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Earnings Call

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Call Participants

EXECUTIVES

Jennifer Lynne Bath

*CEO, President & Non-Independent
Director*

Joseph Scheffler

Interim Chief Financial Officer

ANALYSTS

Swayampakula Ramakanth

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

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for joining us today for ImmunoPrecise Antibodies Fourth Quarter and Fiscal Year End 2025 Earnings Call. We appreciate your time and interest in IPA. Today's call will be led by our CEO, Dr. Jennifer Bath; and Interim CFO, Joe Scheffler. They will provide a review of our financial performance strategic initiatives and key operational highlights for the fourth quarter.

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

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, global, political and economic factors, changes in market conditions and other unforeseen business risk. 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 advised all participants to refer to our filings with the Securities and Exchange Commission, SEC, including our most recent Form 20-F and 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 of our future performance. We appreciate your continued interest in ImmunoPrecise Antibodies.

I will now turn the call over to you, IPA's President and CEO, Dr. Jennifer Bath.

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Thank you, Karen, and good morning, everyone. Thank you for joining us. to discuss today's IPA's fourth quarter and full year fiscal results for 2025. Fiscal year 2025 was a standout year for Precise Antibodies capped with record-setting fourth quarter. With \$7 million in revenue, our fourth quarter delivered the quarterly revenue in our company's history. We also achieved gross margin of 64% in the fourth quarter, up from 48% in the fourth quarter of fiscal year '24. This improvement reflects the impact of our continued focus on operational efficiency and disciplined execution.

For the full fiscal year ending April 30, 2025, we expanded our gross margins by 600 basis points from 49% to 55%. A key driver of this improvement was the exceptional growth of our BioStrand segment, which grew more than 180% year-over-year and delivered gross margins approaching 90%. As BioStrand continues this high-growth path, we expect it to remain a strong contributor to the top line performance and to support continued margin expansion going forward.

Another key highlight in the fourth quarter was our record adjusted EBITDA performance. We narrowed the loss to just \$316,000, a significant improvement compared to the loss of \$1.7 million in the same quarter last year. This marks meaningful progress and highlights the impact of our focus on operational efficiency and disciplined execution. In parallel and of note, our Canadian business showed strong growth in the fourth quarter. Sales orders reached \$4.3 million this quarter, more than double historical quarters. Year-over-year sales in Canada increased by 47% with quarterly orders coming in up 83%. Orders from new clients rose 93% year-over-year and 80% quarter-over-quarter.

As we noted on our last earnings call, we've been actively moving forward with the divestiture of our Dutch subsidiary. I'm pleased to share that we are now in the final stages of that process with due diligence progressing with a single focused buyer. While the time line has extended slightly beyond our original expectations, the transaction remains on track, and we anticipate near-term completion. Once

finalized, we expect this divestiture to sharpen our focus, streamline operations and generate additional cash to further strengthen our balance sheet and support our strategic priorities.

Shortly after the completion of the divestiture, we are rebranding to reinforce our position as a bio native AI platform that integrates AI, connected data and advanced lab research. This signals our shift from a service-oriented model to a customizable platform-driven business aligned with an industry transformation where AI and data integration are reshaping how drug discovery is done. We are positioned to deliver earlier insights, stronger candidate selection and faster decision-making at scale. At the center is our LENSai platform, powered by our patented HYFT technology, which transforms fragmented biological information into a computable model for precision discovery and development. This approach strengthens our value to partners, drives growth and enhance our competitive advantage across the full biologics continuum.

Now we will walk through some of our key milestones from the past several months. In February, we announced a strategic collaboration with RIBOPRO to combine their messenger RNA antigen expression technology with our AI and wet lab antibody discovery platform, aimed at accelerating next-generation therapeutic development offerings. In March, we strengthened our AI infrastructure through strategic collaboration with Vultr and deploying AMD MI300X GPUs to support the growing demands of our discovery platform. This upgrade has significantly increased our processing speed, improved scalability and reduced compute costs by up to 66%, all of which contribute to stronger operational efficiency and improved margin potential as we grow.

Also in March, we entered a strategic partnership with a publicly traded, multibillion-dollar technology company focused on antibody drug conjugates and bispecific antibodies in oncology. This collaboration combines our B Cell Select platform and AI discovery capabilities with their research infrastructure. The agreement has an initial value of \$8 million with the potential to reach \$10 million over an 18- to 24-month term. In April, the FDA announced plans to phase out animal testing for monoclonal antibodies, a move that aligns with LENSai and silicon capabilities to predict toxicity, immune response and efficacy, reducing reliance on animal models.

Also in April, we launched our presence in Cambridge, Massachusetts, offering fee-for-service biologic services, extending our geographic reach and service footprint in a core U.S. biotechnology hub. In May, we validated LENSai's ability to map antibody antigen interactions with accuracy comparable to x-ray crystallography, which is the industry gold standard, but in hours instead of weeks. This breakthrough significantly accelerates early discovery and reduces the need for complex time-consuming lab work.

In June, we announced a major advance in our dengue vaccine program. Using our HYFT powered LENSai platform, we identified a highly conserved epitope shared across all 4 dengue serotypes, a key step toward a universal vaccine. We also released in silico data showing the structural stability of the target and its potential to trigger a safe, balanced immune response, supporting its move toward translational studies. In the same month, we shared premining results from our AI designed GLP-1 peptides, which matched or exceeded semaglutide in independent receptor activation assays. This milestone shows the versatility of our platform beyond vaccines with clear applications across metabolic disease, infectious disease and oncology.

In July, we released a validation case study showing that LENSai's immunogenicity screening can predict antidrug antibody risks with strong correlation to real-world results. In direct comparison, it outperformed the leading industry benchmark. This supports its value in helping drug developers identify and derisk problem candidates earlier in the discovery process. Also in July, we regained compliance with NASDAQ's minimum bid price requirement following 10 consecutive days of trading above the \$1 threshold while procedural, this milestone reflects growing market confidence in the evolution of our platform-driven bio-native AI approach.

On the leadership front, earlier this month, we welcomed Jon Lieber to our Board. Jon brings over 30 years as a senior executive in biotechnology and life sciences with deep experience in capital markets, corporate strategy and governance at NASDAQ-listed companies. Critical assets as we drive commercialization and scale platform adoption. We also expanded our advisory board with the appointment of Jeff Fried, an expert in health care data architecture and AI innovation. He's played

a pivotal role in integrating vector search capabilities into LENSai's platform via our InterSystems partnership, further enabling large-scale computation driven discovery workflows.

I'll now turn things over to Mr. Joe Scheffler for our financial updates.

Joseph Scheffler

Interim Chief Financial Officer

Thank you, Jennifer. Please note that all numbers referenced are in Canadian dollars. As Jennifer mentioned earlier, BioStrand is currently delivering triple-digit revenue growth with margin near 90%, underscoring the strong performance and long-term value of this asset. Total revenue for the fourth quarter was \$7 million, representing our highest quarterly revenues in the company's history.

Fourth quarter revenue increased 8.1% and over the year ago quarter and 13.5% for the prior quarter. The strong revenue growth was driven by increasing sales to our service platforms in particular, our revisal platform in Canada. Gross profit in the fourth quarter was \$4.5 million, also at the highest level in the company's history. This represented a gross margin of 64%, up from 48% in the year ago quarter and 54% from the prior quarter. Gross margins in the fiscal year 2025 were 55%, up from 49% in fiscal year 2024.

The significant increase in our gross margin over the past year was due in part to increasing sales from our BioStrand division, which has margins approaching 90%, much higher than our core wet lab business. We expect our gross margins to trend higher over time as BioStrand continues its growth trajectory and represents a larger portion of our revenues.

With our strong fourth quarter revenues, our fiscal year 2025 revenues amounted to \$24.5 million, a slight increase over our fiscal year 2024 revenues. R&D expenses in Q4 were \$1.1 million, down 14% in the fourth quarter of last year. Sales and marketing expenses were \$1 million in Q4, up from \$900,000 in the year ago quarter. General and administrative expenses in the fourth quarter were \$3.7 million, down 10% from the fourth quarter of last year. In total, operating expenses, excluding amortization and onetime charges, declined to \$5.8 million, down 7% from the year ago quarter and down 2% in the prior quarter. This year-over-year decline in operating expenses was driven primarily by lower G&A and lower R&D, while the sequential decline was driven by lower sales and marketing. Our decreasing operating expense is over our targeted focus on improving efficiency within the company.

Adjusted EBITDA for the fourth quarter was a loss of \$316,000, a significant improvement from a loss of \$1.7 million in the year ago quarter and a loss of \$1.7 million in the prior quarter. As a percentage of revenues, adjusted EBITDA was a negative 5% in the fourth quarter, a big improvement over the negative 24% in the year ago quarter and a negative 25% in the prior quarter. Again, these improvements are the result of reducing our expenses as well as improved gross margins.

As of April 30, 2025, we held \$10.8 million in cash compared to \$3.5 million at fiscal year-end of 2024. With our strong cash position, validated AI economics, and strong partner momentum, we believe we are entering a new fiscal year in a financially disciplined position to support our growth. Thank you. And now I'll turn it back to the operator for the Q&A portion of our call.

Question and Answer

Operator

[Operator Instructions] So our question comes from Swayampakula Ramakanth.

Swayampakula Ramakanth

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

A couple of questions from me. Congratulations on generating high efficiency the GLP-1 peptides that you were talking about in your opening remarks. So in terms of clinical development, what should we expect for them? And also, how do you plan to monetize this asset?

Jennifer Lynne Bath

CEO, President & Non-Independent Director

RK, this is Jennifer. Thanks for joining us. And thanks for your question. I appreciate that. So first of all, in terms of development, we have 2 partners that we're working with at the moment. One of them very specifically on the actual drug product manufacturing as well as formulation and then an additional partner who actually brings about a novel ways to administer the drug product in a unique route of administration. And that partner is actually working with us not only on dosing escalation analysis and formulation, but also has done the preclinical design and validation in terms of how we will execute on preclinical IND-enabling data to support translational work and clinical design.

We ourselves actually do not intend to take this product into the clinic. We do have an interested party who contacted us on the day of the very first press release with GLP that we are focused on demonstrating some of these initial formulation study and there was dependent responses to where our hope and anticipation is that we will be bringing along a financial sponsor that will then sponsor this in the clinical setting.

Swayampakula Ramakanth

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

Okay. Perfect. Then regarding the biotech partner that you're working with on the oncology assets. So for you to start recognizing some of the initial payments of the \$8 million. What sort of milestones do you need to achieve? And if you're unable to spell out the milestones at least, what's the kind of cadence that we should expect for that \$8 million? Can you see something in the fiscal year '26 or is it like one big lump payment that you will get at the end of whatever you're supposed to be doing in terms of the project?

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Yes. That's a good question, RK, and I can appreciate that from your analyst perspective, too, looking to see when some of these financial components will start to hit the books. So it's definitely not all in one lump sum actually. So we have just -- we are closing out on Thursday of this week, of course, our first quarter. We anticipate a significant amount of this program to actually be visible in our second quarter. So we're launching quite a number of [indiscernible] simultaneously for this particular partner that will then be moving through to a more advanced stage where we draw down and recognize that revenue in Q2. So that's the time when I would expect you'll start seeing the impact from that particular partner is this coming quarter.

And then in terms of milestones, we really don't have like -- I mean, we have the usual milestones we have when we build a therapeutic for anyone. But we don't have any milestones that are deal breakers here or anything unusual. So we move through our process. As we go, we always are very transparent in sharing that data with any given client to demonstrate the quality of the work and the product as it moves through the process. And technically, every program we have has go no-go aspects but we have approaching 100% success rate on these platforms. So it's pretty rare. That's something doesn't continue to move through.

So this program is similar in the sense that we're using highly validated platforms, and we don't have any particular set places where we have a unique milestone that could end up triggering the halt or the completion of the program really.

Swayampakula Ramakanth

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

Okay. And then you're all aware of the FDA guidance of trying to base systems for preclinical drug development. So since that announcement had come out from the regulatory agency, what sort of traffic have you seen inbound for your services? And is there any way we can gauge as to how much the LENSai platform will start getting used in '26 -- your fiscal year '26 because you said in the PR that only 5% of your annual revenues at this point is coming from the AI side of business. So I'm just trying to see how quickly can that grow and what magnitude could it grow to?

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Yes, that's a great question as well. So I think we've got a lot of eyes on the direction that people with kind of earlier stage preclinical work are going in terms of FDA guidance and applications, we have through some of our peer groups recognize that there has been at least a couple of early-stage purely in silico work that has supported some unique cases already in their approval for clinical use from the FDA. But overall, that's probably a few years out before we get a firm transition in that space.

So we've been curious as well as to how this type of work will transition to what we're doing at BioStrand. So we've definitely had an increase in inquiries in the particular areas that are very directly related to IND applications when it comes to clinical safety, patient safety and uniqueness of patients being rolled in studies. But the area where we have seen really the most dramatic and material change is kind of an interesting one because it's -- it corresponds as well to of the more recent platforms that we've been fairly vocal about. So this includes our immunogenicity platform and then -- which includes, of course, the analysis of these ADA responses and epitope mapping as well.

And it's interesting because it's difficult for us to know how much of that, even in communication with our clients is due to the regulatory changes and people's ability to very rapidly and less expensively and very accurately bolster the information that is going into their IND applications and dossiers, whereas previously, those were kind of rate limiting and time-consuming steps. But interestingly enough, obviously, these do also provide significant reassurances and support, sometimes with aspects of an IND application that people did not previously bother to do because of the time and the expense, where now they're able to get more data and create a more data-rich dossier for the application to support IND work.

So it does correspond as well with not only when we were able to go out and showcase these capabilities, but when we were able to take them publicly into the conference realm and share them with people in the industry, we saw a very, very rapid uptick of people coming in to utilize things like epitope mapping from BioStrand.

So in response to your question, the inbound traffic has been quite significant. It's not traffic coming in to replace IND applications but instead to bolster them with data that they might not otherwise have had that might have been too cumbersome or time-consuming for them to retrieve. And going forward for the second part of your question, we definitely expect that trend to continue. But there are other aspects of BioStrand that we also believe will continue to grow. So kind of across the board in these core capabilities. This overall uptick that we've been seeing, we do expect that to continue into the next fiscal year only to be bolstered and supported by these newer applications that are gaining traction as well.

Swayampakula Ramakanth

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

One last question from me. Just would like to understand if the divestment of the European facilities, how far into it are you at this point? And also regarding your base business, there were some transfers happening between Europe and the Canadian facility. Is that all done? And then if the Canadian facility able to have enough resources for the work that you do?

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Yes. Great question. So how far along are we? We are extremely far along in the process. So I mentioned we do have one kind of dedicated buyer. We're really in the last stages of agreement in the sale and purchase agreement. So we're extremely far along in this process and really down to the finer details of what needs to happen upon closing and post-closing for the full independence of both of these locations for buyer and seller.

With regard to Canada, so this is actually quite interesting. You can see the rapid growth we've had in Canada over the last quarter or 2, it really is faster growth than we've ever seen in any of our sites ever in the history of IPA. They are able to take all the work that is coming in even though they are quite full, and in part, they're able to rely on Canada to continue to take this work because of the expansion that we've been doing in Canada. That expansion continues through fiscal year '26. And we had a very, very small number of programs that were really going between the location in Canada and in Europe. And so we do not expect any sort of impact to Canada in a detrimental way there, but instead have found that we have been able to ensure that we can continue to take on all programs holistically from beginning to end, whether it's diagnostic or therapeutic in nature.

And in addition to that, to also lean into the integration we've done for the in silico work into the Canadian site. So I think we only mentioned on this briefly previously, but about a year ago, we did begin the integration of LENSai applications into the Canadian site in a selected manner, which could really enhance and bolster the data packages coming out from Canada. And we completed the transfer of those applications in whole. So they're actually being added to quotes and are a designated official part of all of our therapeutic programs. That actually happened last March. So we're also just beginning to see the impact of that, which serves, obviously, not only to enhance the programs that we're offering, but to also ensure that every one of our clients is having the benefits of those in silico applications as well as the exposure to what those in silico applications can do for their work.

So in short, base business will continue to go strong with Canada. Canada and BioStrand are in a really good position as we look at their pipelines moving forward, again, stronger than we have ever seen in this company in terms of the growth from quarter-to-quarter and year-over-year and the number of new clients blocking very specifically to that location. and the divestiture, we were looking to see that quite rapidly here as we just go through the final details in the sale purchase agreement over the next week or so.

Operator

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

Jennifer Lynne Bath

CEO, President & Non-Independent Director

Thank you, Karen. To close fiscal year 2025 definitely marked a clear turning point for IPA. We've delivered strong revenue. We've expanded gross margins by 600 basis points year-over-year and we did significantly improve fourth quarter adjusted EBITDA narrowing the Q4 loss by over 80% compared to the same period last year. These results reflect the tangible impact on our focused strategy, operational efficiencies and growing commercial traction across high-value platforms. Our BioStrand segment continues to grow rapidly, contributing strong margins and expanding pipeline opportunities. The nearing completion of our Dutch divestiture and planned rebrand will allow us to further concentrate resources where we see the greatest return potential.

With a sharpened focus, strengthened leadership and increasing momentum behind our platform-driven model, we believe IPA is well positioned to drive long-term value creation. We remain committed to building a scalable, capital-efficient business that delivers innovation, margin leverage and sustained shareholder growth.

Thank you for your continued trust and your investment in IPA.

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