Zacks Small-Cap Research
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Intelligent Bio Solutions Inc. (INBS: NASDAQ)

It's Touch and Go From Here

While we have a favorable opinion on IFP's prospects, we have withdrawn our valuation for INBS until additional financial information is available for IFP and the company's strategy and priorities are clarified.

Current Price (11/7/2022)	$0.45
Valuation	**$N/A**

OUTLOOK

IBSS offers a portable, easy to use drug testing device that works by detecting skin secretions which are captured in a screening cartridge, then read by the DSR-Plus portable analyzer. The product is useful in many industries such as transportation, construction and energy where a drug free environment is critical to safety and rapid, simple test design is critical. IBSS is also developing saliva-based, non-invasive biosensors for use in glucose monitoring in diabetes. Advances in organic thin-film transistors have paved the way to inexpensive, easy to manufacture, flexible and sensitive devices. If successful, the technology could replace painful, cumbersome & inconvenient finger-prick testing.

The fingerprint test is generating revenues and has many options globally for increased sales. Several new contracts have recently been executed, signaling continued sales growth for the test. The DSR-plus offers several advantages over blood and urine tests and boasts patents that should protect its market for many years to come. IBSS' saliva glucose biosensor production is undergoing correlation testing to monitor glucose accuracy and consistency. Development of the saliva test is ongoing and we expect periodic updates as it continues. We expect to see the *De Novo* application pathway used for the saliva glucose biosensor in 2023.

SUMMARY DATA

52-Week High	**2.89**
52-Week Low	**0.36**
One-Year Return (%)	**-79.5**
Beta	**1.37**
Average Daily Volume (sh)	**52,326**
Shares Outstanding (mil)	**29.9**
Market Capitalization ($mil)	**13.5**
Short Interest Ratio (days)	**1.8**
Institutional Ownership (%)	**2.8**
Insider Ownership (%)	**9.1**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Instruments**

ZACKS ESTIMATES

Revenue

(In millions of USD)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2021	$0.0 A	$0.3 A	$0.0 A	$1.6 A	$2.0 A
2022	$0.0 A	$0.2 A	$0.2 A	$0.0 A	$0.4 A
2023					N/A
2024					N/A

Earnings per Share

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2021	-$0.12 A	-$0.23 A	-$0.27 A	-$0.07 A	-$0.68 A
2022	-$0.10 A	-$0.23 A	-$0.09 A	-$0.13 A	-$0.57 A
2023					N/A
2024					N/A

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WHAT'S NEW

Name Change to Intelligent Bio Solutions

Following the acquisition of Intelligent Fingerprinting, GBS, Inc. (NASDAQ: GBS) changed its name to Intelligent Bio Solutions Inc. (NASDAQ: INBS) and memorialized the shift in an October 26th press release. The new name reflects the company's focus on non-invasive testing technologies as it adds drug and alcohol testing capabilities and products. The company's shares began trading under the symbol INBS on October 27th. In parallel with the name change, Harry Simeonidis returns to his role as Chief Executive Officer while Steven Boyages relinquishes his interim CEO title and maintains his position as Chairman of the Board. New board members David Jenkins and Jason Isenberg from Intelligent Fingerprinting were installed following the close of the recent acquisition.

Acquisition with Intelligent Fingerprinting Closes

In an October 5th press release, Intelligent Bio Solutions announced its acquisition of Intelligent Fingerprinting (IFP). The merger adds IFP's on-the-spot fingerprint drug test to the company's portfolio adding to the development work that IBS is doing using saliva to detect a variety of analytes. As consideration, IBS issued 2.96 million shares of IBSS common stock and 2.36 million shares of Series C Convertible Preferred Stock that is convertible into 7.08 million shares of common stock. There are an additional 1.65 million Series C Convertible Stock shares that are available to issue subject to terms listed in the transaction documents. In total, the equivalent of 15.0 million shares will be issued for IFP, adding to the 14.9 million shares of IBS previously outstanding. Additional terms of the transaction include a 12-month lock-up for sale of the shares and the right to appoint two board members by the former majority shareholders of IFP.

Following the close of the transaction, the combined company plans to grow from its pre-merger customer base of 200 by submitting IFP's CE Mark to the Therapeutic Goods Association of Australia and sponsoring regulatory approval to begin a direct sales campaign in 1H:23. Since the close of the merger, several new clients have been added to IBS' roster. The companies added reflect the broad selection of industries that benefit from an effective, rapid and cost-effective method of drug testing in the trucking, airline and manufacturing spaces.

IFP offers two four-panel tests designated DSC 5-Plus and DSC 8-Plus. DSC 5 screens for opiates, methamphetamine, cocaine and cannabis while DSC 8 screens for opiates, methadone, benzodiazepines and buprenorphine. Other tests can be offered; however, existing offerings are the most in demand from customers and prospects.

While revenues and profits for IFP have not yet been released, the majority of sales come from the test cartridges and the reading device. Contributions from the alcohol and COVID testing products are minimal.

Fingerprint Drug Testing Protocol
IFP's fingerprint drug test offers a simplified approach to drug testing. The protocol for generating a test result suggests that hands be washed 15 minutes before testing and requires that all 10 fingers be pressed for five seconds apiece on the sample application pad. Following the capture of the sample, from one to five tests may be entered into the portable DSR-Plus measurement instrument.

If the initial test is non-negative, indicating the presence of a drug analyte, a liquid chromatography/mass spectrometry (LC/MS) confirmation test is used to evaluate the sample. LC/MS offers a greater level of accuracy. The cartridge for the confirmation test captures the analyte in the same manner as the rapid test and requires the same protocol for sample submission. However, the cartridge is mailed to and evaluated at the laboratory. The confirmation tests in the UK are conducted by UKAS-accredited laboratories and provide a result in a few days. The laboratory technicians that run the test are witness-trained in case of a legal challenge.

Advantages
IFP's sweat-based test provides several advantages compared with other approaches such as urine or blood. The fingerprint test doesn't require dedicated toilet facilities or gender-specific staff to supervise sample collection, which makes it an ideal solution for on-site testing while also supporting social distancing where required. It respects employee privacy and dignity. Only one administrator is needed and this person can be trained in a short period.

IFP's solution is able to collect a sample in less than a minute, and produce results in 10 minutes. It has a shorter window of detection, which prevents the test from running afoul of workers' privacy rights. The portable reader and individually wrapped cartridges can be easily transported for clients that test at multiple sites.

Exhibit I – DSR-Plus Reader[1]



Competitive Environment

The primary drug testing approach uses urine as the testing medium. Other approaches include blood and saliva. While sweat tests have been conducted for several years, IBS has obtained substantial patent protection to prevent others from using fingerprints in a directly competitive manner.

Drug testing is predominantly used in the construction, aviation, trucking and related industries where key personnel are responsible for the safety of others. Drug testing is also important for individuals who are responsible for the security of confidential information or high value products.

According to our review, drug screening can cost from $30 to $250 with the amount increasing with the number of analytes measured.[2] Instant tests can run from $80 to $150. The drug test is frequently performed at a lab or other location remote from the job site, which requires transportation and turn around time. If the test is to be run on-site by a third party, additional fees are required. In contrast to this structure, the cost for IFP's cartridge is from $10 to $15 and when used in conjunction with the DSR-Plus portable analyzer can return a result in about 10 minutes.

Target Audience

Drug testing is a critical requirement for many businesses and industries where employees must make decisions and take on activities that can have life and death or serious economic consequences. Some of the most common industries for testing include military installations, construction sites, schools, hospitals, transportation companies and oil and gas operations among others. Testing can also be required in competitive environments as well including at academic institutions and for athletes.

Employers are looking for drug testing that is inexpensive, quick, respectful of the employees and in compliance with labor laws.

Recent IFP Client Additions

Glass Systems

In a string of press releases highlighting new customers for IFP's fingerprint drug screening, Glass Systems was announced as the latest company adding the non-invasive test to its operations. The company is the largest independent glass manufacturer in the UK and supplies multiple sectors of construction industry with insulating glass units and glazing options. Glass Systems will conduct random or for cause drug testing at its six factories for its 1,000 employees to ensure worker safety using manufacturing machinery and transportation equipment. The test will be administered and managed internally. Glass Systems' management pointed out the flexibility and rapid implementation and response from IFP's fingerprint drug test as key factors supporting their use of the product. The

[1] Intelligent Fingerprinting Product Brochure.
[2] Lee, Spencer. How Much Does a Urine Test Cost Without Insurance? September 15, 2021.

client also frames the test as a deterrent to employees using illegal drugs. The Health Safety Manager who was quoted in the press release anticipates purchasing new readers for additional locations.

Goldstar Transport
Goldstar Transport added IFP's test to its roster and described in an October 31st release, switching from urine-based testing. The trucking company purchased six DSR-Plus readers to support its 600 drivers, 170 administrative staff and 40 forklift operators across 14 sites in the UK. Goldstar switched to IFP's test as it is more hygienic and less intrusive than urinalysis. The fingerprint test also provides faster results, which improves productivity at the transportation company.

Eastern Airways
On November 3rd, 2022 IBS announced new client Eastern Airways (EA), a UK based airline that provides short-haul and private air charter flights to popular destinations in the UK and Ireland. EA selected IBS' solution to comply with recently introduced regulations from the European Aviation Authority and to address missteps related to the deliberate crash of Germanwings Flight 9525.

Background on Intelligent Fingerprinting

Intelligent Fingerprinting offers a point of service, 10-minute test that uses skin fluids to screen for a number of drugs. The testing kit is used to collect and analyze traces of eccrine sweat contained in fingerprints to screen for the presence of drugs and their metabolites.

The company offers a selection of products including the DSR-Plus drug screening device which accepts the fingerprint drug screening cartridge. The cartridges that collect the sample use lateral flow assay technology and fluorescence-labelled antibodies to detect cocaine, cannabis, opiates (methadone, benzodiazepines, buprenorphine) and methamphetamines. The technology behind the four-panel test can reveal the drugs or their metabolites in a portable, rapid approach that does not require special facilities. The company highlights applications in construction, transportation & construction, drug rehabilitation, post mortem analysis and offender management among others.

The drug screening system provides an on-the-spot, 10-minute test that works by analyzing fingerprint sweat to screen for recent drug use. The noninvasive system consists of a portable reader and single-use disposable cartridges. The cartridge is a self-contained unit that can either be read on-site with the accompanying IFP reader or be sent to the lab for analysis. The cartridge can be sealed and secured after the subject has provided the sample and includes an integrated buffer for maintaining pH.

Exhibit II – Drug Screening Cartridge[3]



[3] Source: Intelligent Fingerprinting website accessed November 2022.

We see a number of synergies between GBS and IFP. Both companies inhabit the non-invasive diagnostic testing space employing an improved collection method for analytes used in frequent testing. They can share regulatory development experience in both the US and EU. No information has been shared on how close IFP is to generating positive cash flow, its revenue levels or incremental margin; however, the asset may be able to contribute to the R&D budget of the company in the near term reducing the need for future capital raises.

Background on IFP Acquisition

In a June 16th press release, the IBS' predecessor company, GBS, Inc. announced that it had entered into an exclusivity agreement to acquire Intelligent Fingerprinting Limited (IFP), a UK-based device company that is developing a fingerprint reader for drug screening and detection. Following the agreement, GBS management began conducting due diligence on the private company. The initial review of IFP identified several primary synergies between the two companies:

- GBS' regulatory experience with FDA
- GBS' capital and cash balance
- GBS' geographic experience in Oceana and Asia-Pacific
- IFP's commercialization and research & development experience
- IFP's manufacturing facilities
- IFP's experience securing the CE mark
- IFP's full ownership of technology rights
- IFP's revenue and potential cash flow generation which may reduce the need for a capital raise
- Concentration of assets in the non-invasive diagnostic space

In return for the exclusivity period, GBS provided an unsecured loan facility of $500,000. Originally the exclusivity period was to end on August 31, but was later extended to December 31, 2022. Ladenburg Thalmann served as the financial advisor to GBS, and ArentFox Schiff as legal advisor. Bristows LLP provided legal advisory services to Intelligent Fingerprinting.

Now that the acquisition has been consummated, the combined company will initiate commercialization efforts in the Asia Pacific region and begin work to obtain FDA approval either via the *de novo* or 510k pathway. Since the product does not have a distinct predicate device, it is likely to require *de novo* approval in the United States.

According to Grandview Research, the size of the drug testing market was $8.1 billion in 2020 and is expected to grow at 4.9% per annum until 2028. GBS has indicated that IFP's growth rate is in the low double digit range off of a small base.

Withdrawal of Rating

Based on our review, Intelligent Bio Solutions seems to have made a wise acquisition of a rapidly growing business that has added several new clients since the close of the merger. Although details of the financial consideration offered for IFP was disclosed, revenues, expenses and cash flows have not been communicated. With over 100% of the pre-acquisition share balance issued to purchase IFP, a material change to the company has taken place and we do not yet have sufficient information to assess value. With this in mind, we withdraw our target price and will reinstate it when financial information is available.

Summary

IBS has undergone a rapid transformation in recent weeks, adding on a new and complementary business, changing its name and signing new clients as it steps out of the gate as Intelligent Bio Solutions. The company continues to advance its clinical work to develop the glucose biosensor and has now added a complementary technology and product to its portfolio. We expect to see additional financial details for IFP at which time we will update our valuation to reflect the company's prospects. We withdraw our price target and will reinstate it upon the availability of *pro forma* financials and additional information.

PROJECTED FINANCIALS

Intelligent Bio Solutions Inc. - Income Statement[4]

Withdrawn

[4] Financial statement information presents data as originally reported.

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HISTORICAL STOCK PRICE

Intelligent Bio Solutions Inc. – Share Price Chart[5]



[5] Source: barchart.com

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