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Microbix Biosystems Inc. (TSX:MBX; $0.22)

FY1Q-26 Results: Looking Like the Bottom Is In.

Yesterday, Microbix reported FY1Q-2026 results beating our estimates.

C$M	1Q-2026	Bloom Burton	Consensus	1Q-2025	4Q-2025
Total revenues	$4.2	$3.9	NA	$6.0	$3.7
EBITDA (adjusted)	($0.5)	($1.0)	NA	$1.4	($0.9)

Revenues were down 30% Y/Y due to previously disclosed issues at 2 major clients, however, revenues were up 13% Q/Q. When Microbix reported FY-2025 results in December, we noted that earnings may have bottomed (link), and we take this quarter's performance as a good sign.

The beat was driven by antigen sales which were down 49% Y/Y to $2.2M, but increased 27% Q/Q. The Y/Y drop was due to reduced sales into China. This is expected to persist for the near term as customers work through existing inventory, with organic growth possibly returning later this year or in FY2027. Microbix continues to diversify its antigen sales business as it seeks to replace the $2M of lost China sales – revenues from other antigen customers increased 5% Y/Y.

QAPs sales of $1.8M were up 15% Y/Y (+6% Q/Q). Despite the previously disclosed QuidelOrtho (NASDAQ: QDEL; Unrated) program termination, Microbix has continued to grow QAPs revenues by doubling sales of their branded QAPs products. Management noted that multiple development programs are still underway, several of which are associated with larger potential commercial opportunities. However, details including expected timelines for commercial launches were not provided.

Most recently Microbix announced a partnership with SEKISUI Diagnostics (Private) to provide QAPs for the commercialization of a three-plex molecular flu test. Another key partner is Seegene's (KOSDAQ: 096530; unrated) Mexico division to support the clinical use of the Allplex and Anyplex PCR molecular multiplex assays to detect various HPV genotypes.

Gross margins (41% vs 62% a year ago and BB estimate 38%) underscore the impact of lower revenues on the high fixed costs of the business, but lower than forecast Opex and higher revenues fueled the EBITDA beat.

Microbix is differentiated by its highly specialized infrastructure. New QAPS opportunities appear to have backfilled following the loss of QuidelOrtho, but antigen sales continue to lag due to the absence of prior Chinese demand. Management is optimistic about onboarding new clients that could drive topline growth and operating leverage, but limited details regarding near term drivers makes MBX a "show-me" story that requires a few solid quarters to rebuild confidence, in our view.

We are maintaining **our $0.50 TP and ACCUMULATE rating (Above Average Risk).**

Rating:	ACCUMULATE
Risk:	Above Average
12 Month Price Target:	$0.50

Price	$0.22
Implied Return	127.3%
Fiscal Year End	30-Sep
52 Week Range	$0.21 - $0.55
Shares Outstanding (M)	138.8
Market Cap. (M)	$30.5
Net Cash per Share	$0.00
Avg. Daily Volume (M)	0.07

C$	2025A	2026E	2027E	2028E
Total Revenue (M)	$18.6	$19.6	$25.0	$30.7
Previous	*nc*	*nc*	*nc*	*nc*
EBITDA (M)	$0.2	($1.5)	$2.9	$6.6
Previous	*nc*	*($2.0)*	*$2.7*	*$6.4*
EV/EBITDA	105.5	neg	7.4	3.2

2026	1QA	2QE	3QE	4QE
Total Revenue (M)	$4.2	$4.6	$5.2	$5.6
EBITDA (M)	($0.5)	($0.5)	($0.3)	($0.2)

This report is priced as of prior trading day's close. All values in C$, unless otherwise noted.
** Based on DCF 10% discount rate*

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1. The research analyst has visited the material operations of Microbix Biosystems Inc. No remuneration was received from, nor expenses paid by the company in respect of the visit.

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Recommendation Categories	
Buy	Expected to materially outperform the sector average over the next 12 months.
Accumulate	Expected to outperform the sector average over the next 12 months or longer.
Hold	Expected to perform similar to the sector average over the next 12 months.
Sell	Expected to materially underperform the sector average over the next 12 months.

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Average – Volatility and risk expected to be comparable to the broader market; revenue and earnings have predictability; no significant cash flow and/or financing concerns over next 12 months. Expected to outperform the sector average over the next 12 months or longer.

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Distribution of Ratings as of February 2026

Rating	Number	Percentage
Buy	13	87%
Accumulate	1	7%
Hold	1	7%
Sell	0	0%
Total	**15**	**100%**