ImmunoPrecise Antibodies Ltd.

Third Quarter 2022 Earnings Call

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CORPORATE PARTICIPANTS

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Jennifer Bath, Ph.D., *Chief Executive Officer and President*

Lisa Helbling, *Chief Financial Officer*

PRESENTATION

Operator

Welcome to ImmunoPrecise Antibodies Fiscal Year 2022 Third Quarter Earnings Results and Business Highlights Call.

I would like to remind everyone that this conference call is being recorded today, March 16, at 10:30 AM Eastern Time.

I will now turn the call over to John Mullaly. Mr. Mullaly, please go ahead.

John Mullaly

Thank you and welcome. Dr. Jennifer Bath, President and Chief Executive Officer of ImmunoPrecise Antibodies, and Ms. Lisa Helbling, Chief Financial Officer, will be the speakers on today's call. A Q&A period answering pre-submitted questions will follow their summary of the quarter, followed by closing remarks.

Before Dr. Bath begins, I have been asked by ImmunoPrecise Antibodies to read the following Safe Harbor regarding forward-looking statements. I would like to remind everyone that ImmunoPrecise remarks today contain forward-looking statements about its current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements, or other future events or developments. In preparing these forward-looking statements, several assumptions were made by ImmunoPrecise and there are risks that results actually obtained by the Company will differ materially from those statements. As a consequence, the Company cannot guarantee that any forward-looking statements will materialize, and you are cautioned not to place undue reliance on them. ImmunoPrecise refers current and potential investors to the forward-looking information section of its Management's Discussion and Analysis issued today at www.sedar.com and on EDGAR at www.sec.gov. Forward-looking statements represent ImmunoPrecise's expectations as of March 16, 2022. Except as may be required by securities law, ImmunoPrecise does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

I would now like to turn the conference over to Dr. Bath.

Jennifer Bath, Ph.D.

Thank you John.

Good morning and thank you for joining IPA's investor call today. We have a lot to update you on from this reporting period across both the CRO business and also from Talem Therapeutics. We're pleased with the progress and the continued execution of IPA's strategic operating plan.

We've continued to fill key roles within the organization's sales and marketing teams, helping to ramp growth and bring global awareness to our business.

We remain confident in our ability to grow revenues through existing clients, new business wins, tackling emerging sectors, and our development of next generation services.

Additionally, our Talem pipeline continues to gain merit and worth, as several assets advance toward key value inflection points.

Lastly, we are moving the development of our PolyTope TATX-03 forward on multiple fronts, both in house and through external partnering, which we will discuss in some detail on this call.

We'll start with a performance review of our CRO business. We're pleased to report that the Company's project revenue is up 22.6% this quarter, as compared to the same period last year. As we actively and tactically grow our CRO business, we continue to see steady upward expansion in both the number and size of projects under contract. The increased growth is partially attributable to the ongoing addition and enhancement of what we call function-first discovery options; capabilities that are catching the interest and attention of top pharma and biotech companies.

IPA's function-first platform, particularly with respect to its B Cell Select technology, significantly elevate the value of each lead candidate sequence that is delivered. These functions for focused workflows decrease timelines and cost by efficiently identifying clinically relevant candidates and eliminating time spent on functionally irrelevant antibodies. Thus 100 function-first sequences from IPA are worth more than 1,000 sequences from competing technologies, saving IPA's partners, clients, and us time and money. You'll surely hear more about these function-first platforms in the months to come.

Another addition to our revenue-generating services this quarter was the development of our high-value bioassay workflow, including functional assays. For instance, one test we designed this past quarter demonstrates receptor internalization, which is used to determine if a particular antibody can reduce or ablate the activity of its target receptor on the surface of a cell. Such bioassays allow our partners to access critical functional data earlier in the discovery campaign. This ensures the appropriate triage of the most clinically relevant candidates moving forward.

This function-first workflow with the corresponding functional bioassays is possible at IPA because, unlike other competitors' detail workflows, the volume concentration and accessibility of target-specific antibody present in samples taken directly from the isolated B cells on IPA's platform allows for critical assays to be done directly, and directly integrated into the antibody screening strategy prior to the lead candidate selection.

Lastly, within our revenue discussion, our product catalog sales increased this quarter by $400,000 compared to the same period last year, adding to our year-to-date cumulative catalog sales of $1.2 million, an increase of about 58% compared to the same period last year. The increase in IPA's catalog sales is due mainly to the addition of several new distributors, including OEM sales of individual products through large distributors, expansion into Asia, and the launch of IPA's web shop in Q1 of the fiscal year, which will also ultimately benefit IPA in streamlining purchase orders.

In particular, the extended need for different growth factors for organoid research drove significant increases in our catalog sales. IPA currently offers three different organoid growth factor products and is considering expanding these offerings due to this high demand.

I will turn our attention now to the ongoing innovation in IPA's labs, highlighting some of our recent advances, which we believe are additional future revenue drivers as we continue to differentiate IPA as the leading provider of next generation services.

You've likely heard us talk about the importance of antibody binning, a critical step in characterizing and grouping antibodies based on what's called an epitope, which is the region on a target molecule to which the antibody binds.

This is probably a good place to point out that, if you would like to receive background information on science topics like this one, you can sign up for IPA's investor newsletter on our website, and you'll receive, among other content, IPA blogs starting with our first series, which is called A Science Primer.

Okay, so back to binning. As antibodies are specific for their epitope, it's important to classify and characterize diverse sets of early-stage therapeutic antibodies, specifically based on their ability to bind particular epitopes. This binning enables the maintenance of epitope diversity, and provides important information to broaden IP protection. This past quarter we refined our binning capabilities to enable broader sample usage, earlier sample characterization, and the screening of larger panels, resulting in more efficient, more versatile, and faster services for the selection of clinically relevant candidates.

We're also responding to an increased demand for sourcing antibodies from llamas, also known as camelid antibodies, following genetic and other types of immunizations. IPA’s advancements in genetic immunization technologies for use in non-rodents, such as rabbit, chicken and llama, are a particular interest for identifying antibodies targeting rare or difficult-to-access epitopes, especially in the development of therapies for unmet medical conditions and oncology. These refined capabilities should not be confused with the more commonly offered nonspecific and uncharacterized polyclonal serum.

We cannot possibly cover all the areas of increased demand for our CRO business, but we can certainly lump the rest into requests for more efficient ways to move fully human and meaningful therapeutics into the clinic faster. In brief, this includes implementation of various customized and general functional assays, such as the evaluation of FC-mediated effector function; the targeting of a class of proteins called neoantigens, which are unique proteins produced by cancer cells; the expansion of transgenic animal strains to meet client preferences for fully human antibody discovery; and lastly, advances in our multi-species, NGS and associated workflows to support omics-based research. Of note here is that our Victoria site was awarded an IRAP grant from the National Research Council of Canada to support some of these initiatives, in particular B cell repertoire workflows and next generation sequencing, funding that will support this programming until the third quarter of the Fiscal Year 2023.

These developments are all important horizontal expansions of our CRO service portfolio. In simpler terms though, I can say that the world of science is really an exciting period of discovery right now, and the assets that we're capable of delivering at IPA have advanced beyond traditional immunotherapies to their next generations. We're working on delivering precision medicine to targets including NK cell engagers and immune cell engagers that go beyond the challenges of traditional immuno and immuno-oncology therapies, which are of great interest to cancer therapeutics and other areas.

Additionally, as stated earlier, with the advancement of AI, we are also expediting the selection of these novel targets with increased efficiency and speed.

Next, we are excited to turn our attention to Talem Therapeutics, starting with an update on our PolyTope TATX-03 program.

We have published both preclinical updates as well as *in vitro* proof of concept data on our lead candidate PolyTope TATX-03 in the last period. As you know, TATX-03 is IPA's first generation four-antibody cocktail against SARS-CoV-2, being developed by Talem Therapeutics, our discovery subsidiary. Talem not only showcases IPA's antibody discovery programs and capabilities to potential partners and customers, but also allows us to leverage and capitalize on in-house-developed proprietary assets.

This slide shows you a summary of our targeted TATX-03 timeline, as well as our ongoing and completed work for this asset. We'll also provide access to this information on the Talem website. We're currently progressing well with our PolyTope TATX-03 IND submission to the FDA, and we expect to submit in Q2 or Q3 of this calendar year.

In terms of preclinical work, the PK analysis is complete and it was successful, and we are currently summarizing the results of the pharmacokinetics portion of the study. The pivotal toxicity study is ongoing, and we expect completion around the second quarter of the calendar year. GLP off-target screening of on-human tissues is ongoing. Manufacturing a PolyTope TATX-03 for our planned initial human trial is currently on schedule. We have previously discussed and announced preclinical data that demonstrates the potential of PolyTope TATX-03 to address currently known SARS-CoV-2 variants of concern. Based on the intentional design of our cocktail, we also believe it has strong potential to address other future COVID variants as well.

IPA has remained in continual conversation with the FDA, and in doing so the development of TATX-03 has been in lockstep with the FDA feedback, which to date has been very positive. As a result, we have not experienced any developmental setbacks as a result of FDA commentary. This is in contrast with similar programs that have experienced setbacks as a direct result of skipping pre-IND feedback sessions, and thus needed to backtrack COVID program development based on additional FDA inquiries that came late in the IND submission process. We believe our risk-averse development approach maximizes the value arising out of our R&D spend while allowing the FDA to weigh in on our IND-enabling studies and, in doing so, derisking our development around this vital feedback.

It's important to recognize that it is a natural process for viruses to generate mutants, and it is scientifically impossible to predict which of these mutants will emerge as a new variant of concern. No scientific method can predict whether or not a variant will evade existing immunity. When infection rates and hospitalizations rise again from a new mutant escaping built-up immunity, our goal is that PolyTope TATX-03 will turn out to be literally a lifesaver. Our product has the potential to fill the gap left by ineffective therapies, by targeting multiple and relatively conserved parts of the viral spike protein, and through multiple mechanisms of action.

Despite mass vaccination and booster campaigns, there were over 3.2 million cases and 57,000 deaths last month in the U.S.A. alone, based on the reporting from the Coronavirus Resource Center. These numbers do not represent unvaccinated individuals exclusively. The coronavirus has shown that it can gain a foothold, start multiplying, and challenge the vaccine-primed immune system.

This is in part because COVID-19 vaccines, like any other vaccine, are not 100% effective, and each immune system is unique and responds differently. In addition to antibody titer affinity, which is how well the antibody binds to its epitope, and avidity, which is how strong the antibody binds, are important factors in determining breakthrough, as is the amount of virus that the vaccinated person is exposed to. In addition, acquired immunity is non-enduring, which is why booster shots are provided to prevent the risk of breakthrough infections increasing over time.

There's always a continuous threat to individuals with inadequate immune systems. Infections in these immunocompromised individuals are more likely to progress to severe disease and death. This is a heterogeneous and growing group of potential and frequent users of supplementary immunotherapy such as TATX-03. These potential users are associated with congenital disorders, certain syndromes, HIV, rheumatoid arthritis, organ transplantations, chronic pulmonary problems, certain malignancies, diabetes, chronic heart, kidney and liver diseases, morbid obesity, and Down Syndrome.

Poor COVID-19-related outcomes are also linked to ages of 65 years or greater. For unclear reasons, poor outcomes are also reported for individuals suffering from Alzheimer's and schizophrenia. The scarcely available statistics estimate that approximately 4% of the population is immunocompromised. In the U.S., the part of the population using immunosuppressive drugs is apparently already 2.8% as reported by Wallace (phon) and co-workers in 2021. References are available for these if anyone is interested.

So, what is really important is the continual monitoring of outbreaks, but also maintaining updated diagnostics and the sustainability of therapeutics to remain efficacious during virus mutation.

Just yesterday, the CDC estimated that the Omicron BA.2 sub-variant is approximately 25% of new cases in the U.S., and nearly 40% of new cases in the northeast, up from only 10% of new cases just one week ago.

We are continuously studying the resilience of PolyTope TATX-03 toward emerging variants. We previously announced maintained neutralizing potency of TATX-03 toward the original Omicron variant into the virus neutralization study. Equally impressive, not only did the cocktail retain efficacy when so many therapies dropped out, but it showed very little variation in its power to neutralize the tested pseudoviruses from the different variants of concern, even showing increased efficacy for some of the variants of concern. Also noteworthy is the fact that all four of the antibodies comprising the TATX-03 cocktail retained binding to the Omicron spike protein, which is a tremendous feat given how many different clinical and commercial mono- and dual therapies from other companies lost binding altogether.

We are proud to share today that we have completed *in silico* molecular modeling for BA.2, modeling providing data which supports the hypothesis that our antibodies will still bind to the BA.2 spike protein and that our TATX-03 therapy will remain potently neutralizing against the BA.2 sub-variants. In support of these initial studies, we're also currently testing the individual antibodies for retention of binding to cell-associated spike Omicron protein.

Switching gears a bit. We hope you've seen the exciting news on our collaboration with Elektrofi, a Boston-based biotechnology company focused on drug formulation and delivery innovation, to explore a high-concentration formulation of PolyTope TATX-03. After independent due diligence by both Elektrofi and the Defense Health Agency, IPA was selected to partner with Elektrofi, leveraging their contract with the DHA Small Business Innovation Research program within the Department of Defense. This collaboration aims to generate an IND-enabling data package for an alternatively formulated version of TATX-03 that would be easily self-administered in a non-healthcare setting. By joining forces, we anticipate developing a sustainable prophylactic and therapeutic product ideally suited for many uses, including rapid deployment, military operations, and high-frequency dosing such as immunocompromised individuals requiring ongoing access to therapies and prophylaxis. Importantly, the collaboration is being designed to integrate directly into IPA's existing program, in an effort to retain current clinical timelines.

Regarding our vaccine collaboration with LiteVax, as previously indicated, we performed a second Transvac-funded immunogenicity study in pigs, using a slightly adapted immunogen. Immune responses of the sera with respect to binding to the immunogen are quite promising. We're currently awaiting data from a CEPI (phon) certified lab to determine whether the observed immune responses also elicited

neutralizing antibodies. Based on these data, LiteVax and IPA will decide whether to progress with a Transvac-funded animal efficacy study.

Now, I'd like to give you a closer look at a few more of Talem's internal pipeline assets.

So, we've introduced multiple slides here to share progress on several pipeline programs, of which we will cover one or two assets from each slide focusing on a few of the earlier stage programs, which have advanced nicely since the last quarter.

We'll start with TATX-112, a diverse panel of human- and chicken-derived monoclonal antibodies against a cell surface receptor called TrkB. This program is at the stage of lead candidate selection. The lead antibodies are being investigated to treat different cancer types by a variety of approaches, including ADC-based strategies, bispecific approaches, and therapeutic options, focusing on functional interference with TrkB signaling to induce tumor regression. As you'll see with a similar strategy in ELK1, implementing a variety of functional screenings for lead candidates enables the identification of antibody sets with different functions, potentially enabling the treatment of multiple diseases. As an example, TrkB agonist antibodies are also being investigated to treat neuro-related disorders resulting from disturbed TrkB signaling, such as in Alzheimer's or auditory systems or ophthalmology.

TATX-21 is a diverse panel of rabbit-derived monoclonal antibodies targeting ELK1, which is an endothelial cell-specific receptor, which we've introduced you previously. The antibodies have undergone a portion of their early stage lead candidate selection and are now being scrutinized for a variety of functional capabilities to maximize program value. This includes the functional analysis of their ability to block LDL-mediated transcytosis to treat cardiovascular disease. Here you may recognize LDL as the "bad cholesterol" causing atherosclerosis. ELK1 is also involved in pathological tumor blood vessel formation. Antibodies with proven anti-angiogenic effects are being sought to investigate the treatment of solid tumors. Some antibodies in our repertoire might act as ELK1 agonists and will be investigated also then as a potential therapeutic to treat diabetic retinopathy.

All right, so TATX-22 is the next program we'd like to update you on. Based on the expression profiles of the targeted membrane protein in healthy tissues and tumors, in this particular program, we've designed several lead antibodies which are potential therapeutics for oncological treatment. We are designing assets for use as chimeric antigen receptor T cells, also known as CAR T, which combines both antigen binding and T cell activating function. The T cells are genetically engineered to produce an artificial T cell receptor for use in immunotherapy.

Effector function-based therapies and antibody drug conjugates, two options for TATX-22, require a very diversified panel of candidates. Therefore, in addition to binding verification of lead candidates, we determine the epitope landscape and kinetic behavior under conditions relevant for the anticipated clinical strategies. These investigations will identify molecules for further *in vitro* functional screening.

Moving on to TATX-20. This is a more recently launched program which focuses on the development of a potential therapeutic solution for a subset of tumors including refractory cancer. The protein we are targeting is a cell membrane enzyme involved in pH regulation. We have currently prioritized 22 leads identified in antibody discovery phase for recombinant antibody expression and target binding verification. From this data set, we will select clones and analyze functionality for different therapeutic oncology strategies.

Lastly, TATX-24 was initiated to facilitate delivery of next generation cancer immunotherapeutics. Assets from this program are anticipated to facilitate T cell-mediated tumor killing when combined with a bispecific antibody with an appropriate tumor targeting arm. We will evaluate assets from this program in a bispecific format with lead candidates from other Talem programs such as TATX-112.

The therapeutic value of these intriguing combinations in a single antibody is expected to enable close proximity between the malignant cell and the endogenous effector cell, to support the body's own immune system in clearing the tumor itself. Currently we have, based on binding verification and reporter cell assays, prioritized a subset of 30 antibodies for T cell engagement evaluation in the bispecific format.

So, moving on to update on our progress for the expanded facilities. I'm going to start first with the Netherlands. Our team in Utrecht is very active in the preparation for the move to its new premises in the accelerator building. The completion of the construction is still on schedule for early April, which is when the lab build-out will commence. We aim to install the laboratory and IT infrastructure in the spring, followed by test runs to secure a safe and smooth transfer of materials and projects. The move to the new laboratories is anticipated to be completed during late summer.

As previously announced, staff in Oss are also preparing to move to a new facility, which is currently under construction. We are fine-tuning the fit-out to make sure that it's in line with our expected growth and intended extension of services.

We also have exciting updates on the renovation and expansion of our vivarium in Victoria, which is expected to be completed at the end of this month. The new facility doubles the square footage of usable space and adds one additional procedure room. The renovations took place while the unit remained fully operational. The facility HVAC will be on 100% generator power, and dynamic UV HEPA air filters will be in place for all recirculated air. The completed renovations will increase IPA-Canada's ability to house larger multi-stream and multi-method program cohorts in parallel. This ensures that there are no delays to program initiations, and will support the trend of larger and more complicated B cell select programs.

We have quite a few updates also in sales and marketing as well. These initiatives are at the heart of articulating our vision and our strategic milestones. In planning for these advancements, we led with the addition of a creative director, filling an important role in the marketing team. Additionally, we continue to address gaps in both our growth, framework, and development initiatives in seeking the right balance of human capital to properly grow the CRO business to scale. Another first step in enhancing growth in the important U.S. market has been the hiring of a director of sales for the U.S. West Coast.

Third quarter operational and functional efficiency efforts in our marketing team saw the planning and implementation of a new robust marketing plan and platform for activation this quarter. This includes a major brand overhaul with cross-channel launch initiatives to ignite awareness and engagement across key audiences. The implementation of a media planning and execution infrastructure to support competitive, nimble and systematic communications across social media and other key verticals, and world-class conference and event plans.

We have several upcoming activities to look forward to at IPA. For instance, we've initiated weekly social media activities, balanced between categories such as thought leadership, Company updates, business news, and more, to build community, maintain market relevancy, and gauge performance.

At the industry-leading PEGS conference in Boston in early May, IPA will host a dinner symposium as a social event to engage potential and existing clients, with compelling topics and speakers, and with our new brand backdrops to help kickstart both new IPA offerings and a fresh narrative for IPA's perspective on the next generation of biotherapeutic discovery.

With this, I'd like to turn the call over to Lisa to discuss the quarter's financial results.

Lisa Helbling

Thank you Jennifer, and good morning everyone. I'm Lisa Helbling, IPA's CFO. Unless otherwise noted, all numbers are referred to in Canadian dollars.

The Company's total revenues of $4.8 million during the three months ended January 31, 2022, compared to $4.5 million in 2021, a $0.3 million or 6.6% increase. Most notably, the Company's project revenue was $4.1 million, compared to $3.3 million in the same period last year, a 22.6% increase. As Jennifer mentioned, the growth is driven primarily by the Company's B cell select platform, with expansion in both the number of projects and the size of projects under contract, leading to revenue increases of $750,000 for the quarter.

Total product sales during the three months ended January 31, 2022, totaled $466,000, a decrease of $724,000 or 60.9% compared to the same period last year. The higher product sales during the three months ended January 31, 2021, related to the Company's first sale of its internally-generated therapeutic antibody asset.

During the three months ended January 31, 2022, the Company achieved gross catalog product sales of $0.4 million. Catalog product sales include, for example, antibodies, enzymes, and proteins, and as Jennifer mentioned the increase in sales is attributed to the launch of our new website and addition of new distributors.

The Company's gross profit was $2.6 million, with a 54% gross profit margin, compared to $3.6 million and a 79% gross profit in 2021. This quarter's gross profit margin of 54% is within our expectations.

During the fiscal year ended January 31, 2021, the Company sold that first internally-developed therapeutic antibody, the cost had already been expensed as research in a prior year, as required by IFRS.

In addition, as previously reported, during the past two years, the Company improved its accounting and financial reporting system, culminating in the full implementation of a new ERP system effective for Fiscal Year ’21. While the system was used the full year of 2021, its implementation was complicated by travel restrictions due to COVID-19. These complications, along with the new processes and procedures, caused the Company to miscalculate eliminations of inter-company transactions related to its internal research and development sales to Talem. This miscalculation was corrected in the third quarter of 2021, resulting in a reduction of cost of sales of $600,000 and a reduction in research and development expense of $300,000. Adjusting for the effect of the antibody sale and the correction, gross profit margin would have been 51% for the period ended January 31, 2021, compared to 54% the same period this year.

The Company's operating expenses for the first quarter were $6.9 million compared to $4.8 million in 2021, an increase of $2.1 million. There were five expenses that primarily make up the increase, and I'll discuss these in the order of largest expense.

Research expense increased $1.8 million from nil in 2021, due to the Company's undertaking a strategic investment in research including the Company's SARS-CoV-2 PolyTope cocktail, and other research projects that Jennifer mentioned, that can be found on Talem's website. As I mentioned, when discussing gross profit margin, had the prior year miscalculation not occurred, research expense would have been $300,000 million for the same period last year.

Salaries and benefits totaled $1.8 million compared to $1.1 million in the same period last year, an increase of $0.7 million. This increase includes the addition of the strategic leadership roles, most recently the VP of Marketing and VP of Client Relations, to support the Company's organic growth, and routine pay increases

and the addition of Directors' cash compensation that was effective after the Fiscal Year 2020 annual general meeting held in November.

Office and general expenses of $224,000 is $400,000 lower than the same period last year. Last year, the Company incurred higher exchange and regulatory fees associated with the NASDAQ listing.

Share-based payment expense of $492,000 is also $360,000 lower than the same period last year. The decrease in expense is primarily due to the full vesting of options awarded and granted September 1, 2020, to officers of the Company.

The Company's insurance costs increased to $509,000 as compared to $204,000 the same period last year. The increase was primarily from D&O insurance premiums related to the NASDAQ listing on December 30, 2020.

Total other income for the quarter was $689,000 compared to $56,000 for the prior year. The only noteworthy item is the unrealized foreign exchange gain of $514,000 compared to nil in the prior year. This unrealized gain is a result of currency revaluations of U.S. dollars at the current quarter-end exchange rate.

The Company recorded a net loss of $3.8 million for the quarter, compared to a net loss of $1.3 million for the three months ended January 31, 2021. The $2.5 million increased loss can be summarized primarily as a result of lower gross profit and the Company's investment in research and salaries and benefits to support the Company's strategic plans and operations.

So, in summary the financial highlights for the quarter included: the Company earned $4.8 million in total revenue, a 6.6% increase over the same period last year; the Company's project revenue made up $4.1 million of that increase, a total of 22.6% increase over the same period last year; the Company continued to invest in its future through research and development activities and its people, both of which are needed to support our strategies.

I will turn my attention to the year-to-date results.

On a year-to-date basis, the Company achieved revenues of $14.1 million during the nine months ended January 31, 2022, compared to $13 million in 2021, a $1.2 million or 8.4% increase.

The Company's project revenue was $12.7 million, compared to $11.3 million the same period last year, 11.7% increase. Growth is driven primarily by the Company's B cell select platform, with expansion in both the number and size of projects under contract, leading to a revenue increase of $1.3 million.

Product sales during the nine months ended January 31, 2022, totaled $1.2 million, a decrease of $523,000 compared to the same period last year. The lower product sales during the nine months ended January 31, 2022, relates to the Company's sale of its first internally-generated therapeutic antibody during Fiscal Year 2021.

In Fiscal Year 2022, the Company achieved product catalog sales of $1.2 million during this nine month period, as compared to $0.5 million for the same period last year, as mentioned during the quarterly update. This year the Company launched a new website and gained new distributors.

The Company's gross profit was $7.7 million with a 54% gross profit margin, compared to $8.8 million and a 67% gross profit margin in 2021. This year's gross profit margin of 54% is within our expectation. The higher profit margin during the fiscal year ended January 31, 2021, includes that sale of its first internally-developed therapeutic antibody, the costs for which had been expensed as research in a prior year, as required by IFRS.

The Company's operating expenses, year to date, were $20.1 million, compared to $13.3 million in 2021, an increase of $6.9 million. I'll discuss these changes in order of largest expenses.

Research expense increased to $5.8 million from $1.1 million in 2021, due to the Company's undertaking of strategic investments in research, including the Company's SARS-CoV-2 PolyTope cocktail and other research projects, most of which can be found on Talem's website.

The Company's insurance cost increased to $1.5 million as compared to $301,000 during the same period last year. The increase is primarily from D&O insurance premiums related to the NASDAQ listing on December 30, 2020.

Share-based payments of $2.3 million is $871,000 higher than the same period last year. The increase in expense is primarily due to awards made during Fiscal Years ’21 and ’22 that are expensed over the vesting period.

Salary and benefits totaled $4.6 million, compared to $3.9 million for the same period last year, an increase of $708,000. The increase includes the addition of strategic leadership roles, including the VP of marketing and the VP of client relations, to support the Company's organic growth, routine pay increases, and the addition of Director compensation, as noted during my quarterly update.

Consulting fees totaled $650,000 in 2022, an increase of $332,000 over 2021. The Company expanded its use of consultants related to our research and development activities and capital markets.

Management fees were nil in 2022, and in 2021 were $269,000 as the Company made its final profit-sharing payment related to the acquisition of UPE and no longer had a contracted general manager at the Utrecht site.

Office and general expenses of $748,000 were $232,000 lower than last year. During 2021, the Company incurred higher exchange and regulatory fees associated with the NASDAQ listing.

Total other income year-to-date was $982,000 compared to $2.5 million in the prior year. Several items make up the $1.5 million decline in other income. The Company recorded $56,000 in grant and subsidy income this year, compared to $2.3 million in fiscal year 2021, primarily related to our COVID-19 programs. Detailed information may be found in footnote 17 of our financial statements.

The Company's interest and other income declined $387,000 during Fiscal ’21. The Company received an expense subsidy from a partner, and the Company was a recipient of a loan under the U.S. Paycheck Protection Program, which was forgiven. These other income declines were offset by the Company's recording of unrealized foreign exchange gains of $821,000 compared to an unrealized loss of $30,000 in the prior year. This unrealized gain is a result of currency revaluations of held U.S. dollars at the current quarter's exchange rate. Accretion expense was also lower by $222,000 year over year, as the Company retired its final obligation related to deferred acquisition payments on May 3, 2020.

The Company recorded a net loss of $12.1 million, year to date, compared to a net loss of $2.3 million for the nine months ended January 31, 2021. The $9.8 million increased net loss can be summarized primarily as a result of lower gross profit and the Company's investment in research and development, increases in insurance and professional fees, higher salaries and benefits to support our strategic plans and operations, and lower grant and subsidy income.

Before I touch upon Adjusted EBITDA, I must caution the investor that Adjusted EBITDA is a non-IFRS measure. Do not place undue reliance on Adjusted EBITDA. I urge you to read all the IFRS accounting

disclosures presented in the condensed interim consolidated financial statements for the three and nine months ended January 31, 2022 and 2021. Adjusted EBITDA is management's view of operating earnings.

For the nine months ended January 31, 2022, the Company's Adjusted EBITDA was a loss of $6.9 million, compared to a gain of $2.6 million in 2021, a decline of $9.5 million. The decline in Adjusted EBITDA is predominantly from $1.1 million lower gross profit, investments in research and development, an increase of $4.4 million, increased insurance costs of $1.2 million, increased salaries and benefits of $700,000, and a decrease in grant, subsidy and other income of $2.2 million.

A few comments about IPA's liquidity. As of January 31, 2022, the Company held cash of $33 million and had working capital of $33.4 million. The Company used $8.1 million of cash in operating activities. As part of investing activities, the Company made equipment purchases of $924,000. As part of financing activities, the Company received $523,000 from issuing common stock and made lease payments of $702,000.

The Company continues to operate as a going concern, and according to management's estimate there is sufficient cash reserve to sustain our operations and associated NASDAQ costs for at least one year.

Finally, we previously reported that on October 13, the Company established an at-the-market equity offering facility, which entitles the Company at its discretion and from time to time during the term of the ATM agreement to sell, through its agent H.C.Wainwright and Company, common shares of the Company having an aggregate gross sales price of up to US$50 million. As of January 31, 2022, and as of today, US$50 million of the Company's stock remain available for sale under our ATM facility.

With that, I'll turn the call back over to John and Jennifer for Q&A.

John Mullaly

Thank you Lisa.

Before Jennifer adds any closing remarks, I'd like to spend a little time asking some of the questions that we received from analysts and investors.

The first question reads as follows. The State of the Union by President Biden discussed cancer being a new direction of focus for his administration. Has ImmunoPrecise seen an increase in interest in the cancer antibodies recently, and has this caused any shift of interest from the Company for the PolyTope antibody?

Jennifer Bath, Ph.D.

Great. Thank you John. We really appreciated this question. So, to start, first, the majority of therapeutic programs contracted to IPA have actually always been in the area of oncology and immunooncology. At the present day, that's definitely no exception. Most companies, just to kind of give a lay of the land, they either have a mandate to work on a specific disease or a cluster of diseases, and either way a mandate that governs all of their programs. Some of them have flexible mandates that may at times add discovery programs for infectious diseases, for instance, such as COVID.

Specifically, we have not seen any notable increases in requests for oncology work in the past few weeks as compared to prior weeks or months; although I would anticipate that there would be a lag between the target collection and validation, and the time at which they would bring those programs forward to us. So in other words, we wouldn't necessarily see that trend if it was impacted by the State of the Union.

We anticipate that those that are already in oncology will stay there with their expertise, and those without such expertise will not likely switch gears; and the same likely goes with infectious diseases such as COVID. We also have not seen any negative impact on TATX-03 conversations since the State of the Union.

John Mullaly

Thanks Jennifer. I'll read the next question.

Would ImmunoPrecise consider a monthly shareholder update letter? I find there are so many things going on, it would be helpful to hear, on a more regular basis, the less discussed projects.

Jennifer Bath, Ph.D.

So, thank you first of all for this suggestion. So, we are interested in doing something very similar to this as well. We have been, we currently are discussing several options including monthly newsletters; monthly updates on the Talem website; recordings of some of our investor presentations, whether it's from investor conferences or large group presentations, which are averaging right now about once a month as well; developing very IPA-specific blog updates; or even combinations of these options. So, we plan to implement a sustainable option along these lines in the next one to two months.

John Mullaly

I will read the next question. Where is the Company at on commercializing any of the Talem pipeline?

Jennifer Bath, Ph.D.

So, our business development team—and I'm going to give you a little background here on how these communications work first with our pharma partners. Our business development team is actively targeting potential partners for several of Talem's programs. So, while we regularly attend the major partnering conferences in our industry, such as Bio and JPMorgan, we also directly reach out to selected groups. This is a continuous process that's typically initiated during the development of a program, prior to candidate selection.

The process can take several months, and includes confidential in-depth scientific discussions prior to or in parallel with the business discussions. During those business relations, we're sometimes asked to generate specific supportive data to validate the fit of the candidates for a particular pharmaceutical company. As an example, we've just successfully completed additional experiments from our TATX-22 program to generate supporting data for further discussions with a potential partner.

While partnering or out-licensing at each stage of the asset development is possible, and is sometimes explored by the business development team, moving the program forward to at least *in vitro* proof of concept adds value to the asset and facilitates both conversations.

As stated previously, an even larger value-add is typically had at the point of receiving *in vivo* functional data. You've heard in our updates today, *in vitro* functional data oftentimes includes many different tests looking at various activities of antibodies, sometimes even numerous mechanisms of action, as well as the possibility of using certain antibodies in more than one therapeutic format. These many assays also guide us toward the best route for IP protection and enable the possibility of multiple out-licensings per asset, or additional value for the purchase of an asset that we've been able to demonstrate possesses more than one potential commercial use.

Given the amount of know-how and energy that goes into each asset and the value gained by seeing it through to its final characterization, we believe that, in the long run, maximizing the value of each asset, as opposed to making a faster sell, is definitely in the best interest of the Company and its shareholders. We'll continue to keep you updated on the progress of those discussions and relationships with those pharma partners.

John Mullaly

Thanks Jennifer. Next question. Does PolyTope have a partner? Will the company still proceed to clinical trials without a partner?

Jennifer Bath, Ph.D.

Okay, so, as mentioned earlier, IPA is partnered with Elektrofi. That partnership, as discussed, is currently being supported by the DoD funding through IND-enabling study. With good IND study outcomes, it is possible that the DoD would extend that funding to cover IPA's clinical trials, as well as additional clinical manufacturing. However, if required, yes, IPA has budgeted for and has prepared a clinical study design for Phases 1 and 2a for TATX-03.

John Mullaly

Great. Next question. Recent slide decks are not showing Pierre Fabre partnership pipeline, nine targets. When will work and resources start being allocated to this opportunity?

Jennifer Bath, Ph.D.

So, the partnership Pierre Fabre, as many of you know, it's a co-development of up to nine targets selected by Pierre Fabre over a three-year period. At this point, the Joint Research Committee has met and work has started, but we did not receive permission of Pierre Fabre to share any specific status updates on their programs.

John Mullaly

Next question. From Dr. Bath’s point of view, has the Company missed the COVID window of opportunity?

Jennifer Bath, Ph.D.

Right, so great question and a question we've heard a couple times over this quarter.

So, first of all, from the start of our efforts to develop an antibody-based solution for SARS-CoV-2 and for future variants, we were aware that such a product would require this level of scientific rigor and extensive characterization; thereby accepting that other products would enter the clinic quicker. So, I do want to discuss this aspect first before addressing a little bit more about that market.

So, in most of the immunotherapies, which are not the same as active vaccines, with which we’re vaccinated and boosted for almost one and a half years now; they've been introduced relatively recently. Notably, the application of the first two of the five immunotherapies which are authorized for emergency use in the U.S. are now restricted, and they've lost their efficacy against the Omicron variant.

Another remarkable note here is that only one of the EUA antibody treatments is actually allowed for pre-exposure prophylactic use, and even then only after the FDA recommended to double the dose due to the reduced efficacy in treating Omicron. In contrast IPA, although later than these five, also deliberately

targeted this market segment of prophylaxis, as this market includes a large group of immune-impaired persons on which we elaborated earlier.

Our product was developed with a focus on the enduring efficacy and is, to our knowledge, the only first-generation antibody-based product that has not been escaped by any of the current virus variants. Thus we believe the investment in thorough R&D and validation of TATX-03 will ultimately pay off.

While the lower virulence of Omicron led people to believe that SARS-CoV-2 hospitalization rates caused by emerging Omicron sub-variants—pardon me. While the lower virulence of Omicron led people to believe that SARS-CoV-2 will just be a mild flu, current increases in infection and also hospitalization rates caused by emerging Omicron sub-variants are telling us differently; not to mention that the number of COVID-19-related deaths are significant, and this number did not return to baseline after infection levels peaked. The so-called “baseline level” of COVID-related mortalities is in fact increasing.

So going back to this question, no, we absolutely don't believe that we've missed the COVID window of opportunity. We believe that our product, with its sustainability, is actually sliding into a place and a time where there is an urgent need for an effective therapy that can work, both prophylactically and also in the treatment of COVID-19.

John Mullaly

Thank you Jennifer, I'll read the next question.

You now have a number of assets ready for partnering. What is the most likely use of any proceeds in case of a deal? PolyTope trials, acquisition of research, share buybacks, or general corporate use?

Jennifer Bath, Ph.D.

So, great question, and definitely obviously someone who's paying really close attention to everything that we say. The short answer is really all of the above are possible.

We're continuing to move TATX-03 forward as mentioned, now with the potential backing of DoD, so whether or not funding from any such out-licensing deal would be required to support that is unsure at this time, but that would be one possibility if required. As stated previously, we do continuously monitor potential acquisitions, especially those companies with disruptive technologies, and those that are value-adds to our existing services.

We have also reviewed a normal course issuer bid. However, since the time that the share price has dropped considerably, the Company has been in a blackout, which is making that option unfeasible. So, should the share price remain lower for a longer period of time, extending into a non-blackout period, and should other specific parameters also be aligned, we would reconsider this absolutely.

Moreover, we have been ramping our next generation sequencing platform for our clients and also for ourselves. As the Company is building a strong foothold in the synthetic biology space, NGS and omics are at the foundation of *in silico* development and discovery. IPA will also be articulating its broader strategy in that respect shortly.

Lastly, we're still actively working toward enhanced levels of manufacturing quality, so this may be another area of viable and strategic investment for the Company.

John Mullaly

Thank you, Jennifer, for addressing those questions.

We thank you for submitting your thoughtful and concise questions today. We hope that they were answered either in our script, in the Q&A, or in the MDA.

I will move us on to Jennifer's closing remarks with some insight into this current fiscal year strategic planning. Jennifer?

Jennifer Bath, Ph.D.

Great, thank you John.

So to wrap up this conference call, we want to thank, of course, IPA's employees, clients, partners, and our shareholders for being a part of this exciting journey of accelerated transformative antibody discovery and innovation with us.

We're proud to say that we are driving the development of Talem's PolyTope TATX-03, our lead pipeline asset, forward on multiple fronts, both in house and through external partnering, as noted during the call today, and in recent Elektrofi press releases. Internally we believe that our PolyTope TATX-03 program is progressing well, and we've taken a conservative development approach after prudently observing the shifting regulatory landscape around the development of COVID vaccines and therapies, and have avoided the pitfalls all to which some development programs have succumbed to.

With this in mind, we expect IND submission to the FDA for TATX-03 to be somewhere in the timeframe of Q2 or Q3 of the 2022 calendar year, and we will post again those relevant timelines and updates shared with you today on the Talem Therapeutics website.

Our CRO project revenue business continues to grow, as evidenced by the reported 22.6% top-line growth. Moving forward, we will continue to actively and tactically grow our CRO business, as we continue to see steady upward expansion in both the number and size of projects under contract.

We're also expanding partnerships in this arena, as evidenced by the announcement of our joint project with Pierre Fabre, the second-largest private French pharmaceutical group, which is expected to be the first partnered program of many multiple-target multiple-year collaborations.

Additionally, we've implemented the right leadership and infrastructure and expanding our marketing and sales programs to expand the reach and awareness of our capabilities.

Lastly, I do want to emphasize that, as a management team, it's not in our role to comment about the financial markets, although as incentivized shareholders of the Company the markets do weigh on our mind, as they must with you. With that said, while we have no control on the sector as a whole, what we are in control of is the near- and long-term execution of the Company's operational plan, as well as the shaping of the Company's strategic direction. In this capacity, we've significantly derisked our business and building a tandem growing CRO business in addition to a cutting-edge antibody discovery company, which has the potential to discover or develop the next great immunotherapy.

Moreover, our discovery business is leveraging economies of scale and efficiencies of our CRO business as we work toward moving our pipeline assets into the clinic. We're doing so conservatively, to avoid wasted effort, especially in light of the fact that regulatory efforts around COVID vaccine and therapy development

continue to be a moving target. Even so, our proof of concept data to date is extremely promising, and we are optimistic that these efforts will bear fruit.

Additionally, we continue to maintain a strong cash balance, cash on the balance sheet position, and have the ability to draw on additional financial instruments if necessary. While we did not foresee what was going to happen in 2021, or the geopolitical shock that has overtaken the news in 2022, we did plan ahead in order to make sure that IPA was well capitalized. Therefore, we sit in a very strong position currently, without the need to draw upon or facilitate a dilutive financing instrument for the foreseeable future.

Meanwhile, we'll continue our value creation efforts, which have also been significant to date, and continue to be optimistic about our efforts, that our efforts will be recognized as the markets themselves are ultimately cyclical. We are prepared to run the marathon and not just a sprint in the short run.

With that said, we hope to see you on the next call, and thank you again for joining us today.

Operator

This concludes today's conference; you may disconnect your lines at this time; thank you for your participation.