

March 17, 2022

ImmunoPrecise (IPA)

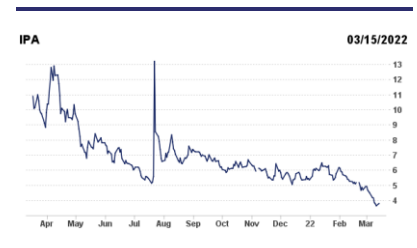
3Q22 Earnings In-Line; Pipeline Progressing

- ▶ ImmunoPrecise reported strong financial results for their 3Q22 (January), including revenue growth of 7% to \$4.8 million (CDN) and a net loss of \$3.8 million, or (\$0.20) per share, as compared to a net loss of \$1.3 million or (\$0.08) per share one year ago. Our estimates had been revenues of \$5.0 million (10% growth) and a net loss of \$4.8 million or (\$0.25) per share. Revenue growth in the quarter was led by an increase in both number and average size of antibody discovery contracts as well as higher product catalog sales. The company invested \$1.8 million in R&D for its internal Talem Therapeutics pipeline in the quarter. At the end of the quarter the company had \$33 million in cash on hand. We continue to rate IPA shares a Buy with a \$12 price target.
- ▶ **Revenue growth in 3Q22 stemmed from demand for the company's industry-leading B cell Select antibody discovery platform**, particularly from oncology and immuno-oncology biotech firms. Also adding to growth in the most recent period were revenues from new bio-assay tests and higher product catalog sales as the company added new distributors, particularly in Asian markets, and refined its on-line presence. IPA is also making progress with its facility expansion plans in the Netherlands and Victoria, British Columbia.
- ▶ **On the R&D front, IPA's recent focus has been on combatting the COVID-19 epidemic, but the company has been making progress in other areas as well.** Among the company's proprietary antibodies, IPA management provided updates on TATX-112, 20, 21, 22 and 24 – with TATX-22 in particular showing promise toward attracting a development partner, along the lines of other collaborative deals the company has previously signed with Zymeworks (ZYME, Not Rated), Twist Bioscience (TWST, NR) and Genmab (GMAB, NR). For TATX-03, IPA now has both its earlier clinical IV formulation program as well as a new subcutaneous collaboration with Elektrofi (Private), which is benefitting from US small business grant funding. In addition to IPA's TATX-03 and recent TATX-03E internal COVID-19 antibody efforts, the company also mentioned progress from partner LiteVax work with its TATX-99 vaccine candidate. Investors can also look forward to news flow from recent R&D partnerships, such as the multi-target development agreement signed in late 2021 with France's Pierre Fabre in the dermatology area.
- ▶ **We are maintaining our Buy rating on IPA shares on the recent strong quarterly results, advancements in its deep antibody pipeline, both with internal and partnered projects, and strong balance sheet.** Our \$12 price target represents over 100% potential share price appreciation and is based on 18x and 15x estimated revenues for calendar 2021 and calendar 2022E, respectively, comparable to industry average multiples.

| FY Apr | | Q1 | Q2 | Q3 | Q4 | Total | P/E | EV/Rev |
|-------------|-------|-----------|-----------|-----------|-----------|-----------|-----|--------|
| EPS | 2020A | (\$0.15)A | (\$0.10)A | (\$0.05)A | (\$0.07)A | (\$0.36)A | | |
| | 2021A | (\$0.04)A | (\$0.03)A | (\$0.08)A | (\$0.31)A | (\$0.45)A | | |
| | 2022E | (\$0.17)A | (\$0.26)A | (\$0.20)A | (\$0.20)E | (\$0.82)E | | |
| Revenue (m) | 2020A | \$2.7A | \$3.2A | \$4.0A | \$4.1A | \$14.1A | | 2.7x |
| | 2021A | \$3.8A | \$4.8A | \$4.5A | \$4.9A | \$17.9A | | 2.5x |
| | 2022E | \$4.6A | \$4.7A | \$4.8A | \$5.0E | \$19.1E | | 2.1x |

Change in Earnings Forecast

| Rating: | Buy |
|-------------------------|------------------|
| Current Price | \$3.95 |
| Price Target | \$12 |
| 52-Wk Range | \$3.51 - \$16.47 |
| Shares Outstanding (mm) | 19.4 |
| Market Cap (mm) | \$78 |
| Enterprise Value (mm) | \$38 |
| Average Volume (000s) | 36 |
| Net Cash/Share | \$1.97 |
| Book Value | \$2.62 |
| Sector Weight | Overweight |



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Company Overview

ImmunoPrecise Antibodies (IPA) is an innovation-driven, technology platform company that supports its pharmaceutical and biotechnology company partners in their quest to discover and develop novel, therapeutic antibodies against all classes of disease targets. The company aims to transform the conventional, multi-vendor, product development model by bringing innovative and high-throughput, data-driven technologies to its partners. These incorporate the advantages of diverse antibody repertoires with the company's therapeutic antibody discovery suite of technologies, to exploit antibodies of broad epitope coverage, multiple antibody formats, valency and size, and to discover antibodies against multiple/rare epitopes.

Conclusion and Stock Valuation

IPA's shares have fallen off recently after reaching all-time highs two years ago on news of the company's launching its SARS-CoV-2 antibody cocktail therapeutic program and the start of trading on the Nasdaq Stock Exchange, reflecting a steady increase in value leading up to that peak driven by revenue growth and new partnership agreements. We believe that positive upcoming clinical developments and growth in revenue will help these shares regain their upward momentum, and thus we are maintaining our Buy rating on IPA shares and 12–18-month price target of \$12.00. Our price target is based on average price/revenue multiples of 18x and 15x for calendar 2021 and 2022, respectively, for our group of nine bioprocessing and CRO stocks, including Bio-Techne (TECH, Buy), Ligand Pharma (LGND, Buy), ICON plc (ICLR, NC) and BioLife Solutions (BLFS, Hold). This target represents potential share price appreciation from current levels of more than 100% for IPA.

Figure 1: ImmunoPrecise Antibodies Income Statement

| FYE April | 2017 | 2018 | 2019 | 2020 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 2021 | 1Q22 | 2Q22 | 3Q22 | 4Q22E | 2022E | 2023E |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | | April | | July | October | January | April | | July | October | January | April | April | April |
| Revenue | \$15,412 | \$5,441 | \$10,926 | \$14,058 | \$3,765 | \$4,755 | \$4,516 | \$4,876 | \$17,912 | \$4,588 | \$4,722 | \$4,815 | \$5,000 | \$19,125 | \$23,300 |
| Cost of sales | | 2,990 | 5,632 | 6,024 | 1,355 | 1,966 | 954 | 2,099 | 6,373 | 2,082 | 2,147 | 2,229 | 2,280 | 8,738 | 9,790 |
| Gross profit | | \$2,451 | \$5,295 | \$8,034 | \$2,410 | \$2,789 | \$3,562 | \$2,777 | \$11,538 | \$2,506 | \$2,575 | \$2,586 | \$2,720 | \$10,387 | \$13,510 |
| Expenses | 9,703 | | | | | | | | | | | | | | |
| Research and development | 4,293 | 509 | 486 | 446 | 309 | 1,049 | 0 | 615 | 1,974 | 1,119 | 2,848 | 1,820 | 1,870 | 7,657 | 7,500 |
| Sales and marketing | 3,260 | 135 | 819 | 378 | 33 | 256 | 216 | 186 | 691 | 163 | 198 | 228 | 230 | 819 | 900 |
| Amortization and depreciation | | 234 | 1,876 | 2,573 | 678 | 716 | 731 | 612 | 2,737 | 670 | 640 | 638 | 640 | 2,588 | 3,000 |
| General and administrative | 4,962 | 6,503 | 8,637 | 9,190 | 2,364 | 3,033 | 3,876 | 4,462 | 13,735 | 4,020 | 3,577 | 4,207 | 3,800 | 15,604 | 15,500 |
| Total costs and operating expenses | 22,218 | 7,380 | 11,818 | 12,587 | 3,384 | 5,054 | 4,824 | 5,875 | 19,137 | 5,972 | 7,263 | 6,893 | 6,540 | 26,668 | 26,900 |
| (Loss) income from operations | (6,806) | (4,929) | (6,523) | (4,553) | (974) | (2,265) | (1,261) | (3,098) | (7,599) | (3,466) | (4,688) | (4,307) | (3,820) | (16,281) | (13,390) |
| Other income (expense) | (56) | (132) | (1,089) | (740) | 606 | 1,855 | 56 | (913) | 1,604 | 424 | (131) | 689 | 200 | 1,182 | 1,500 |
| (Loss) income before income taxes | (6,862) | (5,061) | (7,612) | (5,293) | (368) | (410) | (1,205) | (4,011) | (5,995) | (3,042) | (4,819) | (3,618) | (3,620) | (15,099) | (11,890) |
| Provision for income taxes | 21 | (110) | (5) | 346 | (181) | (53) | (89) | (1,021) | (1,344) | (188) | (190) | (208) | (200) | (786) | (200) |
| Net (loss) income | (6,883) | (5,171) | (7,617) | (4,947) | (549) | (464) | (1,294) | (5,032) | (7,339) | (3,230) | (5,009) | (3,826) | (3,820) | (15,885) | (12,090) |
| Basic income per share | (\$3.22) | (\$0.57) | (\$0.61) | (\$0.36) | (\$0.04) | (\$0.03) | (\$0.08) | (\$0.31) | (\$0.45) | (\$0.17) | (\$0.26) | (\$0.20) | (\$0.20) | (\$0.82) | (\$0.62) |
| Diluted income per share | (\$3.22) | (\$0.57) | (\$0.61) | (\$0.36) | (\$0.04) | (\$0.03) | (\$0.08) | (\$0.31) | (\$0.45) | (\$0.17) | (\$0.26) | (\$0.20) | (\$0.20) | (\$0.82) | (\$0.62) |
| Basic shares outstanding | 2,137 | 9,107 | 12,542 | 13,629 | 14,483 | 15,649 | 16,904 | 16,474 | 16,474 | 19,224 | 19,345 | 19,429 | 19,500 | 19,375 | 19,600 |
| Diluted shares outstanding | 2,137 | 9,107 | 12,542 | 13,629 | 14,483 | 15,649 | 16,904 | 16,474 | 16,474 | 19,224 | 19,345 | 19,429 | 19,500 | 19,375 | 19,600 |
| Key ratios: | | | | | | | | | | | | | | | |
| Revenue growth | 37.8% | -64.7% | 100.8% | 28.7% | 38.6% | 50.3% | 11.9% | 17.6% | 27.4% | 21.9% | -0.7% | 6.6% | 2.5% | 6.8% | 22.0% |
| Gross margins | 37.0% | 100.0% | 48.5% | 57.1% | 64.0% | 58.7% | 78.9% | 57.0% | 64.4% | 54.6% | 54.5% | 53.7% | 54.5% | 54.3% | 58.0% |
| R&D/revenues | 27.9% | 9.4% | 4.4% | 3.2% | 8.2% | 22.1% | 0.0% | 12.6% | 11.0% | 24.4% | 60.3% | 37.8% | 37.4% | 40.0% | 32.2% |
| Sales/revenues | 21.2% | 2.5% | 7.5% | 2.7% | 0.9% | 5.4% | 4.8% | 3.8% | 3.9% | 3.6% | 4.2% | 4.7% | 4.6% | 4.3% | 3.9% |
| G&A/revenues | 32.2% | 119.5% | 79.0% | 65.4% | 62.8% | 63.8% | 85.8% | 91.5% | 76.7% | 87.6% | 75.8% | 87.4% | 76.0% | 81.6% | 66.5% |
| Tax Rate | -0.3% | 2.2% | 0.1% | -6.5% | 49.1% | 13.0% | 7.4% | 25.5% | 22.4% | 6.2% | 3.9% | 5.7% | 5.5% | 5.2% | 1.7% |
| Deprec, amort & non-cash comp. | 2,874 | 1,366 | 3,895 | 3,312 | 1,110 | 1,558 | 1,867 | 2,272 | 6,807 | 1,573 | 1,801 | 1,998 | 2,000 | 7,372 | 8,000 |
| Cash Flow/share | (\$1.88) | (\$0.42) | (\$0.29) | (\$0.12) | \$0.04 | \$0.07 | \$0.03 | (\$0.17) | (\$0.03) | (\$0.09) | (\$0.17) | (\$0.09) | (\$0.09) | (\$0.44) | (\$0.21) |
| EBITDA/share | (\$1.87) | (\$0.41) | (\$0.27) | (\$0.11) | \$0.06 | \$0.05 | \$0.05 | (\$0.03) | \$0.14 | (\$0.07) | (\$0.14) | (\$0.07) | (\$0.07) | (\$0.36) | (\$0.19) |

Source: The Benchmark Company, LLC

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Benchmark Disclosures as of March 17, 2022

| Company | Disclosure |
|---------------|------------|
| ImmunoPrecise | 1 |

Investment Risk

Investment risks that may prevent the stock from reaching our price target include regulatory risks (i.e., FDA, other international agencies and standard setting organizations), competition from larger and smaller competitors, lack of profitability and liquidity issues.

Valuation Methodology

Our price target of \$12.00 reflects over 100% potential appreciation from current levels, as the Company increases its awareness with investors and these shares begin to approach industry valuation norms. Our price target is based on 18x and 15x estimated revenues for calendar 2021E and calendar 2022E, respectively, comparable to industry average multiples.

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