

SUPERSEDED — NOT THE CURRENT CALL

This Jul 2, 2026 report is no longer current. Microcap Research has since changed its rating on Innovotech Inc. (IOT) from Spec. Buy to Hold, with a C\$0.10 price target, in the Aug 19, 2026 update.

Current report: <https://microcapresearch.ca/reports/iot-innovotech-inc-2026-q2update>

Innovotech Inc.

TSXV: IOT · LIFE SCIENCES SERVICES / LABORATORY TESTING · JUL 2, 2026

RATING	12-MO TARGET	AT PUBLICATION	IMPLIED UPSIDE	MARKET CAP
Spec. Buy	C\$0.18	C\$0.085	112%	C\$4.63M

Bottom line: Microcap Research rates Innovotech Inc. (TSXV: IOT) Spec. Buy with a 12-month price target of C\$0.18, about 112% above the C\$0.085 share price at publication on Jul 2, 2026. Market capitalisation at publication: C\$4.63M.

A textbook microcap dislocation: a GMP-accredited lab-services business that doubled revenue to C\$4.53M and earned a profit in 2025, now trading at ~0.73x EV/Revenue after a single client program ended and cratered Q1 2026 revenue 44%. With C\$1.32M cash, a 3.28x current ratio, and GLP certification underway, the market is pricing a real stumble as if it were terminal.

KEY STATISTICS — AS OF JUL 2, 2026

Market Cap	C\$4.63M
EV/Revenue (FY2025)	~0.73x
Revenue (FY2025)	C\$4.53M (+107%)
Gross Margin (FY2025)	52.9%
Cash (Q1 2026)	C\$1.32M
Q1 2026 Revenue	C\$0.65M (-44%)

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Executive Summary

Innovotech Inc. (TSXV: IOT; OTCQB: IOTCF) is an Edmonton-based life sciences services company built around applied microbiology, analytical chemistry, and regulated laboratory testing. Its two historical operating pillars — Innovotech Labs (antimicrobial and biofilm contract research, home of the proprietary MBEC Assay[®] kit and the InnovoSIL[™] silver platform) and Keystone Labs (GMP-accredited pharmaceutical and analytical testing, acquired in late 2024) — were amalgamated into a single operating entity on January 1, 2026. In fiscal 2025 the combined business more than doubled revenue to C\$4.53M (+107% YoY), delivered a 52.9% gross margin, and posted positive full-year net income of C\$0.09M.

The setup is a textbook microcap dislocation. In Q1 2026 revenue collapsed 44% YoY to C\$0.65M after a single large customer wound down a project that management had staffed and resourced for through 2026. The quarter swung to a C\$0.40M net loss, and the stock has fallen roughly 60% over the past year and ~48% in the last month to C\$0.085. Yet the company still carries C\$1.32M of cash, C\$1.79M of working capital, a 3.28x current ratio, and essentially no debt — and the underlying FY2025 revenue base is more than double what it was two years ago.

We initiate coverage with a **Spec. Buy** rating and a 12-month price target of C\$0.18, representing approximately 112% upside from current levels of C\$0.085 (as of 2026-07-02, per user-provided quote; last close C\$0.11 on June 4, 2026 per Yahoo Finance). At an enterprise value of roughly C\$3.3M against C\$4.53M of FY2025 revenue, IOT trades at ~0.73x EV/Revenue — a distressed multiple for a profitable-in-2025, GMP-accredited lab-services platform. The market is pricing the Q1 client loss as terminal; we think it is a real but survivable stumble against a doubled revenue base and a cash-cushioned balance sheet.

Company Overview

Innovotech operates ISO-certified and GMP-accredited laboratories serving medical-device, pharmaceutical, and industrial clients across Canada, the United States, and international markets. Following the January 2026 amalgamation, the business now reports as a single operating segment, but its revenue still spans several distinct service lines:

- **Antimicrobial & biofilm contract research:** The legacy Innovotech Labs franchise — biofilm science, antimicrobial and medical-device testing, and the globally used MBEC Assay[®] platform. This is the higher-margin, IP-anchored core, but also the most project-concentrated. Q1 2026 antimicrobial testing revenue was C\$0.30M, down from C\$0.77M a year earlier.
- **GMP, analytical chemistry & stability testing:** The Keystone Labs franchise — regulated pharmaceutical testing, HPLC method development, environmental monitoring, and stability studies. This line proved far more resilient, at C\$0.29M in Q1 2026 versus C\$0.33M a year prior, and is the diversification engine of the thesis.
- **Products (MBEC Assay[®] kits):** Manufactured consumables sold worldwide to academic, industrial, and government labs (C\$0.05M in Q1 2026). Small but sticky, and a marketing funnel into contract research.
- **Proprietary IP (InnovoSIL[™] silver):** A family of silver-periodate antimicrobial compounds in active R&D, supported by non-dilutive grant funding (AICE-Validates, NRC IRAP), targeting wound dressings, coatings, and 3D-printed resins. Pre-revenue optionality, not modeled in our valuation.

In 2025, Keystone's full-year inclusion drove the segment split to C\$3.16M from Innovotech Labs (ILC) and C\$1.38M from Keystone (KLI), the latter up 559% on a partial-year 2024 base. Geographically, the U.S. remained the largest market at C\$2.94M, with Canada growing to C\$1.36M on Keystone's domestic client base.

Investment Thesis — Five Pillars

1. THE FY2025 SCALE-UP WAS LARGE, REAL, AND PROFITABLE

This is not a story stock with no revenue. In fiscal 2025 Innovotech generated C\$4,534,852 of revenue, up 107% from C\$2,194,471 in 2024 and nearly 4x the C\$1,182,632 posted in 2023. Gross profit reached C\$2,397,039 at a 52.9% margin, and the company delivered positive net income of C\$0.09M for the full year despite deliberately prioritizing growth investment over near-term profit. The scale-up was driven by both the Keystone acquisition and genuine organic momentum: in Q2 and Q3 2025, revenue rose C\$0.59M and C\$0.83M respectively versus the prior-year quarters, of which organic growth contributed C\$0.20M and C\$0.50M. A company that can quadruple revenue over two years and turn a profit while doing so has a demonstrably real underlying business — which is precisely what a ~C\$4.6M market cap disputes.

2. THE VALUATION DISCOUNTS A PERMANENT IMPAIRMENT THAT THE BALANCE SHEET CONTRADICTS

At C\$0.085 per share and 54.44M shares outstanding, IOT's market cap is ~C\$4.63M. Net of C\$1.32M cash and negligible debt, enterprise value is ~C\$3.31M — just 0.73x FY2025 revenue and roughly 1.4x FY2025 gross profit. Regulated CRO and analytical-testing peers typically command well north of 1x sales even in weak tapes; a franchise with GMP accreditation, proprietary IP, and 50%+ historical gross margins changing hands below 1x revenue implies the market expects the revenue base to stay near Q1 2026's annualized run-rate permanently. The balance sheet argues otherwise: C\$1.79M working capital, a 3.28x current ratio, and C\$4.30M of total assets against C\$1.05M of total liabilities give the company room to fund a diversification-led recovery without forced dilution at these levels.

3. Q1 2026 EXPOSED THE CONCENTRATION RISK — BUT ALSO THE CATALYST FOR FIXING IT

The Q1 2026 revenue cliff (C\$0.65M, -44% YoY) was, in management's own words, "a worst-case realization of customer concentration risk": a single major customer's anticipated program did not continue, and because the company had held staffing and capacity ready for that work, the miss flowed straight through to a C\$0.40M net loss and a C\$0.35M Adjusted EBITDAS loss on underutilized capacity. The important nuance is that the GMP/analytical/stability line held roughly flat (C\$0.29M vs C\$0.33M) while the antimicrobial line took the hit — validating diversification as the fix. Management is responding directly: a new Chief Commercial Officer, an expanded sales organization, a redesigned corporate website, and a redirected cost base toward recurring, multi-client revenue. The event that broke the quarter is the same event forcing the structural change the business needed.

4. GLP CERTIFICATION IS A STRUCTURAL MARKET EXPANDER, NOT AN INCREMENTAL UPGRADE

Innovotech is pursuing Good Laboratory Practice (GLP) certification, transitioning accreditation oversight from CALA to the Standards Council of Canada. Management frames GLP not as a marginal enhancement but as a structural enabler that opens participation in higher-value, longer-duration regulated development programs — the kind of multi-year, stickier work that directly counters the project-based volatility that hurt Q1. GLP-aligned services are a frequent client request the company currently cannot fully serve. If achieved, GLP

materially expands the addressable market and shifts the revenue mix toward exactly the recurring, regulated work the thesis depends on. The associated compliance costs are already being absorbed in the current P&L, so the earnings drag is front-loaded and the option is live.

5. OPTIONALITY: U.S. CAPITAL-MARKETS ACCESS, IP, AND OWNED INFRASTRUCTURE

Several call options sit on top of the core recovery. The company completed an OTCQB (IOTCF) listing in early 2026 and is expanding U.S. investor outreach, widening the potential shareholder base for a name with almost no current institutional following. The InnovoSIL™ silver platform — advancing through grant-funded trials in wound dressings, polymer coatings, and 3D-printed resins — is pre-revenue but represents genuine partnering/licensing upside not in our numbers. And management is evaluating the acquisition of a permanent, purpose-built laboratory facility to stabilize occupancy costs and support certification and expansion, converting escalating Edmonton lease exposure into controllable, financed fixed infrastructure. None of these are required for the thesis to work, but each is a way to win.

Financial Summary

METRIC	FY2024	FY2025	YOY CHANGE
Revenue (C\$M)	2.19	4.53	+107%
Gross Profit (C\$M)	1.11	2.40	+116%
Gross Margin	50.6%	52.9%	+2.3 pts
Net Income (C\$M)	0.21	0.09	-59%
Cash (period-end, C\$M)	1.62	1.32*	-19%

*Cash of C\$1.32M is as of March 31, 2026 (Q1 2026 period-end); FY2025 year-end cash was C\$1.62M. FY2025 net income of C\$0.09M reflects deliberate reinvestment (staffing, capacity, sales build-out); management noted growth was prioritized over short-term profit. Q1 2026 revenue was C\$0.65M (-44% YoY) with a net loss of C\$0.40M.

Valuation

We anchor valuation on EV/Revenue given the project-based volatility in near-term earnings. At an EV of ~C\$3.31M, IOT trades at ~0.73x FY2025 revenue — a level that implies structural impairment rather than a single lost contract. Our base case applies a still-conservative ~1.9x EV/Revenue to the doubled FY2025 base, a multiple that remains a discount to regulated CRO/analytical-testing comparables and does not credit any GLP-driven mix shift or InnovoSIL™ optionality. The bear case assumes the Q1 run-rate becomes the new normal and the market holds the business near current distressed multiples; the bull case assumes diversification and GLP restore growth and re-rate the multiple toward peer levels.

SCENARIO	BASIS	PRICE / SHARE	VS. CURRENT
Bear Case	~0.9x EV/Rev on impaired run-rate	C\$0.06	-29%
Base Case	~1.9x EV/Rev on FY2025 revenue	C\$0.18	+112%
Bull Case	~3.0x EV/Rev on recovering, GLP-enabled base	C\$0.28	+229%

Share count of 54,438,235 and cash of C\$1.32M used throughout. Bull case is set near the 52-week high of C\$0.34 and assumes revenue recovery plus multiple re-rating; it is not our base assumption.

Key Risks

- **Customer Concentration (HIGH):** Q1 2026 proved a single client can erase ~44% of revenue in a quarter. Until the client base is demonstrably broadened, quarterly results will remain volatile and a second concentrated loss would be severe.
- **Cash Burn & Capex (HIGH):** The company swung to a C\$0.40M quarterly loss and negative Adjusted EBITDAS while carrying C\$1.32M cash and simultaneously evaluating a permanent-facility purchase and GLP certification. A prolonged revenue trough combined with heavy capex could pressure liquidity and force dilution at depressed prices.
- **Execution on Diversification & GLP (MEDIUM):** The entire recovery thesis rests on management successfully diversifying revenue and achieving GLP certification on a reasonable timeline. Both are within management's control but neither is guaranteed, and GLP timing is inherently uncertain.
- **Liquidity / Small-Cap Risk (HIGH):** Average daily volume is roughly 39,000 shares with zero analyst coverage. The stock is thinly traded and can gap on modest order flow; entry and exit are difficult, and the OTCQB listing has not yet produced meaningful float depth.
- **Integration & Management Transition (MEDIUM):** The 2026 amalgamation, a facility relocation, executive departures in 2025, and a June 2026 CFO change all introduce operational and continuity risk during a fragile period.
- **Margin Recovery (MEDIUM):** Gross margin fell to 31.2% in Q1 2026 on underutilized capacity from the 52.9% FY2025 level. Margins only normalize if utilization recovers; a slow rebuild keeps profitability negative.

Conclusion

Innovotech is a real, GMP-accredited laboratory-services business that doubled revenue and earned a profit in 2025, now trading as if the franchise is permanently impaired because a single client program ended in Q1 2026. The stumble is genuine — concentration risk materialized in the worst way, the quarter swung to a loss, and the company is burning cash while investing through the trough. But the balance sheet (C\$1.32M cash, C\$1.79M working capital, 3.28x current ratio, minimal debt) buys management the runway to execute the exact fix the situation demands: diversify the client base, lean on the resilient GMP/analytical line, and pursue GLP certification to move into stickier, higher-value regulated work.

The risk/reward is asymmetric at these levels. The bear case still assumes the business survives near a distressed multiple; the base and bull cases require only that a doubled, profitable-in-2025 revenue base is not permanently gone. We view the primary overhang — will the revenue recover — as a question the market has already answered pessimistically, leaving room for upside if execution merely stabilizes results.

At C\$0.085 per share and a ~C\$4.63M market cap, IOT trades at roughly 0.73x FY2025 revenue with cash equal to nearly 30% of its market value. We rate IOT **Spec. Buy** with a C\$0.18 price target.

Innovotech Inc. (IOT) — key questions

What is Microcap Research's rating and price target on Innovotech Inc. (IOT)?

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What does Innovotech Inc. (IOT) do?

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What is the investment thesis for Innovotech Inc. (IOT)?

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How is Innovotech Inc. (IOT) valued?

We anchor valuation on EV/Revenue given the project-based volatility in near-term earnings. At an EV of ~C\$3.31M, IOT trades at ~0.73x FY2025 revenue — a level that implies structural impairment rather than a single lost contract. Our base case applies a still-conservative ~1.9x EV/Revenue to the doubled FY2025 base, a multiple that remains a discount to regulated CRO/analytical-testing comparables and does not...

What are the key risks for Innovotech Inc. (IOT)?

Risks flagged in this report — Customer Concentration (HIGH); Cash Burn & Capex (HIGH); Execution on Diversification & GLP (MEDIUM); Liquidity / Small-Cap Risk (HIGH); Integration & Management Transition (MEDIUM); Margin Recovery (MEDIUM)

What are the key financial metrics for Innovotech Inc. (IOT)?

As of Jul 2, 2026 — Market Cap: C\$4.63M · EV/Revenue (FY2025): ~0.73x · Revenue (FY2025): C\$4.53M (+107%) · Gross Margin (FY2025): 52.9% · Cash (Q1 2026): C\$1.32M · Q1 2026 Revenue: C\$0.65M (-44%).

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CORRECTIONS

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Microcap Research — Independent Equity Analysis

Report IOT-2026-07 · published Jul 2, 2026

Web edition: <https://microcapresearch.ca/reports/iot-innovotech-inc-2026>

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