

Zacks Small-Cap Research

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Pharma-Bio Serv

(PBSV-OTCQB)

Looking ahead to 2021

We value PBSV at \$1.95/share, based on a 12x multiple applied to our 2021 EPS estimate. The shares trade barely higher than book value, which we think will continue to be supported by cash flow generation and positive ROI reinvestment and will act as a floor on the share price.

OUTLOOK

We believe the next two years at Pharma-Bio Serv will build on the strong progress of 2020. We are establishing 2022 estimates of \$27 million in sales and \$0.20 in earnings compared with our 2021 estimates of \$23 million in sales and \$0.16 in earnings. With stable profit margins, \$17 million cash on the balance sheet, and myriad opportunities to expand their focus beyond pharmaceutical manufacturers, we view Pharma-Bio Serv as an interesting opportunity for the long-term.

Current Price (12/28/20) **\$1.47**
 Valuation **\$1.95**

SUMMARY DATA

52-Week High **\$1.45**
 52-Week Low **\$0.62**
 One-Year Return (%) **67.96**
 Beta **0.33**
 Average Daily Volume (sh) **2,364**

Shares Outstanding (mil) **23**
 Market Capitalization (\$mil) **\$33**
 Short Interest Ratio (days) **N/A**
 Institutional Ownership (%) **0**
 Insider Ownership (%) **51**

Annual Cash Dividend **\$0.08**
 Dividend Yield (%) **5.30**

5-Yr. Historical Growth Rates
 Sales (%) **-0.9**
 Earnings Per Share (%) **N/A**
 Dividend (%) **N/A**

P/E using TTM EPS **14.1**

P/E using 2021 Estimate **8.8**

P/E using 2022 Estimate **N/A**

Zacks Rank **N/A**

Risk Level **High,**
 Type of Stock **Small-Value**
 Industry **Consulting**
 Zacks Rank in Industry **N/A**

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Jan)	(Apr)	(Jul)	(Oct)	(Oct)
2019	5 A	5 A	5 A	5 A	20 A
2020	5 A	6 A	6 A		21 E
2021					23 E
2022					27 E

Price/Sales Ratio (Industry = 2.5x)

	Q1	Q2	Q3	Q4	Year
	(Jan)	(Apr)	(Jul)	(Oct)	(Oct)
2019	\$0.02 A	\$0.03 A	\$0.02 A	\$0.02 A	\$0.09 A
2020	\$0.02 A	\$0.03 A	\$0.03 A		\$0.13 E
2021					\$0.16 E
2022					\$0.20 E

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

COMPANY UPDATE

Pharma-Bio Serv is expected to report fiscal year-end 2020 results in late January. Despite economic disruption from the pandemic, 2020 has been a good year for the Company. Revenues have increased every quarter from \$4.6 million in Q1 to \$5.6 million in Q2 and \$6.3 in the most recent quarter. Through the first three quarters of fiscal 2020, revenues total \$16.6 million compared with \$14.8 million in the year-earlier period.

Gross margins for the first three quarters of 2020 expanded 50bp to 32.0% from 31.5% in the comparable period. SG&A spending is largely flat with the comparable period at \$3.4 million, but down 400bp to 19.5% of revenues through Q3, compared with 23.5% a year ago.

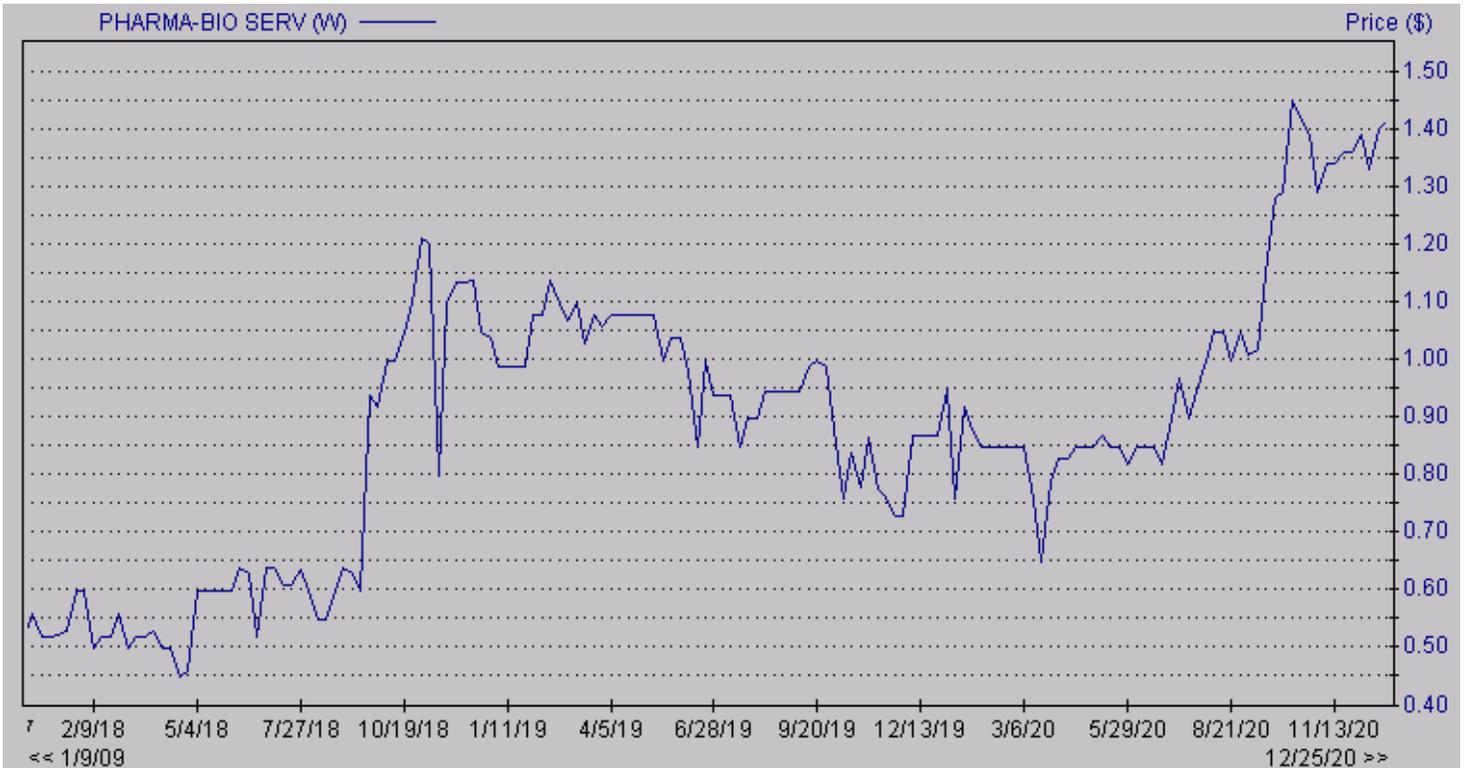
For the full year, we look for PBSV to report revenues of \$21 million and earnings of \$0.13.

We believe that growth will accelerate in 2021 and 2022, buoyed by new vaccine introductions, manufacturing expansion and efforts to reinvest in pharmaceutical manufacturing in Puerto Rico. There are two bills in legislation (H.R. 7527 and S.4467) seeking to boost investment in Puerto Rico. H.R. 7527 was introduced in early July and referred to the House Subcommittee on Health, House Ways and Means and the House Committee on Energy and Commerce. S.4467, has been read twice and referred to the Senate Finance Committee. We look for updates in the late spring once the new administration is seated.

For 2021, we look for Pharma-Bio Serv to post revenues of \$23-24 million and earnings of \$0.16 per share. Our initial estimates for 2022 call for revenues of \$27 million and earnings of \$0.20 per share.

The shares trade largely in-line with book value, suggesting there is a solid floor on the current share price. With \$17 million in cash on its balance sheet as of July 31, 2020 and solid prospects ahead, we continue to believe there is room for multiple expansion. Our valuation for now remains \$1.95, based on a modest multiple of 12x our 2021 estimate.

HISTORICAL STOCK PRICE



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