

December 14, 2021

## ImmunoPrecise Antibodies (IPA)

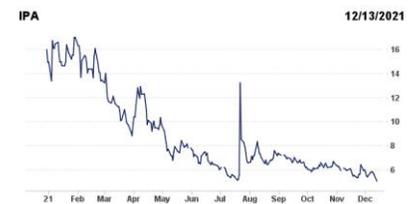
### New Contracts, Projects in Growing Antibody Market Fuel 2Q Growth

- ▶ ImmunoPrecise Antibodies reported financial results for their 2Q22 quarter a bit below our expectations, including revenues of \$4.7 million (\$CDN), a decrease of about \$0.1 million or 1% year-over-year, with an increased net loss of \$5.0 million or (\$0.26) per share as compared with a loss of \$460,000 or (\$0.03) per share one year ago. Our estimates had been revenues of \$5.0 million, or a 5% increase over 2Q22, and a net loss of \$3.3 million or (\$0.17). Bearing in mind a reclassification of revenues last year, however, revenue growth in 2Q22 would have been 15% this year, reflecting a new contract for contract protein manufacturing as well as additional projects initiated using the Company's B-cell Select proprietary antibody screening platform. We continue to rate IPA Buy with \$12 PT, 15x estimated CY22 revenues.
- ▶ **Revenue growth in 2Q for IPA was led by new clients, including two more of the top 20 worldwide pharma** (now serving 70% of these), as well as increased product sales thanks to a new product catalog and ongoing demand for proteins. On the expense side, higher spending for R&D programs in the new Talem Therapeutics subsidiary increased this line item to \$2.8 million in the quarter from \$1.0 million in the prior year, while G&A costs increased due to public company needs.
- ▶ **We are adjusting our estimates for IPA for the remainder of fiscal 2022E downward** considering the recent quarterly results, to full year revenues of \$19.6 million (from \$20.5 million previously), still 10% over fiscal 2021, with 3Q22E revenues forecast to be \$5.0 million, also up 10% year-over-year. We are also increasing our net loss estimate for the Company to \$17.7 million or (\$0.91) per share, as IPA steps up its R&D spend. **At the end of the second quarter the Company retained \$38.4 million in cash, more than enough to fund operations and R&D activities.**
- ▶ **On the R&D side, the Company continues to add value to its Talem assets**, most recently with a multi-target development agreement in the oncology space with French-based Pierre Fabre. Talem is actively seeking partners for three of its leading pipeline antibodies, TATX-21, TATX-03 and TATX-112 and hopes to have news for investors early next year, while earlier partnerships with Twist Bioscience and Genmab are progressing and should also bear news in the near future. Finally, results from discovery activities with an undisclosed partner are expected soon.
- ▶ We are maintaining our Buy rating and \$12 price target on IPA shares despite recent price weakness, as the Company continues its strong revenue growth in the growing antibody market and steadily adds value to the expanding R&D pipeline at its Talem Therapeutics subsidiary.

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	(\$0.25)E	(\$0.24)E	(\$0.91)E		
Revenue (m)	2020A	\$2.7A	\$3.2A	\$4.0A	\$4.1A	\$14.1A		4.2x
	2021A	\$3.8A	\$4.8A	\$4.5A	\$4.9A	\$17.9A		3.8x
	2022E	\$4.6A	\$4.7A	\$5.0E	\$5.3E	\$19.6E		3.1x

### Change in Earnings Forecast

Rating:	Buy
Current Price	\$5.06
Price Target	\$12.00
52-Wk Range	\$5.05 - \$33.34
Shares Outstanding (mm)	19.3
Market Cap (mm)	\$98
Enterprise Value (mm)	\$59
Average Volume (000s)	60
Net Cash/Share	\$1.98
Book Value	\$2.63
Sector Weight	Overweight



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## Company Overview

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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

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IPA's shares have fallen off recently after reaching all-time highs late last year on news of the Company's launching its SARS-CoV-2 nanomedicine therapy program and the start of trading on the Nasdaq Stock Exchange and 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. We have not yet factored in potential values of the Company's Talem Therapeutics clinical pipeline but may do so in the future as these programs advance.

**Figure 1: ImmunoPrecise Antibodies Income Statement**

FYE April	2017	2018	2019	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22E	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	\$5,000	\$5,300	\$19,610	\$23,900
Cost of sales		2,990	5,632	6,024	1,355	1,966	954	2,099	6,373	2,082	2,147	2,220	2,300	8,749	10,040
Gross profit		\$2,451	\$5,295	\$8,034	\$2,410	\$2,789	\$3,562	\$2,777	\$11,538	\$2,506	\$2,575	\$2,780	\$3,000	\$10,861	\$13,860
Expenses	9,703														
Research and development	4,293	509	486	446	309	1,049	0	615	1,974	1,119	2,848	3,000	3,050	10,017	7,500
Sales and marketing	3,260	135	819	378	33	256	216	186	691	163	198	200	220	781	900
Amortization and depreciation		234	1,876	2,573	678	716	731	612	2,737	670	640	670	700	2,680	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	3,600	3,650	14,847	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	7,470	7,620	28,325	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)	(4,690)	(4,620)	(17,464)	(13,040)
Other income (expense)	(56)	(132)	(1,089)	(740)	606	1,855	56	(913)	1,604	424	(131)	100	150	543	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)	(4,590)	(4,470)	(16,921)	(11,540)
Provision for income taxes	21	(110)	(5)	346	(181)	(53)	(89)	(1,021)	(1,344)	(188)	(190)	(200)	(200)	(778)	(200)
Net (loss) income	(6,883)	(5,171)	(7,617)	(4,947)	(549)	(464)	(1,294)	(5,032)	(7,339)	(3,230)	(5,009)	(4,790)	(4,670)	(17,699)	(11,740)
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)	(\$0.25)	(\$0.24)	(\$0.91)	(\$0.60)
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)	(\$0.25)	(\$0.24)	(\$0.91)	(\$0.60)
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	19,450	19,550	19,392	19,650
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	19,450	19,550	19,392	19,650
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%	10.7%	8.7%	9.5%	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%	55.5%	56.5%	55.4%	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%	60.0%	57.5%	51.1%	31.4%
Sales/revenues	21.2%	2.5%	7.5%	2.7%	0.9%	5.4%	4.8%	3.8%	3.9%	3.6%	4.2%	4.0%	4.2%	4.0%	3.8%
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%	72.0%	68.9%	75.7%	64.9%
Tax Rate	-0.3%	2.2%	0.1%	-6.5%	49.1%	13.0%	7.4%	25.5%	22.4%	6.2%	3.9%	4.4%	4.5%	4.6%	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	1,900	2,000	7,274	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)	(\$0.15)	(\$0.14)	(\$0.54)	(\$0.19)
EBITDA/share	(\$1.87)	(\$0.41)	(\$0.27)	(\$0.11)	\$0.06	\$0.05	\$0.05	(\$0.03)	\$0.14	(\$0.07)	(\$0.14)	(\$0.13)	(\$0.12)	(\$0.46)	(\$0.17)

Source: The Benchmark Company, LLC

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As of September 30, 2021

	All Covered Companies		Investment Banking Clients	
<b>Buy</b>	252	84%	75	25%
<b>Hold</b>	44	15%	1	0%
<b>Sell</b>	3	1%	0	0%

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**Buy:** Stock is expected to outperform the analyst’s defined Sector/Industry Index\* over the following 6 to 12 months.

**Hold:** Stock is expected to perform in-line with the analyst’s defined Sector/Industry Index\* over the following 6 to 12 months.

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**Overweight:** Analyst’s defined Sector/Industry Index\* is expected to outperform the S&P 500 over the following 6 to 12 months.

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**Underweight:** Analyst’s defined Sector/Industry Index\* is expected to underperform the S&P 500 over the following 6 to 12 months.

### Benchmark Disclosures as of December 14, 2021

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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