C: Audrey Liu; Corporate Finance Controller; VIQ Solutions, Inc.
C: Sebastien Paré; Chief Executive Officer; VIQ Solutions, Inc.
C: Alexie Edwards; Chief Financial Officer; VIQ Solutions, Inc.

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Operator^ Good day, ladies and gentlemen. And welcome to VIQ Solutions' 2025 First Quarter Earnings Conference Call.

Currently, all participants are in a listen only mode. (Operator Instructions)

For questions and answers regarding recent disclosures or any other matter, please reach out directly to the company using the contact details on the company website.

Your host for today is Audrey Liu, Corporate Finance Controller for VIQ. Please go ahead.

Audrey Liu^ Thank you. Before we begin, please note that certain statements made on today's call are forward-looking within the meaning of applicable securities laws. These statements involve risks and uncertainties that may cause actual results to differ materially. Please refer to the forward-looking statements section in our press release and the company's filing on sedarplus.ca.

As a reminder, all dollar amounts are in U.S. dollars unless otherwise stated.

With us today are Sebastien Paré, Chief Executive Officer; and Alexie Edwards, Chief Financial Officer.

I will now turn the call over to Sebastien.

Sebastien Paré^ Thank you, Audrey. And good morning, everyone.

At VIQ, we always said it's not just about where we're going, it's also about how we're getting there. And in Q1, we delivered a clear measurable proof that our strategy is working.

We entered 2025 with a strong momentum across all regions, especially in Australia, where the impact of our platform strategy is now unquestionable.

FirstDraft output in Australia grew over 232% year-over-year following the completion of last year's technology migrations. Each month, adoption continues to climb with more functionalities being rolled out and more of our human workforce adapting to new FirstDraft workflow.

We're seeing the results in our margin. In the U.K., FirstDraft's usage for human editing increased by over 80%. In the U.S., we saw a steady growth across every FirstDraft metrics. Overall, FirstDraft adoption increased by 39% year-over-year at the source of our productivity gains and the financial margin gains reflected in Q1 results.

Our decision to roll out platform migration in phases, starting in the U.S. and the U.K. in prior year was intentional. It gave us the chance to apply those learnings in Australia. And now we're seeing the payback, steady regional margin gains driven by repeatable cross-market playbooks.

The U.S. and the U.K. are now consistently operating above 60% gross margin. That's a powerful validation of our transformation framework.

Australia is at a key inflection point, transitioning from a fixed cost model to a more flexible variable labor approach. It's a shift that positions us well to unlock the next phase of margin expansion in 2025. And it's why we remain confident in our ability to scale effectively even if that volume and client capacity fluctuate seasonally.

Thanks to our expanding gross margin, we are tracking towards a sustainable operation and capability to generate free cash flow later this year, assuming current productivity levels and volumes hold steady. That matters because it reduced our reliance on outside capital to fund operations going forward. To be clear, cyclical fluctuation in backlogs will continue to occur from time to time but the structural improvements we've made gave us the tools to manage through them.

In Q1, we delivered an adjusted EBITDA of almost $900,000. That's a meaningful improvement from a loss of $83,000 a year ago and nearly double what we reported last quarter in Q4.

On a constant currency basis, revenue was flat year-over-year. The 3.5% decline reported was mostly tied to the foreign exchange headwinds, not the fundamentals. And with the U.S. and U.K. volumes trending up post quarter, we feel optimistic at this stage on how Q2 is shaping up.

Most importantly, the gross margin in Q1 hit 51.9%, which is up to 7.6% from 44.3% in Q1 of last year. That's a strong indicator that our model is scaling and that the free cash flow in fiscal 2025 is within reach.

We're not done. We believe there's still room to expand margins much further.

This quarter also marked major progress on cost control. We achieved greater workforce flexibility and lower unit production costs. Improvement we believe are durable, not onetime gains.

With automation and AI at the center of our model, we will continue to improve our cost per unit profitability and extend our lead in every region we serve. These results are proof that our strategy is not just working, it's accelerating.

I'll provide you a little bit of industry context ahead of the AGM in June. The evidence transcription industry is undergoing a fundamental transformation, shifting from manual labor-intensive workflow to AI-powered platform that offers speed, accuracy, security and compliance at scale.

At the core of this evolution is a hybrid model where human-in-the-loop oversight continues to play a critical role tailored to the precision, context and accountability required by each client and use case.

To illustrate the pace of change, today, most advanced AI system can transcribe over 90 minutes long audio file in less than 30 seconds, a task that traditionally before any technology took five to six hours of manual effort depending on the complexity and the number of speakers involved.

Speech-to-text accuracy is no longer the barrier. The real challenge and the real opportunity lies in the downstream steps. Client-specific formatting, diarization, domain train language models, intelligent post-processing, contextual validation, all while meeting rigorous evidence and regulatory standards. These are the areas where human oversight remains crucial, and it basically vary based on the content and the risk profile of each organization.

This is more than the technology upgrade. It's a structural shift in how transcription services are delivered and scale. It demands new tools, new workflow and a collaborative approach between people and machines.

Our team are embracing it, leveraging the AI-enabled processes to enhance productivity, shorten turnaround times and deliver measurable client value.

Our enterprise clients are also evolving. They now expect secure self-serve mobile and audit workflow, seamless system integration, verify accuracy, summarization, multilingual capabilities and fast, reliable delivery, all governed by strict SLAs and KPIs.

Speed remains essential, but flexibility is becoming just as important. Across segments, we see clients calibrating the level of human verification based on use case, content type and operational risk. Some rely on a fully verified transcript for evidence purposes. Others use FirstDraft's outputs with minimum human review for early-stage analysis or internal workflow. This variability is shaping a more intelligent, efficient operating model.

Just to give you some examples.

Legal teams may use FirstDraft for early case development, applying full human verification for court submitted for evidence transcript.

Government agencies on the opposite may process internal briefing and procedural records with FirstDraft first model, while applying oversight where policy and compliance demanded.

Media organization may prioritize speed for live coverage and real-time publishing while selectively applying editorial review for in-depth or regulatory content.

Insurance provider often automate routine documentation and claims intake with additional scrutiny reserved for disputed or litigated related files.

Law enforcement units may also use FirstDraft generated transcript for internal investigation, escalating to the full human review for interviews going for court proceedings.

This flexible, fit-for-purpose model reflects a broader industry trend. In fact, recent survey showed that over two-thirds of our legal services leaders around the world are now viewing AI adoption as a top strategic priority.

VIQ is exceptionally well positioned to meet that demand. Adoption of our FirstDraft platform, NetScribe and FirstDraft continues to grow, driven by measurable gains in speed, efficiency, security, and compliance across complex volume environment.

Looking ahead, our product roadmap includes deeper regional expertise, multilingual automation, real-time diarization and enhanced self-serve capabilities, all designed to give our client more control and more stability based on their unique operational demands.

We're not just deploying next generation of tools. We're enabling the new standards for secure, scalable, AI-driven content services, and VIQ is leading that evolution.

Q1 marked a strategic inflection point as we shifted from cost stabilization to margin-led execution.

First, in Australia, FirstDraft volume increased by 232% year-over-year following the platform migration. Productivity gains accelerated as NetScribe adoption increased, despite elevated volume and a persistent backlog for low-quality audio from certain police clients.

From December to March, editing efficiency improved by 13.25%, reflecting continued workforce optimization and a growing impact of the automated workflow. These gains have strengthened our ability to take on more short-term driven work while enhancing margin resilience.

FirstDraft also as far as SaaS usage, with our professional editing by VIQ, rose 72% year-over-year, underscoring its value in delivering fast, accurate and compliant transcript for high-volume complex content. Adoption was especially strong among government and law enforcement clients where mobile users surged 96.4%.

In March, we had over 300 active users on FirstDraft, reflecting deeper integration into client workflow and growing reliance on our AI-powered workflow.

Foreign languages - our multiple multilingual capabilities, rolled out late last year, were now a meaningful driver of the margin expansion that we saw in Q1 results. As the platform adoption has scaled, we've seen an average of 26% year-over-year increase in foreign language margin contribution, with performance varying by language complexity and automation maturity.

A key driver of this improvement has been the strategic shift from external vendors to in-house trained partners including multilingual specialists now operating on NetScribe platform. This

transition alone has contributed to a 17% uplift in overall margin, reinforcing the value of our platform-centric delivery model in driving sustainable cost efficiency and scalability.

In the United Kingdom, the weekly throughput, post transition to the platform, rose 64%, driven by increased automation and better resource alignment. We also successfully completed the ISO 9001 certification, reinforcing our commitment to quality and compliance in regulated markets.

In the United States, our near real-time offering is gaining momentum in the corporate finance and government sectors, and we're poised to become a keystone in our largest account for each of those verticals.

In Q1, we completed a formal strategic review led by an independent special committee of the Board with external financial and legal advisers. The committee evaluated multiple paths including a number of private proposals received, capital structure changes and strategic alternatives. Based on market conditions and the company's improved financial trajectory, the board, as recommended by the independent committee, concluded that the best course is to remain public and continue executing on our automation-first strategy.

The costs related to the strategic review and special committee have been purposely broken out and separated from operating activities of the company to allow shareholders to better understand the underlying performance of our business activity. The term adjusted operating loss was added in the MD&A for that specific purpose.

It does not preclude future strategic actions. The company remains open to opportunities that strengthen our capital position, accelerate growth or enhance shareholder value. The external interest we received and the outcome of our strategic review reaffirm that we are on the right path and making measurable progress.

With four consecutive quarters of positive EBITDA, strengthening recurring revenue and a more efficient cost structure, we are well positioned to preserve and expand our strategic option moving forward.

Alexie, over to you.

Alexie Edwards^ Thank you, Sebastien. Good morning, good afternoon or good night, depending on where you are.

I'd like to recap our Q1 2025 financial highlights.

Revenue for the quarter was $9.6 million, a 3.5% year-over-year decline, driven primarily by unfavorable foreign exchange.

On a constant currency basis and accounting for typical January court seasonality, revenue held steady year-over-year, reflecting stable volume and targeted price increases.

Gross profit rose 13% to $5 million, aided by cost efficiencies and a $152,000 onerous contract reversal. Excluding this onetime item, gross margin remained strong at 50.4%.

SG&A declined 12%, reflecting ongoing restructuring and disciplined expense management.

Adjusted EBITDA was $872,000, up from negative adjusted EBITDA of $83,000 in Q1 of 2024 and higher than the positive adjusted EBITDA of $494,000 in Q4 of '24.

Net loss was $1.8 million, same as comparable period in 2024. The company reported adjusted operating loss of $0.7 million, representing year-over-year improvement of $1.1 million from a loss of $1.8 million in the same period of 2024. This figure excludes nonrecurring costs relating to the strategic review including a $900,000 contingent amount payable to Beedie Capital only in the event of a debt default by the company.

We ended the quarter with $1.6 million in cash, generating $652,000 in positive cash flow from operations, thanks to improved adjusted EBITDA and working capital management.

Discussions with our lending partner remains collaborative with a shared focus on implementing a sustainable path forward on a revised and achievable covenant structure that supports continued operational improvements.

We are very excited about the clear trends we have established on gross margin, increases year-over-year.

For Q1 '25, we increased gross margin to 51.9%, which is up 7.6% from 44.3% in Q1 of 2024. Gross margin expansion is a critical element in our goal of reaching free cash flow during fiscal 2025.

Why are we so confident in our ability to continue to expand gross margin?

Firstly, Q1 '25 marked another successful quarter of VIQ demonstrating our cost control efforts. During this time, we achieved high levels of workforce flexibility and lowered unit production costs. We do not believe these are onetime improvements. We believe we can continue to leverage automation and AI-driven workflow to further strengthen unit economics and continue to expand gross margins.

Secondly, through gross margin expansion, we are well positioned to achieve sustainable operations and free cash flow in 2025 and beyond. This is important to us as it will allow VIQ to become less reliant on finding sources of capital to fund operations, providing there are no material variation to revenue through that period and the company continues to achieve the desired gross margin levels.

To summarize, we are very excited about the trends established in Q1 with respect to gross margin expansion. Secondly, we have confidence that we will continue to expand gross margin through automation and AI-driven workflow. And finally, gross margin will allow us to achieve sustainable operations and free cash flow.

Back to you, Sebastien.

Sebastien Paré^ Thank you, Alexie.

Looking ahead, our priorities are very clear. Number one, sustain the gross margin gains through expanded adoption of NetScribe and FirstDraft, moving next level of automation to the core of all our workflows.

Streamline on America and the U.K. operations, where delivery models are now tightly aligned to client demand, driving a sustained reduction in cost to serve. Both regions consistently delivered gross margin above 60%, underscoring the scalability efficiency of the platform and the operating model.

Drive further efficiency in Australia, where gross margin have moved from the low 20s to the mid-40s. The path to higher margin continues in 2025 as we complete the transition to a higher variable labor model midyear, and we expect continued upside.

We also plan to deploy resources with discipline, prioritizing margin expansion, scalable SaaS growth and adjusting high-margin revenue stream. Currently, there are several initiatives accelerating the SaaS adoption and unlocking connected sources of recurring revenue, strengthening free cash flow and positioning the business for sustained value creation.

In parallel, we're also in constructive conversation with our lender, Beedie Capital, to recalibrate some of the lending covenants. The goal is to modify some terms to reflect where we are today and avoid the drag of ongoing short-term waivers tied to the company operating progress. The discussions are progressing.

In closing remarks, Q1 delivered a strong and strategically meaningful start to 2025, the best ever in the history of the company.

In Q1, we're not just recovering, we're scaling towards profitability. We've delivered four straight quarters of positive adjusted EBITDA and expanded gross margin to over 51%, proving that our platform automation-first strategy is working.

The industry is moving fast from manual transcription to AI-powered workflow. VIQ is in front with NetScribe and FirstDraft now widely adopted across all our key regions, powering faster, more accurate and compliant workflow for courts, law enforcement, insurance, media and government clients.

Q1 marked a turning point. Automation is now driving the real financial gains. We've improved editing efficiencies, expanded SaaS adoption by 72% and saw multilingual margin rise to 26%.

Our Australia margin jumped from the low 20s to the mid-40s, and the U.K. and the United States are now exceeding 60%. That's progress.

Importantly, these are not short-term cost cuts, they are a structural improvement from an increasingly and proven mature tech platform, deeper automation and clearly a well-defined blueprint for execution.

We reviewed multiple strategic paths this quarter including a number of go-private offers and concluded that the best way to build value at this time is to remain public and keep executing. That said, we remain open for opportunities to accelerate growth and shareholder value creation.

Our story is very simple. We're turning a manual high-volume industry on its head and VIQ is setting the benchmark for secure, scalable AI-driven content services.

We look forward to sharing our Q2 results in August. The AGM is scheduled for June 13.

For any follow-up questions, please do not hesitate to contact the company directly.

Operator, I'll leave that to you for the closing.

Operator^ Thank you, everyone. This concludes today's call. You may now disconnect your lines. Thank you for your participation.