C: Audrey Liu; Corporate Finance Controller; 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 the VIQ Solutions' 2025 Second 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 sedar+.ca.

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

With us today is Alexie Edwards, Chief Financial Officer. With that, I will now turn the call over to Alexie.

Alexie Edwards^ Thank you, Audrey, and good morning, everyone.

We entered 2025 with sustained momentum following a record fiscal 2024, during which we delivered a $6 million year-over-year improvement in adjusted EBITDA and expanded gross margin. That trajectory continued through the first half of 2025 fueled by disciplined execution of our automation first strategy, operational efficiencies and growing adoption of our AI-powered SaaS solutions.

Q2 '25 marked our fifth consecutive quarter of positive adjusted EBITDA, approximately $1 million, up 24% year-over-year and gross margin expansion to 48%, compared to 45.5% in Q2 2024. For the first half of the year, gross margin was nearly 50%, up from 44.9% in the same period last year, demonstrating scalability and operating leverage of our AI-driven platform.

Strategically, Q2 also marked a milestone in SaaS adoption. In June, we signed our largest SaaS contract to date. The new deployment will see VIQ's NetScribe platform implemented across 9 judicial districts and 22 counties in the U.S. Midwest, following a successful pilot early this year. This agreement validates the maturity and scalability of our NetScribe platform, which is engineered for high volume, high compliance environments.

Operationally, Australia, which represents approximately 55% of our total revenue, achieved its highest level of workforce flexibility and efficiency to date. The adoption of NetScribe and FirstDraft continues to streamline production costs on shortened turnaround times, contributing to sustained margin improvement. In the U.K. and North America regions, both regions consistently deliver gross margins above 60% underscoring the scalability of our platform.

During the first half of 2025, we secured $1.85 million in net new bookings, including $280,000 in SaaS and software sales, reflecting increase in market demand for vertical AI solutions, purpose-built for regulated sectors such as justice, law enforcement, insurance and government.

Our ongoing cost optimization launched in 2024 is delivering measurable results. We have streamlined our operating structure while countering targeted R&D investments in automation, advanced diarization, formatting automation and global quality assurance standardization. These enhancements are improving scalability and productivity.

With our AI first platforms, disciplined execution and growing SaaS penetration, VIQ is positioned for sustainable margin expansion, recurring revenue growth and long-term value creation.

Now, let me recap our Q2 '25 financial highlights.

Revenue for the quarter was $10.4 million, a 10% year-over-year decline, driven mainly by decreased volumes and negative foreign exchange impact. Q2 '25 gross profit percentage rose to 48% from 45.5% for the same comparative period, aided by operational efficiencies.

SG&A declined 11%, reflect an organizational restructuring and disciplined expense management.

Adjusted EBITDA was approximately $1 million up from adjusted EBITDA of approximately $800,000 in Q2 2024.

Net loss was $0.9 million, a $0.3 million higher than same comparable period in 2024, driven mainly by the impact of foreign exchange.

Adjusted operating loss of $0.8 million, $0.2 million decline from the same comparative period due mainly to the impact of foreign exchange.

We ended the quarter with $1.1 million in cash generating $0.3 million in positive cash flow from operations, thanks to improved adjusted EBITDA and working capital management.

Now moving on to our H1 '25 financial highlights.

Revenue was $20 million, a 7% year-over-year decline driven by the decreased volumes and negative foreign exchange impact.

Gross profit percentage rose to 50% from 45% from the same comparative period due to operational efficiencies.

SG&A declined 11%, reflect an organizational restructuring and disciplined expense management.

And adjusted EBITDA was approximately $1.8 million up from adjusted EBITDA of approximately $700,000 in prior year.

Net loss was $2.8 million, a $0.4 million higher than same comparable period in 2024.

And adjusted operating loss of $1.5 million, a $0.9 million improvement from the same comparative period.

In H1 2025, the company generated $1 million in positive cash flow from operations.

We are very excited about the clear trends we have established on gross margin increases year-over-year. Gross margin expansion is a critical element in our goal of reaching free cash flow during fiscal 2025. By expanding gross margins, the company aims to achieve sustainable operations and free cash flow in 2025 and beyond.

We look forward to sharing our Q3 results in November. For any follow-up questions, please do not hesitate to contact us using the details on our website.

Operator?

Operator^ Thank you. This concludes today's call. You may now disconnect.