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Market Intelligence

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Earnings Call

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CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	11

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Presentation

Operator

Good morning, ladies and gentlemen, and thank you for joining us today for the ImmunoPrecise Antibodies Fourth Quarter and Fiscal Year-End 2024 Earnings Call. Today's call will be led by our CEO, Dr. Jennifer Bath; and our CFO, Kristin Taylor.

Please note that a copy of today's presentation, along with our financial statements, will be available on IPA's company website for your reference. We encourage you to review these materials to gain a deeper understanding of IPA's performance and strategic direction. Once again, thank you for joining us today.

Before we proceed, I would like to remind everyone that today's discussion will contain forward-looking statements. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from those anticipated due to various factors including but not limited to changes in market conditions, regulatory changes, and other unforeseen business risks.

Please note that these forward-looking statements are made as of today, and we undertake no obligation to update them as a result of new information or future events unless required by law. We strongly advise our participants to refer to our filings with the Securities and Exchange Commission, SEC, including our most recent form, 20-F, and our other periodic reports for a more detailed discussion of these risks and uncertainties, and for a more complete understanding of the risks inherent in our business operations and the potential impact on our future performance.

Thank you for understanding, and we appreciate your continued interest in ImmunoPrecise Antibodies.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Thank you, Kayla, and thank you, everyone, for joining us today. Over the past quarter, we have made significant strides in our strategic initiatives, positioning us for accelerated growth and operational efficiency. We look forward to sharing these updates, and we will go into more detail this morning on our achievements and ongoing strategy, both in our wet labs as well as within our subsidiary BioStrand. But first, I will provide an overview of the market and our foundational performance.

The biopharmaceutical industry continues to evolve at a rapid pace, driven by advancements in technology, changing market dynamics, and an increased focus on personalized medicine. There is a strong and growing trend towards precision medicine, such as pharmacogenetics, where treatments are tailored to individual patients based on their genetic makeup. Additionally, consumer behavior continues to shift toward a demand for comprehensive solutions that can accelerate the drug discovery and development process.

Pharmaceutical companies are increasingly seeking partners who can provide end-to-end solutions from initial discovery through characterization, manufacturing, and development of therapeutics. In addition, increasingly, these companies are also looking for a competitive edge with disruptive AI technologies.

Amid significant industry changes, including budget reduction and vendor consolidation, ImmunoPrecise Antibodies has not only maintained but strengthened its market position. Our deep understanding of the market landscape and foresight in recognizing the demand for end-to-end services with robust science and metadata analysis capabilities have enabled us to thrive during a period of market downturn.

By anticipating these industry needs, we have successfully positioned ourselves to meet the evolving demands of our clients, demonstrating our industry expertise and resilience. This strategic insight has been pivotal in driving revenue growth and solidifying our leadership in the field.

Our strategic initiatives, particularly in AI-driven drug discovery, have now positioned us at the forefront of capabilities in the technology industry. The commercial launch of LENSai has resulted in the signing up

for early access and has been well received with increasing interest from pharmaceutical, healthcare, and technology companies looking to enhance their drug discovery capabilities.

Our recent collaboration with PGxAI to develop an AI model for pharmacogenetic recommendations is another testament to our market leadership. We believe our investments in platform development, particularly with AI, provide a unique offering that bridges the gap between discovery and individualized patient profile. Our ability to offer comprehensive solutions backed by our proprietary technologies and expertise has been a key factor in our success.

In conclusion, we are confident in our strategy and optimistic about the future of the biopharmaceutical industry and our place in it. We remain committed to leveraging our technical capabilities and industry expertise to deliver innovative solutions that meet the evolving needs of our clients and drive shareholder value.

We are proud to announce our fifth consecutive quarter of a record revenue, coupled with record fiscal year revenues. This growth is attributable to the success of our end-to-end services, combining our wet lab and in silico technologies. Our square footage expansion strategy has proven successful, and we anticipate continued growth as we expand IPA Canada's industry-leading discovery services.

Additionally, we have significantly reduced our cash burn by showcasing our commitment to financial prudence and operational efficiency.

This quarter, we launched the groundbreaking LENSai API and vector search software for AI-driven drug discovery. Developed by our subsidiary BioStrand, these innovations enable our partners to access our LENSai BioIntelligence Suite of in silico discovery applications and to integrate sizable databases and electronic health records with large language models.

BioStrand is ramping revenues attributable mainly to client programs accessing the LENSai BioIntelligence Suite. The LENSai software has been rolled out both internally and externally, and we have accelerated our SaaS model timeline with the commercial rollout of the LENSai API. BioStrand is pleased to announce that it continues to accept early access to agreements.

Today, we are excited to provide more in-depth updates on these rollouts, our newest collaboration, and successes with LENSai and the early access adopters for this groundbreaking technology.

We have entered into a strategic collaboration with PGxAI to develop an AI model for pharmacogenetic recommendations using BioStrand's LENSai foundation AI model. This collaboration is expected to advance personalized medicine and improve patient outcomes.

Additionally, we are engaged in 3-way discussions with a leading semiconductor manufacturer and technology company and one of our largest pharmaceutical clients regarding a potential R&D collaboration on our foundation AI model.

Our business development discussions are rapidly ramping and are a direct result of our industry reputation know-how, and contacts, coupled with the power of our LENSai innovation. Our advancements in innovation were recently recognized when BioStrand received the prestigious 2024 Impact Award, sponsored by InterSystems, for its LENSai technology in biotherapeutic research. We look forward to sharing more details on these developments today.

Last but not least, we are very pleased to announce the appointment of Kristin Taylor as our Chief Financial Officer. Kristin has been serving as interim CFO since September 19, 2023, and now transitions off into the role -- in transitions into the role on a permanent basis. Her extensive experience in early stage and large growth companies will be invaluable as we continue to expand our operations.

Now, let's move on to the financial highlights for this fiscal year. Our total revenue for fiscal year 2024 was \$24.5 million, a substantial 19% increase over last year and well above industry average. This robust growth was fueled by our ability to exceed clients' expectations, develop new and innovative services, and expand our facilities capacity in Europe.

We achieved a notable reduction in operating expenses, primarily driven by a substantial decrease in R&D expenses after having concluded spending on later stage R&D assets to cue them for partnering initiative.

Additionally, we saw a significant reduction in cash burn year-over-year, despite significant capital investments in equipment that support LENSai outputs. For equipment that is already in strong demand and consistent commercial use, this reflects our efforts to manage cash flow effectively and strategically invest in our growth.

In conclusion, while growing a company of our size at this stage of development presents challenges, our consistent revenue growth, efficient R&D spending, and strategic financing decisions position us well to meet our next value growth milestones.

Our strong CRO business and the efficiency of our LENSai universal foundation AI model help us to adapt our R&D efforts to best meet the needs of our customers and partners. For more detailed financial information, our CFO, Kristin Taylor, will provide more insights.

The performance of our stock, coupled with the broader market dynamic, has been challenging. Despite our consistently strong revenue growth, reduced cash burn, and the successful commercial launch and validation of LENSai, we're frustrated that our stock valuation -- our current stock valuation does not reflect the intrinsic value of our business.

There is a clear disconnect between our market cap and the substantial progress we've made. We are trading at a valuation that does not accurately represent our achievements, our client base, our growing revenue in particular compared to the rest of the industry, our growth rate nor our reputation. This disconnect is particularly evident when considering our ongoing successes in executing our business plan and the rapidly growing stream of business opportunities we are capturing.

We are acutely aware of the difficult broader market in biotech environment. However, we believe that our strong fundamentals should position us better in the market. To address this, we are taking forceful actions to combat the disparity between our market value and our true potential.

First, we have recently hired an investor relations firm, Quantum Corporation, with which we are very pleased to enhance our outreach and media access, ensuring that the true value and future potential of IPA are communicated broadly. We are committed to increasing our visibility within the investment community and actively engaging with new investors to build and gain their awareness of IPA.

Second, we are leveraging our proven track record of consistent revenue growth, innovative technology, and an expanding client base to highlight our intrinsic value. Our focus is on entering new markets and showcasing our leadership potential in the technology and AI sectors. By demonstrating our achievements and advancements, we aim to attract and secure business development deals that align with our growth strategy. Our strategic investments in proprietary technologies enable us to offer unique, high-value solutions that differentiate us from competitors.

Furthermore, our efforts in international expansion are designed to tap into new opportunities and broaden our global footprint, reinforcing our commitment to long-term growth and solidifying our position as a market leader.

Third, we are intensifying our business development and sales effort. Actively capturing new opportunities in the technology and AI markets, we are receiving daily interest in our AI technologies and capabilities, highlighting the market's recognition of our innovative solutions. Our focus is not only on executing our strategic goals, but on monetizing these opportunities.

By successfully demonstrating our ability to drive significant value, we are confident that the market will recognize and reward the true potential of our company. These efforts are geared toward expanding our client base and showcasing our strategic growth initiative, which sets us apart as leaders in these dynamic sectors.

Fourth, we will be holding an Investor R&D Day, providing the opportunity for investors to explore multiple capabilities through live presentations, ask questions, and view investor-focused live demonstrations of

our LENSai BioIntelligence Suite of applications as it pertains to drug discovery. We look forward to having you join us this Fall.

In short, we are frustrated with our current valuation and stock price performance. We are vigorously motivated and actively addressing this disconnect. We believe that through our continued execution and strategic initiative, we will regain the confidence of the market and unlock the true value of IPA.

This year, began on a strong note with BioStrand tackling a major industry challenge [in systems] biology, solving the Information Integration Dilemma, also known as the IID. Through their patented HYFT Technology, BioStrand has harmonized diverse data outputs, significantly enhancing the efficiency and power of our biological discoveries. These advancements have the potential to rapidly accelerate drug discovery and development timelines, demonstrate our coveted ability to manage complex biological data in transformative ways.

Additionally, BioStrand published a white paper on an unprecedented and patented approach to biological sequence retrieval by combining Natural Language Processing, or NLP, and database research. This innovation has improved the accuracy and efficiency of biological data retrieval and is central to our patented HYFT Technology strengthening our position in biotechnology innovation.

In January, we introduced an advanced foundation AI model that combines large language model stacking with our HYFT Technology. This model offers novel capabilities in scalable data integration and analysis, allowing LENSai to process and interpret large amounts of data even more effectively and demonstrating its applicability to the rapidly advancing technological industry of LLM and multimodal inquiries.

Our partnership with InterSystems announced in February integrated vector search capabilities with the LENSai platform to enable the much needed industry-related capability for AI-driven healthcare applications. This collaboration addresses data processing challenges in healthcare enabling more accurate and efficient analysis from clinical data back to discovery. This alliance enhances our technological capabilities and expands our market reach, providing robust and scalable solutions for our customers. We are working closely with InterSystems on the continued rollout of LENSai, leveraging their next-generation IRIS data platform.

In March, we announced the development of an advanced large language model for electronic health records. This innovation leveraged BioStrand's AI and data integration expertise to improve the retrieval and analysis of EHR, aiming to enhance patient outcomes. This was achieved through our collaboration with InterSystems Corporation, the main database provider for clients such as Epic Systems. This collaboration integrates advanced technology into practical healthcare solutions, demonstrating our efforts to improve patient care and streamline healthcare data processing.

In April, BioStrand received the 2024 Impact Award for its LENSai technology, recognizing the potential for our HYFT-powered platform and our commitment to advancing in the biotechnology industry.

We've made significant advancements in our product offerings this past quarter, particularly with the launch of our LENSai API and vector search capabilities. The immediate commercial offering of LENSai API provides access to BioStrand software across multiple markets, including technology, biotechnology, pharmaceutical, agricultural, and healthcare companies.

This leapfrogged our previous commercial timeline, offering immediate access to our technologies on a subscription basis and is expected to enhance global drug discovery and development processes.

Our unique value proposition lies in our ability to bring partners and collaborators into the drug discovery space with leading technology by integrating our foundational AI with existing algorithms, data management systems, and software on Amazon Web Services, or AWS, our most recently signed partner, IPA gains direct access to new client streams and enhanced technologies from partners and collaborators.

Furthermore, we are working diligently to onboard BioStrand on the AWS Partner Network a global community of partners that leverages AWS technologies, programs, expertise, and tools to build solutions and services for customers. This partnership will provide us with access to technical and business support, best practices, and extensive resources to accelerate the delivery of our SaaS solutions.

As part of this partnership, BioStrand plans on offering LENSai in the AWS Marketplace, a sales channel that enables independent software vendors and consulting partners to sell their solutions to AWS customers. Additionally, there is a vibrant pharma and life science activity on AWS looking to add deep data providers specifically through APIs, such as our BioIntelligence Suite. This collaboration aims to enhance our technological capabilities and expand our market reach, providing our customers with robust and scalable solutions.

In February 2024, the Oss Netherlands Lab moved to a new facility, significantly expanding our laboratory space for both discovery and development work. Along with this expansion, we enhanced our service offerings through the acquisition of additional capital equipment and services.

In April 2024, we purchased an LSA from Carterra to expand our services. This equipment supports our high throughput screening capabilities, particularly in our in silico outputs from BioStrand. Screenings with the LSA have been quickly adopted by our clients, implemented in various ongoing programs, and began contributing 6-figure revenues in short order. The site has also expanded its discovery services to accommodate the growing VHH, or camelid antibody market.

Despite the Oss facility relocation activities in February of 2024, thanks to careful planning and teamwork across our EU locations, revenues were uninterrupted as the team continued to drive strong [revenue] growth in fourth quarter and into the new fiscal year.

The growth in Oss is primarily driven by an increase in human phage and B-cell-based discovery programs. These expanding European capabilities have not only contributed to revenue growth, but also greatly enhanced the rollout and adoption of our fee-for-service work with the BioStrand BioIntelligence Suite of tools.

With the expanded lab facilities at both sites in the Netherlands, we have witnessed significant growth in sales. In addition to phage display and B-cell-based discovery programs, this growth has been fueled by custom protein production with additional contributions from antibody characterization and optimization.

In conclusion, our operational performance in the past quarter reflects our commitment to innovation and operational efficiency, as well as customer satisfaction. We are excited about bringing the opportunities ahead and remain committed to delivering value to our shareholders.

We are excited to turn our attention to our LENSai updates from the past quarter, highlighting our progress in its commercialization. For clarity, I want to start by providing a description of the LENSai access model, including an explanation of the difference between the LENSai API and the LENSai portal and the target audiences for these platforms.

The LENSai platform operates as a Software as a Service or SaaS model with all processing happening in the cloud. Most users interact through a web portal user interface, requiring only a machine with a browser and internet access.

For technical users, interaction with our services via an API is also possible. The API endpoints initiate the same cloud processing as the web portal. So the actual requirements for client machines are minimal. There is no overhead in computation or memory, and if they're managing data through our platform, there's no need for additional disk space.

Our revenue model is based on a per-sequence basis, with bulk usage qualifying for a discount on an annual basis. Pricing applies to every application from our LENSai BioIntelligence Suite, whether through our API or through the portal, ensuring our services are accessible and scalable. This flexible pricing strategy allows us to cater to a wide range of customers, from small to large companies across multiple industries, ensuring broad market penetration and sustained revenue growth.

With this in mind, we are proud to provide our updates on BioStrand's LENSai software rollout. About 5 months ago, BioStrand successfully rolled out LENSai in an internal launch, including at our Utrecht and Oss sites, which have been actively using the LENSai portal for advanced protein modeling and data analysis. This rollout showcases the platform's security and utility.

In Utrecht, we are collecting feedback to enhance the data analysis functionalities of LENSai. As these tools are used, BioStrand gathers feedback on client preferences for running jobs with LENSai's analytical tool, how clients prefer to organize their work, and the most useful information for reporting documentation. This provides essential testing for resilience and robustness of the platform.

On the other hand, the rollout in Oss has provided valuable insights into client preferences, particularly regarding the data exchange capabilities of LENSai. The team in Oss has direct access to the LENSai platform for providing real-world solutions with their clients to employ data analytics, manage that uploads and downloads, and use the platform for data sharing with clients. This milestone enables BioStrand to collect feedback on the ease of use and robustness of LENSai.

BioStrand data scientists have internal access to LENSai as they use the platform similarly to advanced customers with a technical background. Their insights inform both advanced pipeline use and the integration of the LENSai API into their data science workflows.

Commercial projects for clients and partners are being successfully executed end-to-end, meaning entirely in silico, on the LENSai platform, providing realistic feedback on its use, accuracy, performance, and resilience in complex cases, as well as API-based cases.

We are pleased to announce that we have initiated the public rollout of LENSai with select partners ahead of schedule. In addition to this, based on their positive experience and outcomes from LENSai application, one of our large pharmaceutical company clients has chosen to expand from the initial LENSai services to a broader integration with our software as a service and API solutions. This successful model demonstrates the platform's capability to generate significant revenue streams through these commercially available solutions, which support recurring revenue for BioStrand.

We have not yet secured new milestone and royalty discovery deals. However, we are actively engaged in discussions with multiple parties, including current large clients that have already utilized BioStrand's LENSai BioIntelligence Suite and have indicated their interest in converting to a partnership model for its added benefits. We are optimistic that these ongoing discussions will soon lead to significant partnerships and open new revenue opportunities.

Our unique value proposition lies in our ability to bring partners and collaborators into the drug discovery space with leading technology and access to hundreds of biotechnology and pharmaceutical partners. By integrating our foundation AI LENSai with existing algorithms, data management systems, and software on the Amazon Web Services, IPA also gains direct access to new client streams and advanced technologies from partners and collaborators for access to high revenue programs.

Looking ahead, we anticipate continued expansion and progress in this challenging market in the upcoming fiscal year. Our guidance is based on our internal KPIs, strong operational performance, successful execution of our strategic initiatives, focused liquidity management, and robust demand for our products and services.

We expect our revenue growth to continue, driven by our B-Cell Select platform, our enhanced manufacturing facility, and our groundbreaking LENSai software. We also anticipate further revenue generation from partnerships and fee-for-service projects powered by BioStrand's LENSai technology.

Our focus on operational efficiency and financial prudence will continue to drive improvements in our profitability metrics.

In conclusion, we are optimistic about the future and confident in our ability to deliver strong results. We remain committed to our mission of revolutionizing the biotherapeutic research and technology landscape and look forward to sharing our progress in the coming quarters. We appreciate your continued support and presence as we navigate these challenging times and work toward delivering sustained value to our shareholders.

I'd now like to turn the call over to our Chief Financial Officer, Kristin Taylor.

Kristin Taylor

Chief Financial Officer

Thank you, Jennifer. Good morning, everyone, and thank you for joining our fourth quarter and annual fiscal year 2024 earnings call. Following up on Jennifer's review of our progress in the market, I will provide an overview of our financial performance for the fiscal year ended April 30, 2024, along with further details of our financial strategy and outlook. As a reminder, all numbers I reference are in Canadian dollars, unless otherwise noted.

As you are aware, our company is at the forefront of custom antibody discovery, leveraging cutting-edge technologies to accelerate and enhance the development of novel antibody-based therapeutics. This year, we made significant strategic investments in building and integrating artificial intelligence capabilities into our drug discovery and development processes.

We also achieved above market revenue growth on expanded wet lab capabilities, along with key validation of our AI technologies highlighted by Jennifer.

This chart shows the quarter-over-quarter revenue growth we achieved through these efforts over the last 3 years, with recognizing \$6.5 million of revenue in the fourth quarter for yet another quarter of record revenue growth.

On to key financial highlights for the year. Our total revenue for fiscal year 2024, which largely represents our custom antibody project and product revenue, was \$24.5 million. This represents a 19% increase in revenue compared to fiscal 2023. And previous year-over-year revenue growth was 7%. This increase in growth was driven by our abilities to deliver for our clients while providing additional capacity for a facility expansion in Europe.

We also continued to increase our capabilities through investment in R&D and capital equipment. We will continue to target above market growth in fiscal 2025 with continuing our investments in R&D, including ongoing investments in LENSai.

Our gross profit margin for the year was 49%, a decrease from 56% from the previous year. As discussed on prior calls, this represents the additional costs associated with our wet lab expansion, as well as reflecting a lag in inflationary costs being built into our pricing. With continuing to review pricing opportunities, as well as providing higher margin services, we are targeting improvements in our gross profit margin in fiscal 2025.

With respect to our operating expenses, overall operating expenses, not including asset impairment for the year, decreased by 30% to \$26 million. The primary driver of this decrease was our reduction in R&D expense as we wrapped up spend on key pipeline asset, including our therapeutic antibody assets that remain a focus in our licensing efforts.

This resulted in a reduction in R&D expense to \$4 million in fiscal 2024, versus the previous year of \$14.1 million. For the fourth quarter, R&D expense was \$1.3 million versus \$0.9 million for the previous year. The R&D spend in fiscal 2024 was primarily on the LENSai capabilities and validation as we go to market with our LENSai APIs.

We are currently targeting similar levels of spend in fiscal 2025. However, we will continue to monitor market conditions for indications that we need to accelerate or alternatively initiate operational cuts where we determine it would not impact near-term revenue and cash generation.

Year-to-date sales and marketing expenses remain flat at \$3.5 million compared to \$3.6 million in fiscal 2023. For the fourth quarter, it was flat year-over-year at \$0.9 million. This spend represents our synergistic sales efforts across our comprehensive antibody discovery and development services, along with efforts towards Talem pipeline out licensing opportunities.

And general and administrative expenses for fiscal 2024 were \$15.6 million. This is up slightly from the previous year expense of \$15.4 million.

For fourth quarter, G&A expense was \$4.1 million versus \$3.6 million for the previous year.

Overall, we continue to see result from our strategic expense management even as we grow our revenue and our AI offering.

In summary, we reported a net loss of \$27.2 million in the fiscal year compared to a net loss of \$26.6 million in the prior year. Our fiscal '24 net loss reflects that we recorded a noncash impairment loss of \$11.4 million on goodwill and \$3.8 million on intangible assets for our BioStrand unit as part of our annual IFRS accounting asset test. This impairment factors in the rise in the discount rate as well as the delay in the expected cash flows as we bring the next round of BioStrand LENSai capabilities via the APIs to market.

Without the IFRS accounting impairment, net loss would have been \$12.1 million in fiscal 2024, versus \$24.1 million in fiscal 2023. Because these accounting impairments represent noncash items, in fiscal '24, we achieved revenue growth and expense reduction that resulted in a significant year-over-year reduction in overall cash burn.

This reduction in cash burn through increased revenue and management expenses supported us in finishing fiscal 2024 with unrestricted cash of \$3.5 million. Our overall use of cash in fiscal '24 was \$4.8 million compared to a use of cash of \$22.4 million in fiscal 2023.

Major components of our fiscal '24 use of cash included the ongoing investment in BioStrand's LENSai, which is the largest use of the \$5.8 million operational burn.

We also invested in capital equipment totaling \$1.4 million for the year, which included our purchase in the fourth quarter of an LSA from Carterra to support our European sites growth.

While these investments in R&D and capital equipment are crucial for our long-term growth and competitive positioning, they have required financing above the positive cash flow currently generated by our 3 CRO sites.

To provide additional cash flow, we continue to run lean and to initiate small equity raises. In December, we completed a small equity raise with Benchmark, and in early March 2024, we utilized our ATM, where we issued 629,000 shares for proceeds of \$1.8 million.

Additionally, subsequent to our year end, in June, we continued to utilize our ATM facility in small amounts, issuing 358,000 shares and raising an additional \$490,000.

And in July 2024, we entered into an agreement to sell and issue USD 3 million of convertible debentures with an annual interest rate of 8%. The sale and issue of the first tranche totaling USD 2 million was completed on July 16, 2024, and the sale and issue of the second tranche of USD 1 million is expected to close on or about the date that the initial registration statement is declared effective by the SEC.

We continue to monitor our cash from operations as well as cost of capital versus returns on R&D and CapEx investments to assess the need to raise additional funds. Growing a company of this size at this development and these cash balances is not without challenging hard decisions. Our funding strategy remains consistent of raising funds while balancing market conditions versus our return to enable us to meet our next value growth milestone.

This is where growing our cash flows from our strong CRO business has been beneficial. While we monitor our revenue growth and cash flow, along with monitoring market requirements, we are able to slow down or speed up our R&D efforts as we work to best meet our clients' and our partners' needs.

In conclusion, we remain committed to our growth strategy while managing liquidity carefully, positioning us for strong growth and market leadership.

I would like to extend my gratitude to our shareholders for their continued support and trust in our vision as we navigate through growth as well as challenges. We remain focused on executing our strategy and delivering results.

And with that, we'd be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Will McHale with Ingalls & Snyder.

William Campbell McHale

Ingalls & Snyder LLC, Research Division

Couple questions from me. I wanted to start with a question on the milestones that we've talked about on previous calls. I think you hit on most of them during the script and said that we've achieved most of these except for the structured AI lab deal with licensee. But my question is more whether these are having any tangible impact on our current financials or whether these, sort of, initial partnerships are more early adopter type relationships without any real tangible financial impact to us.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Will, this is Jennifer. Thank you for that question and very reasonable question at that. So first of all, with early access rollout, obviously internally no financial impact there. Externally, with one of the partners who signed early access for LENSai, I believe it will be in API format, that has begun to bring in some initial early-stage revenues. That's actually a phased approach to that partnership, where as the program moves on, each step will be determined depending on the output of the first step. So we already have actually provided a financial quote for the first phase of that program for that early access adopter. So we began to see some early stage revenue.

With the majority of them, however, and I think most notably as well, the large pharmaceutical client, this is one we've referred to previously where they've moved all of their internal wet lab work now specifically just to BioStrand because of their being so impressed with the outputs of BioStrand. This group who has indicated that interest in moving into the full, not only partnership, but early access to LENSai API is where I think we'll see also more significant revenues. We have not started to see those revenues yet. We are really just ramping in those conversations.

The major push for LENSai API [indiscernible] marketing has been ongoing with InterSystems and has really, really started a ramp and hit the ground running over the last 2 weeks. So we anticipate probably the majority of that to start its ramp, I would say probably around Q2 as these groups move into a model where we intend to see and expect to see subscription model revenues beginning to roll in.

William Campbell McHale

Ingalls & Snyder LLC, Research Division

So it was -- so the focus was sort of more on driving initial adoption and then the sort of financial benefit was more of a fiscal 2025 type impact.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Yes. Absolutely. Absolutely.

William Campbell McHale

Ingalls & Snyder LLC, Research Division

I wanted to ask another one on BioStrand. So it seems like you guys have made a lot of progress from a technical standpoint, but perhaps the commercialization side has been a little bit more challenging than anticipated. And that's what led to the big write-down. Could you just kind of give us a little bit of more color on kind of what went different than you anticipated when you made that acquisition? And what the path forward looks like to earn a return on that capital that was spent?

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Yes, absolutely. So first of all, what went different? I think one of the major differences, or at least one of the things that became clear during the development of LENSai was really kind of the stretch between the multiple initiatives that we had. When we first onboarded BioStrand, we knew those capabilities they had with LENSai were broadly applicable, and they had been applied toward some drug discovery and some agricultural work. We asked them to make the full shift into the antibody discovery and development space. That took longer than expected to really bring that platform on board and complete the training overall with regard to very specifically the tool that we knew were tools that would be leveraged with our current client base, what we knew about biotech and pharma. So that's the first thing that took a little longer than expected.

And then in addition to that, because we're still focused on the SaaS model and the ability to do data management. What we also found is with the investments that we were making, which are obviously significantly more reduced than what you would typically see in a company that has these types of grand ambitions, we found that we had a tug and a pull between investing in the data management and then investing in the LENSai BioIntelligence suite in the sense that when we put more into one, it took away more from another. And so, as we continue to invest and to put person hours into both of those capabilities, it just slowed things down overall. I think we're now at a point where we see that the LENSai BioIntelligence Suite is not only bringing in trendingly increasing revenues for BioStrand gaining traction, and also, really being adopted and favored by many of our clients, we feel that we really kind of reached to that place where we're able to put the pedal to the metal with LENSai BioIntelligence Suite. And then obviously the full SaaS model rollout is still on the further trajectory. But again, we're very pleased with the LENSai API's ability to leapfrog some of those timelines and get those potentially recurring revenues.

So overall, it was that shift more specifically into the therapeutic antibody space, which was new application for LENSai. Really getting LENSai to a point where we had a minimal viable product and it could be accessed. Getting pharmaceutical companies over their kind of hesitation to use AI, I think many of them had been duped before into thinking something was special. And as I said, as our partners begin to using this and getting access to it, they've been very surprised and have been able to validate our results in vitro. That's begun that ramp. But yes, those are a lot of the initial hurdles that we faced.

William Campbell McHale

Ingalls & Snyder LLC, Research Division

So there was sort of a period of time to really build the product before you could start to put more resources in the commercialization side of it. Is that sort of a [indiscernible]

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Absolutely. When we purchased BioStrand, we talked about its capabilities based on, foundationally, the HYFT, right? That's intuitively applicable, but those capabilities still needed to be built. We now have over 80 different applications that have been directly of 80, like, put -- I hope people can comprehend that 80 applications that have been built in the past 2 years that are directly applicable to drug discovery and development, many of which have been validated in the lab. That's an incredible amount of building these algorithms to address drug discovery in a short period of time. And it's really at the point that that we've been applying these to our pharmaceutical client program -- pharmaceutical partners and client programs that we filled the gap with everything else we needed to build to get to that 80. And that's where we stand today.

Having used that multiple times for pharma partners and pharma clients, noting its success out there in its direct application, being able to validate that in the lab, being able to demonstrate to them that it works and they can validate it too. That was a huge lift. And it wasn't something they had when we bought them. So while it seems slow, it's certainly for sure. This has been a tremendous amount of work and a tremendous amount of validation that they've accomplished in the last 2 years. And that's what we're leveraging now.

Now we have that data, now we can put it into marketing sell sheets, we can legally talk about what we have done, we can showcase studies. And that's turning heads, that's changing minds. And now having the API where people are able to directly access this, we don't need to any longer worry about putting the additional capital and time into building that user interface. And to having those data management capabilities, people can access this right away. So these are really pivotal shifts in not only our ability to showcase what we can now provide evidence for, but also for people to be able to do this direct access and to begin paying for subscription models, which previously it relied on them trusting us to do that work for them behind closed doors.

William Campbell McHale

Ingalls & Snyder LLC, Research Division

I was going to ask also just how the -- how conversations with potential partners have changed since you've completed some of the end-to-end programs entirely in silico using LENSai. But it sounds like that, yes, it's had a positive effect in terms of proving that this is a real legitimate technology that works as opposed to some of the other bluffs that's out there.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Exactly. Exactly. Exactly. It's really transformed our ability to provide evidence to be able to walk them through workflows we've done that have been successful, to be able to demonstrate firsthand our capabilities, which if we talk about the pharmaceutical side of the world, that's imperative. They're not going to take anything without -- on our word, they want evidence. Yes. And then when they can validate themselves, that's great.

Our more recent move into the technology and AI industry is slightly different. It's not the same type of evidence they want. They can oftentimes very quickly graph through demonstrations what we're able to do. And that push on our part over the last quarter into the technology area talking directly to these large technology companies has also changed those conversations because we get much more rapid buy-in and they really immediately understand the value of multimodal integration in drug discovery. So we can help bring them along to the drug discovery world and also access to pharmaceutical partners, which is what we're finding is their pain point.

William Campbell McHale

Ingalls & Snyder LLC, Research Division

Last one from me, so it's been a long sort of difficult stretch in the small microcap space for healthcare companies, and obviously we're -- we have some funding needs. And at the same time, the market's clearly not giving you any credit for the growth at the CRO if you look at our multiples relative to comps or to where private marks have been. And I appreciate the steps you guys are taking in investor relations outreach. But does there come a point where it makes sense to consider strategic alternatives, whether that's seeing if value can be realized from a private market standpoint or from a strategic acquisition?

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Well, I appreciate that question, Will, because that is something that comes up from time to time, and sometimes we hear different things out there. We see them occurring with our partners or our peers, no doubt about it. And we're always open to actions that would maximize shareholder value. And we leave no stone unturned. But that said, and kind of referencing back to some of the things that I mentioned in the script, in terms of shareholder value and the [disc] in the market. As a management team, we have visibility into our own pipeline of opportunities and communications. And we believe that our current value obviously in no way reflects those opportunities. So we are -- if there's one thing that that's clear while we're open to opportunities that maximize shareholder value we are in no way interested in giving away the upside from our investments that we have made over the past several years.

Operator

And the next question comes from the line of Swayampakula Ramakanth with H.C. Wainwright.

Swayampakula Ramakanth

H.C. Wainwright & Co, LLC, Research Division

Just looking at the revenue generating part of the business. And just -- and also trying to think about your guidance of continued growth for fiscal '25. So in terms of the contributions itself, I'm assuming most of the contributions obviously have come from the expanded facilities in the Netherlands. How much of that is sustainable? And when you say you're expecting better than market growth in fiscal '25, what are we talking about? Are we talking about like mid-teens or just low-teens and I'm trying to get a feel for that. And also any commentary on expenses would be helpful.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

So first, RK, thank you so much for joining the call. Always nice to hear from you and receive your questions. So first of all, with regard to sustainable growth going forward, definitely some of it, and the growth we have received here historically over this past year, definitely some of that is the expanded capabilities in the Netherlands with regard to manufacturing. Over the fourth quarter, we saw even more of a contribution from the expenditures that we made in the Oss site, in particular in antibody development, as well as the discovery on their phage display, and the new technology they're offering in B-Cell, which is distinctly different than what we offer in Canada.

Although also important to note that the B-Cell technology revenue coming out of Canada continues to grow and continues to take on a very disproportionate amount of the revenue coming in from there. And this is in particular because we have capabilities there in the B-Cell realm that Very few companies have, not only are they known to be very, very efficient in producing quality outputs, including clinical products, products that go on into the clinic for our partners. But we work in particular with a species where we are only aware of one other company in the world being able to provide that output. And I believe that company is in China. And so we have also cornered the market in a way with regard to that activity and with over 15 years of experience in it, quite frankly, we're nailing it. And so we have really kind of a diversified revenue base there that's helping us to continue to expand and to grow.

So going forward with regard to your question on whether or not that growth is sustainable, we do believe that it is sustainable. And in part, we believe that's due to our innovation. We never provide, even with the manufacturing facility, it's never just manufacturing. We're always looking for other foyers into the market, other areas where we can expand and grow. What are the needs of our current clients that we're currently serving there? There's multiple things that we're capable of doing with our existing personnel and equipment to expand that market reach. We continue to take on additional capabilities there too. So there's different types of protein manufacturing, different types of modifications on proteins. We expand on those. We listen to the market.

And now in particular with protein manufacturing, that is one of the areas where we saw a lot of people going to China for. And we definitely have heard directly from large pharmaceutical companies and biotech companies alike that they need to move those capabilities outside of China. And so we've definitely been fortunate to be the recipients of some of those changes.

RK, you might need to help me with the other portions of your questions. I believe one of them was with regard to expenditure.

Swayampakula Ramakanth

H.C. Wainwright & Co, LLC, Research Division

One was expenses. And the other is when you say better than market, what are we talking about? Are we talking about low-teens, mid-teens, high-teens?

Swayampakula Ramakanth

H.C. Wainwright & Co, LLC, Research Division

Yes. So historically, our market intel on the market growth has been low double digits historically, but also significantly turning around and changing with regard to what occurred in the CRO market post-COVID. We saw people beginning to shorten their actual budget for vendors. We saw more of an enforcement of vendor consolidation post-COVID. And then as the market began a downturn, we really saw pharmaceutical and biotech companies being much more cautious about their expenditure in that market. And so what we -- what has been indicated by the market is even that low double digit growth has decreased significantly in the last 2 years with multiples of our peers actually indicating that their revenue is decreasing in the other direction.

And that's part of why we have been, in particular, very proud of our continued growing revenue over the course of the last 5 quarters, because it's not just above market trend, it's in the exact opposite direction of where most of our peers have been going in the CRO antibody discovery and development market.

And we believe that's directly attributable to some of the things we talked about here. We knew vendor consolidation was important multiple years ago, and that is evident in the sense that as the market tightens and gets more difficult, that is one of the things that enables us to continue to capture that work instead of losing the clients. But it's also our reputation for excellence and our reputation for taking on difficult targets.

As many people know, the targets today are much more difficult than they were previously. We've exacerbated most of the easy targets for drug discovery and now, the ability to conquer those most difficult targets with innovative technologies has become more and more important. So being able to do that type of robust science, turn out good outputs, and then being able to do it under one roof so that we are able to meet some of the procurement requirements for these large pharma, who are only able to work with sometimes 3 vendors, sometimes 5 vendors is what left up in the mix instead of on the chopping block, which also meant when they consolidated, we got more of their revenue.

And then with regard to expenditures, the vast majority of our R&D expenditure actually goes into BioStrand. So while that's still significantly less than what other companies in the drug discovery space with regard to AI technologies and in silico technologies are putting into those companies, it is still for us, the majority of our R&D spend. Very little going into Talem, very little going into the sites, except when they're expanding out a commercial R&D opportunity. But usually, they do that in conjunction with a partner to have their costs covered. So it's mostly entirely BioStrand.

Operator

Thank you for your insightful questions. I will now hand the call back over to Dr. Jennifer Bath, our CEO, to conclude the call.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Great. Thank you, Kayla. So as we conclude today's earnings call, I would like to express our gratitude to each of you for taking the time to join us and for your support. Your interest and your engagement in our progress and our future plans are appreciated.

Finally, we'd like to express our gratitude not only to our shareholders, but also to our clients and to our valued employees. Your continued support and loyalty are the driving force behind our success. We are committed to delivering value, value to our shareholders, and looking forward to sharing our continued progress in upcoming quarters.

Thank you once again for joining us today. We appreciate your time, and we look forward to our next earnings call.

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