

# Zacks Small-Cap Research

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## Pressure BioSciences (P BIO-OTC)

### PBIO: UST product demand strong

Our valuation of \$4.44 per share for PBIO is based on an NPV for the products, less corporate overhead. Our NPV uses an 11% discount rate across the business. We've modeled for \$6 million of debt funding through 2024. Our valuation accounts for dilution from the existing outstanding preferred shares but does not include the exercise of options and warrants.

### OUTLOOK

Pressure Biosciences announced it signed an agreement with a single client to sell six of its UltraShear Technology (UST) machines – or half of its planned sales for 2020. To date, the Company has agreements to purchase nine UST machines in 2020. Separately, the Company introduced a smaller, benchtop version of its UST machine. The new machine will be launched in the third quarter and targeted at customers needing a formulation and development solution.

Current Price (02/04/20) \$2.95  
Valuation \$4.44

### SUMMARY DATA

52-Week High \$3.90  
52-Week Low \$0.68  
One-Year Return (%) -4.84  
Beta 0.98  
Average Daily Volume (sh) 27,930

Shares Outstanding (mil) 3  
Market Capitalization (\$mil) \$8  
Short Interest Ratio (days) N/A  
Institutional Ownership (%) 0  
Insider Ownership (%) 17

Annual Cash Dividend \$0.00  
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates  
Sales (%) 11.2  
Earnings Per Share (%) N/A  
Dividend (%) N/A

P/E using TTM EPS N/A  
P/E using 2020 Estimate -0.8  
P/E using 2021 Estimate -1.4

Zacks Rank N/A

Risk Level High,  
Type of Stock N/A  
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)
2018	0.6 A	0.6 A	0.5 A	0.7 A	2.5 A
2019	0.5 A	0.5 A	0.5 A		2.4 E
2020					5.8 E
2021					9.4 E

#### Price/Sales Ratio (Industry = 2.5x)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2018	-\$1.64 A	-\$9.20 A	-\$1.92 A	-\$2.66 A	-\$15.33 A
2019	-\$2.01 A	-\$2.22 A	-\$2.20 A		-\$6.51 E
2020					-\$3.50 E
2021					-\$2.09 E

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

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## RECENT NEWS

Pressure BioSciences develops and sells instrumentation using their patented pressure-cycling technology (PCT) platform to support analytical chemistry testing applications. In late 2018, the Company added two important new technology platforms to its portfolio. The new BaroShear platform uses high pressure and intense shearing forces to create shelf-stable, homogeneous nano-scale emulsions (i.e. oil effectively dissolved in water).

UST uses extreme pressures and intense shear forces with proprietary valve and equipment designs to produce better performing (higher bio-availability), safer (inactivates microbial content), and room-temperature stable, nano-scale emulsions of immiscible components (effectively making “oil dissolved in water” mixtures) while reducing the need for chemical stabilizers and heat – both of which can degrade the final product and/or result in safety concerns to the consumer.

In late January, PBIO announced that it signed contract to sell six UST machines in 2020 to a single customer. We estimate the order value at somewhere between \$1-1.2 million; however, there it is possible that there was some discount off the \$200k per machine list price because of the large order size. This order is notable for two reasons – the contract covers half of PBIO’s planned UST sales for 2020 and the order comes from a single client. In addition, in our view, the order demonstrates how the lack of sales/marketing bandwidth may be holding back PBIO’s overall sales growth. In late 2019, PBIO brought on someone to focus on UST sales and clearly, it appears to be paying off.

The BaroShear K45 instrument is priced at \$200,000. The Company has signed contracts to sell nine of the 12 machines it has commissioned to build in 2020. Separately, in January, the Company introduced a smaller, benchtop version of its UST machine. The new machine will be launched in the third quarter and targeted at customers needing a formulation and development solution. Pricing for the new machine was not announced; however, PBIO’s benchtop pressure cycling technology (PCT) machine sells for c.\$75k at retail, with discounts for larger orders.

PBIO’s management is initially focused on selling UST-based instruments into the CBD product market. The CBD industry is in an explosive growth and land-grab mode with many companies spending to improve bioavailability, increase the quality of products, and scale production. We believe the market for these machines is quite large and have modeled for solid growth over the next few years. Our revenue model assumes \$2.5 million in UST sales for 2020 (12 units) growing to \$7.0 million by 2022 (35 units).

At the same time, management recognizes that the opportunity window in CBD may only last a few years before the industry begins to consolidate. The Company sees much greater opportunity outside CBD, particularly in food, pharmaceuticals/nutraceuticals and cosmetics.

We are sticking with our revenue and profit estimates for 2020-2022 for now and view these announcements as creating support for our valuation of \$4.44/share.

## EXHIBIT 1: FINANCIAL SUMMARY

INCOME STATEMENT						
Fiscal year	2018A	2019E	2020E	2021E	2022E	2023E
Revenue	2,458	2,352	5,808	9,390	12,619	15,801
Cost of sales	(1,280)	(1,223)	(2,585)	(4,143)	(5,513)	(6,879)
<b>Gross Profit</b>	<b>1,178</b>	<b>1,129</b>	<b>3,223</b>	<b>5,248</b>	<b>7,106</b>	<b>8,922</b>
Research & development	(1,208)	(1,148)	(1,205)	(1,217)	(1,229)	(1,242)
Selling, general & administrative	(4,447)	(4,891)	(5,082)	(5,336)	(5,603)	(5,883)
<b>Operating profit (EBIT)</b>	<b>(4,477)</b>	<b>(4,910)</b>	<b>(3,064)</b>	<b>(1,306)</b>	<b>273</b>	<b>1,797</b>
Interest income	0	0	0	0	0	0
Interest expense	(4,168)	(4,750)	(3,129)	(2,399)	(2,535)	(2,489)
Other expense/exceptionals	(1,054)	(146)	0	0	0	0
<b>Pretax profit</b>	<b>(9,699)</b>	<b>(9,806)</b>	<b>(6,193)</b>	<b>(3,705)</b>	<b>(2,262)</b>	<b>(692)</b>
Taxes	0	0	0	0	0	0
<b>Net income (common shareholders)</b>	<b>(23,473)</b>	<b>(11,221)</b>	<b>(6,193)</b>	<b>(3,705)</b>	<b>(2,262)</b>	<b>(692)</b>
Basic shares outstanding	1,531	1,724	1,768	1,768	1,768	1,768
Diluted shares outstanding	1,531	1,724	1,768	1,768	1,768	1,768
<b>Basic EPS</b>	<b>(\$15.33)</b>	<b>(\$6.51)</b>	<b>(\$3.50)</b>	<b>(\$2.09)</b>	<b>(\$1.28)</b>	<b>(\$0.39)</b>
<b>Diluted EPS</b>	<b>(\$15.33)</b>	<b>(\$6.51)</b>	<b>(\$3.50)</b>	<b>(\$2.09)</b>	<b>(\$1.28)</b>	<b>(\$0.39)</b>
<b>EBITDA reconciliation</b>						
Depreciation & amortization	94	92	95	101	110	121
Stock based compensation	593	554	607	748	765	876
<b>EBITDA</b>	<b>(3,789)</b>	<b>(4,264)</b>	<b>(2,362)</b>	<b>(457)</b>	<b>1,149</b>	<b>2,794</b>
BALANCE SHEET						
Fiscal year	2018A	2019E	2020E	2021E	2022E	2023E
Cash & equivalents	103	702	1,308	613	764	2,460
<b>Total current assets</b>	<b>1,514</b>	<b>2,081</b>	<b>3,843</b>	<b>4,483</b>	<b>5,706</b>	<b>8,384</b>
Property plant and equipment	69	74	121	198	298	420
<b>Total Assets</b>	<b>2,400</b>	<b>2,818</b>	<b>4,477</b>	<b>5,110</b>	<b>6,349</b>	<b>9,064</b>
Accounts payable	659	474	498	523	549	2,408
Accrued liabilities	1,570	1,567	1,645	1,728	1,814	1,905
<b>Total current liabilities</b>	<b>16,726</b>	<b>8,410</b>	<b>11,233</b>	<b>13,031</b>	<b>14,888</b>	<b>15,787</b>
Long-term debt (all types)	77	5,767	11,213	12,945	14,782	15,669
<b>Total liabilities</b>	<b>8,525</b>	<b>17,034</b>	<b>24,277</b>	<b>27,867</b>	<b>30,603</b>	<b>33,133</b>
Common stock / additional paid in capital	39,794	40,964	41,573	42,321	43,087	43,963
Warrants	19,807	20,707	20,707	20,707	20,707	20,707
Retained earnings / accumulated deficit	(65,730)	(75,889)	(82,081)	(85,786)	(88,048)	(88,740)
Other comprehensive income / (loss)	0	0	0	0	0	0
<b>Total equity</b>	<b>(6,125)</b>	<b>(14,215)</b>	<b>(19,800)</b>	<b>(22,757)</b>	<b>(24,254)</b>	<b>(24,069)</b>
<b>Total liabilities and equity</b>	<b>2,400</b>	<b>2,818</b>	<b>4,477</b>	<b>5,110</b>	<b>6,349</b>	<b>9,064</b>
CASH FLOW STATEMENT						
Fiscal year	2018A	2019E	2020E	2021E	2022E	2023E
<b>Cash from operating activities</b>	<b>(5,695)</b>	<b>(6,186)</b>	<b>(3,335)</b>	<b>(1,602)</b>	<b>277</b>	<b>3,854</b>
Capital expenditures	0	(13)	(58)	(94)	(126)	(158)
Purchases of intangibles	0	0	0	0	0	0
<b>Cash from investing activities</b>	<b>0</b>	<b>(13)</b>	<b>(58)</b>	<b>(94)</b>	<b>(126)</b>	<b>(158)</b>
<b>Cash from financing activities</b>	<b>5,718</b>	<b>6,797</b>	<b>4,000</b>	<b>1,000</b>	<b>0</b>	<b>(2,000)</b>
<b>Net change in cash during period</b>	<b>22</b>	<b>598</b>	<b>607</b>	<b>(696)</b>	<b>151</b>	<b>1,696</b>

Source: Company filings, Zacks Investment Research estimates.

# HISTORICAL STOCK PRICE



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