

August 2, 2022

ImmunoPrecise (IPA)

Fiscal 2022 Sees Progress in Services Biz; Pipeline Progress

- ▶ ImmunoPrecise reported revenues of CDN\$19.4 million for their 2022 fiscal year (April) an increase of 8% over fiscal 2021, with a net loss of \$16.7 million or (\$0.85) per share as compared to \$7.3 million or (\$0.45) per share in the prior year. Results in 2022 were impacted by \$6.7 million in R&D costs, up from \$2.0 million in the prior year, as the company increased its strategic investment in pipeline programs. Core CRO revenue growth increased 15.9% year-over-year, fueled by increased number and size of projects under way. For the fourth quarter, IP posted revenues of \$5.2 million, up 7.4% year-over-year, with a decreased net loss of \$4.6 million ((\$0.24) per share) as compared to a net loss of \$5.0 million or (\$0.31) per share in 4Q21. We are maintaining our Buy rating on shares of IPA on the recent positive quarter and annual results.
- ▶ Clinical progress made during fiscal 2022 centered around the company's PolyTope TATX-103 antibody cocktail, including a manufacturing collaboration with ChemPartners Biologics, a joint SBIR contract under the Defense Health Agency with Elektrofi (Private) for a subcutaneous formulation of the antibody, and pre-clinical, IND-enabling histopathology data against Omicron sub lineage BA.2 and other variants. Beyond TATX-103, IPA also increased its intellectual portfolio, established a multi-target research collaboration with French Derm specialist Pierre Fabre, and presented preclinical data for its TATX-21, a novel antibody for Atherosclerosis Cardiovascular Disease. In addition to its clinical programs, IPA's CRO business benefited in fiscal 2022 through new pacts such as a co-offering agreement with Eurofins Discovery, and the acquisition of Europe-based AI developer BioStrand.
- ▶ For the current 2023 fiscal year, IPA management did not provide specific financial guidance except to relate that the company is entering the year with significant momentum. Thus, we are estimating that IPO will post revenues of \$22.4 million for 2023E, up 15% from the prior year, with reduced net losses of \$13.9 million or (\$0.70) per share. Our assumptions include improved gross margins of 63.3% for this year, as compared to 56.7% in 2022, offset to some extent by increased overhead costs. We are also forecasting that operating cash burn for this year will be in the \$8-\$10 million range, and that current cash balances of \$30 million will be adequate to support operations and pipeline programs. Our estimates do not include potential asset licensing or new service agreements, nor additional acquisitions or new assets. The company stated that they have adequate cash on hand at the start of the fiscal year to satisfy obligations for at least 12 months.
- ▶ We are maintaining our Buy rating on IPA shares and \$12.00 price target on the recent strong quarterly results and pipeline progress.

Change in Earnings Forecast

Rating:	Buy
Current Price	\$4.36
Price Target	\$12.00
52-Wk Range	\$3.51 - \$8.70
Shares Outstanding (mm)	19.5
Market Cap (mm)	\$80
Enterprise Value (mm)	\$52
Average Volume (000s)	15
Net Cash/Share	\$1.54
Book Value	\$3.87
Sector Weight	Overweight



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FY Apr		Q1	Q2	Q3	Q4	Prior	Total	EV/Rev
EPS	2021A	(\$0.04)A	(\$0.03)A	(\$0.08)A	(\$0.31)A	--	(\$0.45)A	
	2022A	(\$0.17)A	(\$0.26)A	(\$0.20)A	(\$0.24)A	(\$0.82)E	(\$0.85)A	
	2023E	(\$0.17)E	(\$0.17)E	(\$0.18)E	(\$0.18)E		(\$0.70)E	
Revenue (m)	2021A	\$3.8A	\$4.8A	\$4.5A	\$4.9A	--	\$17.9A	3.4x
	2022A	\$4.6A	\$4.7A	\$4.8A	\$5.2A	\$19.1E	\$19.4A	2.9x
	2023E	\$5.3E	\$5.5E	\$5.7E	\$5.9E		\$22.4E	2.3x

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, Not Rated) and BioLife Solutions (BLFS, Hold). This target represents potential share price appreciation from current levels of more than 100% for IPA.

Figure 1: Income Statement

FYE April	2017	2018	2019 April	2020	2021	1Q22 July	2Q22 October	3Q22 January	4Q22 April	2022 April	1Q23E July	2Q23E October	3Q23E January	4Q23E April	2023E April
Revenue	\$15,412	\$5,441	\$10,926	\$14,058	\$17,912	\$4,588	\$4,722	\$4,815	\$5,239	\$19,364	\$5,300	\$5,500	\$5,700	\$5,900	\$22,400
Cost of sales		<u>2,990</u>	<u>5,632</u>	<u>6,024</u>	<u>6,373</u>	<u>2,082</u>	<u>2,147</u>	<u>2,229</u>	<u>1,923</u>	<u>8,381</u>	<u>2,070</u>	<u>2,060</u>	<u>2,050</u>	<u>2,040</u>	<u>8,220</u>
Gross profit		\$2,451	\$5,295	\$8,034	\$11,538	\$2,506	\$2,575	\$2,586	\$3,316	\$10,983	\$3,230	\$3,440	\$3,650	\$3,860	\$14,180
Expenses	9,703														
Research and development	4,293	509	486	446	1,974	1,119	2,848	1,820	906	6,693	1,700	1,750	1,800	1,850	7,100
Sales and marketing	3,260	135	819	378	691	163	198	228	151	740	200	200	200	200	800
Amortization and depreciation		234	1,876	2,573	2,737	670	640	638	619	2,567	640	640	640	640	2,560
General and administrative	<u>4,962</u>	<u>6,503</u>	<u>8,637</u>	<u>9,190</u>	<u>13,735</u>	<u>4,020</u>	<u>3,577</u>	<u>4,207</u>	<u>5,927</u>	<u>17,731</u>	<u>4,300</u>	<u>4,500</u>	<u>4,700</u>	<u>4,900</u>	<u>18,400</u>
Total costs and operating expenses	22,218	7,380	11,818	12,587	19,137	5,972	7,263	6,893	7,603	27,731	6,840	7,090	7,340	7,590	28,860
(Loss) income from operations	(6,806)	(4,929)	(6,523)	(4,553)	(7,599)	(3,466)	(4,688)	(4,307)	(4,287)	(16,748)	(3,610)	(3,650)	(3,690)	(3,730)	(14,680)
Other income (expense)	<u>(56)</u>	<u>(132)</u>	<u>(1,089)</u>	<u>(740)</u>	<u>1,604</u>	<u>424</u>	<u>(131)</u>	<u>689</u>	<u>(82)</u>	<u>900</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>1,200</u>
(Loss) income before income taxes	(6,862)	(5,061)	(7,612)	(5,293)	(5,995)	(3,042)	(4,819)	(3,618)	(4,369)	(15,848)	(3,310)	(3,350)	(3,390)	(3,430)	(13,480)
Provision for income taxes	<u>21</u>	<u>(110)</u>	<u>(5)</u>	<u>346</u>	<u>(1,344)</u>	<u>(188)</u>	<u>(190)</u>	<u>(208)</u>	<u>(275)</u>	<u>(861)</u>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>(400)</u>
Net (loss) income	(6,883)	(5,171)	(7,617)	(4,947)	(7,339)	(3,230)	(5,009)	(3,826)	(4,644)	(16,709)	(3,410)	(3,450)	(3,490)	(3,530)	(13,880)
Basic income per share	<u>(\$3.22)</u>	<u>(\$0.57)</u>	<u>(\$0.61)</u>	<u>(\$0.36)</u>	<u>(\$0.45)</u>	<u>(\$0.17)</u>	<u>(\$0.26)</u>	<u>(\$0.20)</u>	<u>(\$0.24)</u>	<u>(\$0.85)</u>	<u>(\$0.17)</u>	<u>(\$0.17)</u>	<u>(\$0.18)</u>	<u>(\$0.18)</u>	<u>(\$0.70)</u>
Diluted income per share	<u>(\$3.22)</u>	<u>(\$0.57)</u>	<u>(\$0.61)</u>	<u>(\$0.36)</u>	<u>(\$0.45)</u>	<u>(\$0.17)</u>	<u>(\$0.26)</u>	<u>(\$0.20)</u>	<u>(\$0.24)</u>	<u>(\$0.85)</u>	<u>(\$0.17)</u>	<u>(\$0.17)</u>	<u>(\$0.18)</u>	<u>(\$0.18)</u>	<u>(\$0.70)</u>
Basic shares outstanding	2,137	9,107	12,542	13,629	16,474	19,224	19,345	19,429	19,688	19,688	19,700	19,750	19,800	19,850	19,775
Diluted shares outstanding	2,137	9,107	12,542	13,629	16,474	19,224	19,345	19,429	19,688	19,688	19,700	19,750	19,800	19,850	19,775
Key ratios:															
Revenue growth	37.8%	-64.7%	100.8%	28.7%	27.4%	21.9%	-0.7%	6.6%	7.4%	8.1%	15.5%	16.5%	18.4%	12.6%	15.7%
Gross margins	37.0%	100.0%	48.5%	57.1%	64.4%	54.6%	54.5%	53.7%	63.3%	56.7%	61.0%	62.5%	64.0%	65.5%	63.3%
R&D/revenues	27.9%	9.4%	4.4%	3.2%	11.0%	24.4%	60.3%	37.8%	17.3%	34.6%	32.1%	31.8%	31.6%	31.4%	31.7%
Sales/revenues	21.2%	2.5%	7.5%	2.7%	3.9%	3.6%	4.2%	4.7%	2.9%	3.8%	3.8%	3.6%	3.5%	3.4%	3.6%
G&A/revenues	32.2%	119.5%	79.0%	65.4%	76.7%	87.6%	75.8%	87.4%	113.1%	91.6%	81.1%	81.8%	82.5%	83.1%	82.1%
Tax Rate	-0.3%	2.2%	0.1%	-6.5%	22.4%	6.2%	3.9%	5.7%	6.3%	5.4%	3.0%	3.0%	2.9%	2.9%	3.0%
Deprec, amort & non-cash comp.	2,874	1,366	3,895	3,312	6,807	1,573	1,801	1,998	1,732	7,104	1,900	2,000	2,100	2,200	8,200
Cash Flow/share	(\$1.88)	(\$0.42)	(\$0.29)	(\$0.12)	(\$0.03)	(\$0.09)	(\$0.17)	(\$0.09)	(\$0.15)	(\$0.49)	(\$0.08)	(\$0.07)	(\$0.07)	(\$0.07)	(\$0.29)
EBITDA/share	(\$1.87)	(\$0.41)	(\$0.27)	(\$0.11)	\$0.14	(\$0.07)	(\$0.14)	(\$0.07)	(\$0.12)	(\$0.40)	(\$0.07)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.25)

Source: The Benchmark Company, LLC

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Company	Disclosure
ImmunoPrecise	1

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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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