



PBIO Company Update

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Price: \$0.41

Price Target: \$1.05

INVESTMENT CONCLUSION

Pressure BioSciences (PBIO) is a pioneer in Pressure Cycling Technology (PCT). The company's patented technology has been proven to enable increased proficiencies in biological sample preparation, a paramount laboratory step necessary in the multi-billion dollar biological life sciences research industry. The company has recently developed a revolutionary microwell capable of withstanding 20,000 PSI, which has spurred development of a High Throughput Barocycler instrument that could result in marquee industry partnerships and significantly increased sales. We view PBIO's market position favorably, but realize there are some near-term working capital and product development, validation, and adoption risks inherent. **Thus, we are maintaining our Spec Buy along with our \$1.05 PT.**

INVESTMENT SUMMARY

During the course of the last several months PBIO has been focused on raising capital through two Series K preferred tranches. We had the chance to talk to management about the private placement as well as the current state of operations. The following are our thoughts on the aforementioned:

- **Company raised \$2.2 million and cleaned up its balance sheet.** Since the middle of 4Q13 PBIO has been actively engaged in its Series K Convertible Preferred private placement which had initial expectations slated at \$1.5 million. However, due to a recent initiative to issue shares at a small discount to market vs. a premium (which has historically been PBIO's modus operandi) the company has been able to obtain several new investors which resulted in its Series K round being oversubscribed. The company has currently completed two tranches of its raise with the first tranche closing in mid-December of last year and the second tranche having closed on January 29th; combined PBIO received \$1.4 million in cash and \$820,706 through the conversion of debt and Board fees. At this time we believe the company has enough cash to get through the middle of 2Q14 and should have a clean balance sheet with limited debt. The convertibles share equivalent from this round is approximately 8.9 million with 50% warrant coverage at an exercise price of \$0.3125.
- **Additional raise seems imminent.** The company has also extended the terms of its Series K Convertible Preferred round through the end of February. We expect the company to raise at least an additional \$1.5 million, which should provide enough cash for PBIO to continue operations through the end of FY14. We applaud this extension and believe the company's previous raise-as-you-go mentality was compressing the long-term share price visibility due to underlying liquidity concerns.
- **Status update.** After our discussion with management, we feel confident that PBIO will hit its 1Q14 timeline for the development of its 100,000 PSI HUB880 Barocycler and its 2Q14 goal for the development of its High-Throughput (HT) Barocycler. We view the development of these new instruments as a major inflection point for the company and will be looking for partnerships with major spectrometer and analytical instrument companies such as Thermo-Fisher (TMO, \$124.71, NR), AB Sciex and Bruker (BRKR, \$22.51, NR) to follow shortly after the development is completed. Furthermore, we believe the company will continue to show y-o-y growth for the coming quarters.
- **Maintaining Spec Buy rating and \$1.05 price target.** Our price target is obtained by using 4.0-times multiple to our FY15 revenue estimate of \$6.9 million, which we then discounted by 30% to account for time value and adoption risk. When we assign this figure to our FY15 diluted share count of 20.1 million, we arrive at our \$1.05 PT. Thermo-Fisher, Danaher (DHR, \$76.11, NR), Waters Corporation (WAT, \$114.94, NR), Agilent (A, \$57.29, NR) and Bruker currently trade between 2.1-5.1x trailing sales. We believe these selected industry comps as well as our strong top line growth projections justify the use of a 4.0x multiple.

In short, PBIO is amidst a critical transition year where technology development, cash on the books and large partnerships could lead to rapid revenue growth and share appreciation. However, the company still needs to execute on its strategic objective of developing its new technologies and securing partnerships that promulgate sales. **Thus our rating on these shares remains Spec Buy.**

See page 2 for Risks.

PLEASE SEE IMPORTANT DISCLOSURES ON PAGE(S) 3 - 5 OF THIS REPORT



Risks That May Impede The Achievement Of Our Price Target

Limited Capital: PBIO is a small company with limited resources which may force the company to scale back on aggressive sales and marketing efforts. PBIO may also need to raise capital to sustain operations which could result in dilution to the common.

Execution: In the next year, PBIO will need to bring its High Throughput Barocycler to commercialization and strengthen its marketing efforts in order to achieve the long-term growth we envision for the company. Failure to create and successfully manufacture this product or to effectively market it would be a major setback for the company.

Product Acceptance: For several years, PBIO has been a company with a superior technology but limited sales. The company's product development and sales efforts could be characterized as a "long beta test," but the time has come to prove that there is a large market for its sample preparation instruments. As is the case for any new platform, sales are the test of product acceptance. The company believes the high throughput capability represents the final piece in the puzzle to achieving broad product acceptance.

Senior Management: The acknowledgment that a company's success depends on the continued service of senior management is almost a "boiler plate" risk in any SEC filing, and PBIO's filings note that its "failure to retain existing engineering, research and development and sales personnel could harm...product development capabilities and customer and employee relationships, delay the growth of sales of...products and could result in the loss of key information, expertise or know-how." However, in the case of PBIO we would underscore the importance of its Founder, President and CEO Richard Schumacher who has provided the drive and vision that has sustained this company through years of development.

Stock Liquidity: PBIO is a tiny company and its shares are thinly traded which results in above-average price volatility.



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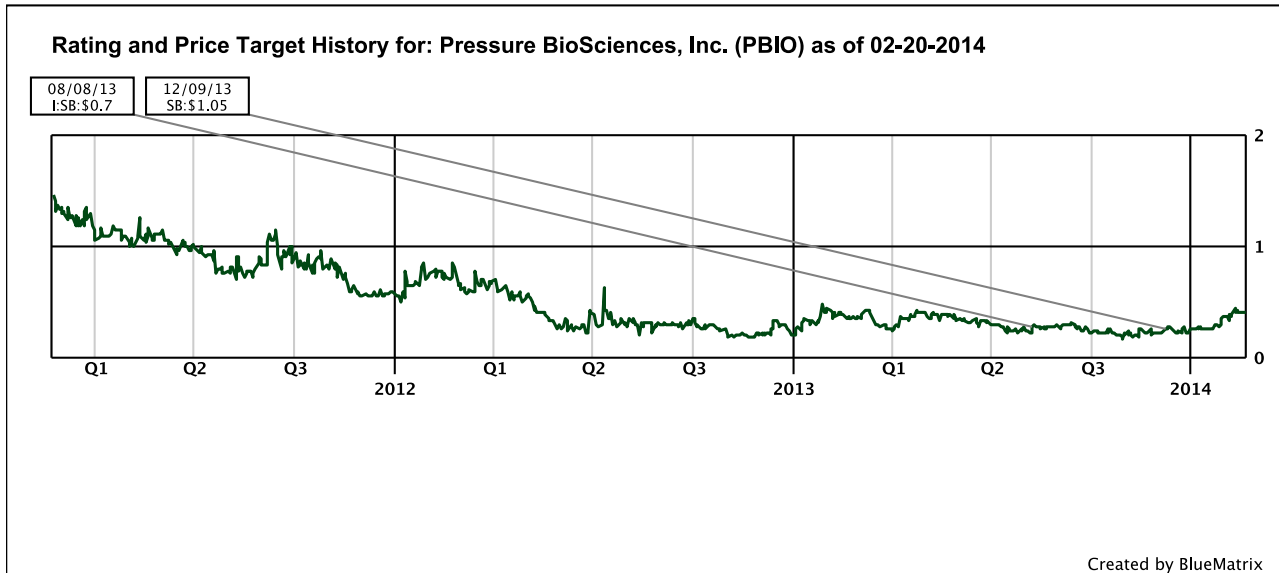
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Spec Buy	7	41.18%	0	0%
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