as of January 31, 2019). As of today, PBSV trades at a market cap of $22.5M while book value as of the close of fiscal Q1’19 was $20.7M, or $0.90/share. We continue to think book value should provide a floor on the stock. And, with expectations that PBSV generates positive cash flow, we think there is good reason to believe that book value should grow.

## FINANCIAL MODEL

Pharma-Bio Serv, Inc

| | 2018 A | Q1A | Q2E | Q3E | Q4E | 2019 E | 2020 E | 2021 E | 2022 E |
|---|---|---|---|---|---|---|---|---|---|
| Total Revenues | $17,797.4 | $4,566.2 | $4,534.5 | $4,415.5 | $4,690.9 | $18,207.2 | $19,870.8 | $21,992.1 | $23,920.6 |
| YOY Growth | 33.8% | 22.5% | 3.0% | -15.3% | -15.9% | 2.3% | 9.1% | 10.7% | 8.8% |
| Cost of Services | $12,110.6 | $3,087.1 | $3,088.0 | $2,940.8 | $3,147.6 | $12,263.5 | $12,816.7 | $13,899.0 | $15,022.1 |
| Gross Income | $5,686.8 | $1,479.1 | $1,446.5 | $1,474.8 | $1,543.3 | $5,943.7 | $7,054.2 | $8,093.1 | $8,898.5 |
| Gross Margin | 32.0% | 32.4% | 31.9% | 33.4% | 32.9% | 32.6% | 35.5% | 36.8% | 37.2% |
| SG&A | $4,598.5 | $1,046.6 | $1,179.0 | $1,126.0 | $1,224.3 | $4,575.8 | $4,868.4 | $5,168.1 | $5,453.9 |
| % SG&A | 25.8% | 22.9% | 26.0% | 25.5% | 26.1% | 25.1% | 24.5% | 23.5% | 22.8% |
| Operating Income | $1,088.3 | $432.5 | $267.5 | $348.8 | $319.0 | $1,367.8 | $2,185.8 | $2,925.0 | $3,444.6 |
| Operating Margin | 6.1% | 9.5% | 5.9% | 7.9% | 6.8% | 7.5% | 11.0% | 13.3% | 14.4% |
| Total Other Income (Expense) | $435.5 | $81.4 | $77.4 | $96.5 | $81.4 | $336.7 | $174.0 | $155.0 | $108.0 |
| Pre-Tax Income | $1,523.8 | $513.9 | $345.0 | $445.3 | $400.4 | $1,704.6 | $2,359.8 | $3,080.0 | $3,552.6 |
| Tax expense (benefit) | $2,785.5 | $43.0 | $34.8 | $42.3 | $40.0 | $160.1 | $368.1 | $523.6 | $682.1 |
| Tax Rate | 182.8% | 8.4% | 10.1% | 9.5% | 10.0% | 9.4% | 15.6% | 17.0% | 19.2% |
| Net Income (contin. ops) | ($1,261.7) | $471.0 | $310.1 | $403.0 | $360.3 | $1,544.4 | $1,991.7 | $2,556.4 | $2,870.5 |
| YOY Growth | -10.8% | -119.0% | -341.6% | -44.8% | -84.3% | -222.4% | 29.0% | 28.4% | 12.3% |
| Net Margin | -7.1% | 10.3% | 6.8% | 9.1% | 7.7% | 8.5% | 10.0% | 11.6% | 12.0% |
| EPS (contin. ops) | ($0.05) | $0.02 | $0.01 | $0.02 | $0.02 | $0.07 | $0.09 | $0.12 | $0.14 |
| YOY Growth | -10.8% | -119.0% | -341.5% | -44.8% | -84.3% | -222.4% | 40.9% | 29.1% | 12.3% |
| Gain on sale of Lab assets (Sept 2018) | $2,712.2 | - | - | - | - | - | - | - | - |
| Gain (loss) from discontinued op | ($170.8) | - | - | - | - | - | - | - | - |
| Net Income | $1,279.7 | - | - | - | - | - | - | - | - |
| EPS | $0.06 | - | - | - | - | - | - | - | - |
| Diluted Shares O/S | 23,081 | 23,119 | 23,075 | 23,070 | 23,065 | 23,082 | 21,120 | 21,000 | 21,000 |

Brian Marckx, CFA

## BALANCE SHEET

| | January 31, 2019 | October 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 15,799 | $ 16,030 |
| Marketable Securities | - | 44 |
| Accounts Receivable | 5,456 | 5,193 |
| Promissory note (ST portion) | 1,750 | 1,750 |
| Assets of discontin. ops | - | - |
| Other | 336 | 394 |
| **Total current assets** | 23,341 | 23,412 |
| Property and equipment, net | 274 | 298 |
| Promissory note (LT portion) | 1,250 | 1,250 |
| Other assets | 418 | 418 |
| **Total assets** | $ 25,283 | $ 25,378 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Current portion-obligations under capital lease | $ 14 | $ 14 |
| Accounts payable and accrued expenses | 1,584 | 2,140 |
| Liabilities of discontin. ops | - | - |
| Income taxes payable | 454 | 412 |
| **Total current liabilities** | 2,052 | 2,566 |
| US Tax Reform Transition tax payable | 2,485 | 2,485 |
| Other liabilities | 18 | 18 |
| Obligations under capital leases | 43 | 46 |
| **Total liabilites** | 4,597 | 5,115 |
| **STOCKHOLDERS' EQUITY** | | |
| Preferred Stock | - | - |
| Common stock | 2 | 2 |
| Additional paid-in capital | 1,356 | 1,347 |
| Retained earnings | 19,582 | 19,111 |
| Accumulated other comprehensive loss | 116 | 108 |
| **Total stockholders' equity** | 21,056 | 20,568 |
| **Total liabilities and stockholders' equity** | $ 25,283 | $ 25,378 |

## CASH FLOW STATEMENT

| | January 31, 2018 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 471 | $ (2,664) |
| Add: net (income) loss from discontinued operations | - | 192 |
| Net loss from continuing operations | 471 | (2,472) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on disposition of P&E | | |
| Stock-based compensation | 9 | 18 |
| Depreciation and amortization | 27 | 23 |
| Impairment of avail-for-sale securities | (4) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (261) | 1,151 |
| Other assets | 57 | 106 |
| Liabilities | (516) | 2,592 |
| **Net cash provided by operating activities** | (218) | 1,417 |
| **Cash flows from investing activities:** | | |
| Acquisition of P&E | (3) | (51) |
| Proceeds from disposition of P&E | 44 | - |
| **Net cash used in investing activities** | 41 | (51) |
| **Cash flows from financing activities:** | | |
| Proceeds from common stock issuance | - | - |
| Repurchase of common stock | (66) | (14) |
| Payments on obligations under capital lease | (3) | (3) |
| **Net cash provided by (used in) financing activities** | (69) | (17) |
| Effect of exchange rate changes on cash | 14 | 11 |
| Net increase (decrease) in cash and cash equivalents | (231) | 1,482 |
| Cash and cash equivalents, beginning of period | 16,030 | 11,592 |
| Cash and cash equivalents, end of period | 15,799 $ | 13,073 |

## HISTORICAL STOCK PRICE

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