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Zacks Small-Cap Research

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VIQ Solutions Inc. (V.VQS: TSXV)

V.VQS: Believe 2Q26 Underscores Resumed Margin Expansion ex-Australia

VIQ reported strong 2Q26 results that we believe underscore resumed margin expansion ex-VIQ Australia & growth prospects in core markets. Management had determined in 1Q26 that placing Australia into voluntary administration would best enable the company to focus on optimizing and expanding operations in other core markets. VIQ generated positive 2Q26 adjusted EBITDA, positive cash flow & gross margins improved.

Current Price (8/24/26)	C$0.11
Valuation	**C$0.25**

OUTLOOK

The company is focused on its North American and UK operations, where it will primarily allocate capital resources going forward. Historically, these have been VIQ's best performing business segments. With the VIQ Australia operational closure primarily completed by June 2026, we estimate that the segment continued to constrain consolidated margins for much of 2Q26 and higher operating efficiencies in remaining VIQ markets likely will become more apparent in future quarters, we believe. Moreover, VIQ expects cost reductions to contribute to increased EBITDA and cash flow going forward.

SUMMARY DATA

52-Week High	**C$0.24**
52-Week Low	**C$0.06**
One-Year Return (%)	**-52**
Beta	**0.99**
Average Daily Volume (sh)	**21,685**
Shares Outstanding (mil)	**75**
Market Capitalization ($mil)	**C$8**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
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 2025	**N/A**
P/E using 2026 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Technology Services**

ZACKS ESTIMATES

Revenue
(in millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	10.1A	10.5 A	10.1 A	10.4 A	41.0 A
2024	9.9 A	11.6 A	11.1 A	10.6 A	43.2 A
2025	9.6 A	10.4 A	10.9 A	10.6 A	41.5 A
2026	4.9 A	5.1 A	5.8 E	5.9 E	21.6 E

EPS / Loss per share
(US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	-$0.10 A	-$0.10 A	-$0.11 A	-$0.07 A	-$0.38 A
2024	-$0.04 A	-$0.01 A	-$0.02 A	-$0.07 A	-$0.14 A
2025	-$0.04 A	-$0.02 A	-$0.03 A	-$0.14 A	-$0.25 A
2026	$0.00 A	$0.02 A	-$0.00 E	-$0.00 E	-$0.02 E

Qs might not sum reflecting rounding 1H26 revenue PF

Disclosures page 8

EX AUSTRALIA RESULTS ILLISTRATE STRENGTH OF CORE MARKET SEGMENTS

Believe 2Q26 results underscore resumed margin expansion ex-VIQ Australia

Toronto, Canada-based VIQ Solutions (VQS.V -TSXV), which operates a technology platform that offers AI enabled video capture software and audio recording with voice-to-text capabilities, reported strong 2Q26 results that we believe underscore resumed growth and margin expansion ex-VIQ Australia. Management had determined in March 2026 that placing VIQ Australia into voluntary administration would best enable the company to focus on optimizing and expanding operations in other core markets.

VIQ generated positive adjusted EBITDA and positive cash flow in 2Q26 and gross margins improved. The company has implemented a cost reduction program, with the majority of savings expected to be realized by the end of 3Q26. With VIQ Australia operational closure primarily completed by June 2026, we estimate that the segment continued to constrain consolidated margins for much of 2Q26 and higher operating efficiencies in remaining VIQ markets likely will become more apparent in future quarters, we believe. Moreover, VIQ expects cost reductions to contribute to increased EBITDA and cash flow going forward. The company is focused on its North American and UK operations, where it will primarily allocate capital resources going forward. Historically, these have been VIQ's best performing business segments.

The company reported consolidated 2Q26 revenue of $11.5 million, up 10.2% year-over-year. In part, this reflects that Australian operations completed as much backlog as possible during the period. Excluding VIQ Australia, revenue of $5.1 million was consistent with revenue generated in 2Q25, although VIQ expects growth in core markets, particularly as the company expands its product portfolio and engages with new and prospective customers. The company believes its clients attain significant benefits from adopting VIQ technology as it continues to innovate and expand and upgrade its portfolio or technology solutions. Introducing new solutions has been a consistent element of VIQ's strategy to provide an end-to-end suite of transcription solutions, often in response to customer feedback or requests.

The company continues to introduce new solutions to expand the tools it offers existing and prospective clients. Near-term R&D investments will primarily focus on targeted automation, advanced diarization (i.e. separating and identifying voices of different speakers for accurate transcription either by name or label), formatting automation and standardizing quality assurance. VIQ's plans to expand and upgrade its product portfolio follow what it calls its multi-year technology roadmap. The company's strategy is to increase accuracy and strengthen the quality and consistency of its delivered solutions and customer service across its global footprint by leveraging its existing technology and extending and upgrading its offerings by introducing new solutions. For example, VIQ recently announced the upcoming release of what it terms a new approach to audio capture to combine recording, streaming transcription and translation and offer secure remote access. The product is designed to enable clients to capture, stream, and access live proceedings on-site or remotely and subsequently accelerate workflows.

VIQ SmartAudit is an advanced verification and quality-assurance technology designed to improve transcription accuracy and multi-speaker content by leveraging a data-driven process of reviewing and validating digital recorded content. VIQ also recently introduced NetScribe Advanced Formatter, an advanced automation enhancement designed to streamline court documentation workflows. With its expanding product portfolio – including FirstDraft – the company believes it can address a greater portion of the TAM.

VIQ's 2Q26 gross margin expanded to 57.8%, up from 48% in 2Q25. In addition, VIQ generated adjusted EBITDA of $2.9 million, compared to $0.96 million in the same period of the prior year. Excluding VIQ Australia, pro forma gross margin was 65.5%, up from 64.1%, driven primarily by higher license revenue and adjusted EBITDA was $1.0 million, up 89% compared to $0.6 million in 2Q25, primarily reflecting lower operating expenses. The company's U.K. and North American operations consistently exceed 60%

gross margins, according to VIQ, which attributes this to the scalability of its platform. For 1H26, revenue increased 6.3% year-over-year to $21.3 million, the gross margin expanded to 54.6% from 49.9% and adjusted EBITDA reached $4.2 million, up from $1.9 million in 1H25.

Customers benefit from VIQ tools, with improvements in efficiency

VIQ believes that when clients use its technology tools are streamlining their production costs and shortening turnaround times. VIQ cites regular daily use of NetScribe as contributing to up to 30% improvements in efficiency. Moreover, with a growing portfolio of tools and solutions, VIQ is optimistic that it can continue to expand its customer base and boost stickiness with existing customers. VIQ is also optimistic about its prospects to expand the Software-as-a-Service (SaaS) model, which gives clients access to VIQ software and services solutions, while generating consistent recurring revenue for the company. Importantly, the SaaS model generates recurring and predictable monthly revenue and also helps offset revenue fluctuations that arise from fluctuations in volumes.

As proof-of-concept that its tools enhance clients' productivity and efficiency, VIQ recently extended two multi-year, multi-million-dollar contracts in its key U.S. and U.K. business units. The first extension is with a client in the Media space. The agreement extends the contract through 2Q 2029. It represents about US $1.6 million in annual revenue. The second extension is with a UK government client. The agreement extends the contract until 3Q 2028 and represents about US $800k in annual revenue. VIQ has also renewed multiple client contracts in courts, law enforcement and other government agencies in the U.S.

These follow some notable contract signings or extensions in 2025, including $280k in SaaS and software agreements signed in 2H as part of $1.85 million in net new bookings in the period. In June 2025, VIQ signed the largest SaaS contract it had ever closed, which entails deploying the NetScribe platform across multiple districts following a successful pilot earlier. The company believes this deployment offers proof of concept of the benefits and scalability of NetScribe. In 4Q25, VIQ signed a software license deal with an existing customer for $304k.

Much of the company's revenue comes from long-term contracts with government agencies and Fortune 500 companies, according to VIQ, and the company believes its long-term relationships with clients form a strong foundation for future growth and market penetration. High profile companies that have been or are clients of VIQ's media business unit include Bloomberg, Fox News and CNN, among others. The company continues to grow its customer base in its key verticals organically and via strategic acquisitions.

BALANCE SHEET

The company is focused on strengthening its balance sheet and obtaining a new credit agreement. VIQ obtained a loan from Beedie Investment in 2023 and amended their loan agreement in August 2025, in conjunction with broader operating and restructuring measures. Beedie agreed to extend the forbearance period. It would not surprise us if the two agreed to further extend the forbearance, as VIQ seeks opportunities to restructure and eventually replace the debt. VIQ also intends to reduce the debt. VIQ had cash of $5.5 million as of June 30, 2026.

VALUATION

We believe it is difficult to compare VIQ shares to those of other companies, as there does not seem to be a direct publicly traded comprehensive competitor for its technology platform. Companies that offer digital transcription, speech-to-text and / or AI-enabled voice recognition services generally are privately-held or subsidiaries of larger conglomerates, particularly of substantially larger tech companies. For instance, Microsoft offers Azure speech-to-text services, Alphabet offers Google Cloud speech-to-text powered by Gemini and Amazon offers Amazon Transcribe, to name a few.

The shares have been under pressure reflecting, we believe, concerns about Australia and risk that further impairments or write-downs could occur, negotiations with Beedie and potential success of additional restructuring measures, among other factors. It would not surprise us to see investors wait for upcoming milestones in the near-term. Nevertheless, VIQ is optimistic about its growth plans and strategy as it expands its product line and potentially completes tuck-ins. if the company can deliver on its growth initiatives, in success we would anticipate share price appreciation over time. However, given concerns outlined above, pressure on the shares could persist until/unless there is evidence of resumed growth and profit expansion.

VIQ, in contrast, is a pure play AI-powered digital transcription company with a focus on organizations that can benefit from its hybrid model leveraging AI to do the early ‘heavy lifting’ and layering on manual review to enhance quality and accuracy. We therefore believe that the company’s platform could prove beneficial to a broad range of sectors over time and potential market share gains within its focus sectors in the near- to medium-term. We believe the market opportunity is large and growing, as noted.

We continue to value VIQ shares on a price-to-sales (P/S) basis, as we believe other traditional valuation metrics such as P/E or EV/EBITDA are not appropriate at this stage. Based on our 2026 revenue forecast, which we believe could prove conservative, VIQ shares trade at a significant discount to peers in the cloud based technology space. While we noted there are no apparent direct publicly traded peers, using the overall cloud based technology sector as a general benchmark, on a price-to-sales (P/S) basis, these players trade at a wide range of multiples that range from under 2x to more than 5x or even 10x revenue for some.

We also point to takeout interest in the space. Nuance Communications, was a publicly traded player that helped consolidate the medical transcription market through a series of M&A transactions and organic measures much as VIQ intends to do in its core silos. On a multiple of forward revenue basis, Nuance shares commanded a multiple at the higher end of the industry average, according to consensus data at the time. Microsoft acquired Nuance at a valuation that implied a roughly 23% premium to where they had been trading prior to the announced offer. We believe this underscores the importance of the sector and also potentially could imply a higher valuation for VIQ shares *over time*. Tyler Technologies trades at about 6x on a P/Sales basis, based on Yahoo Finance data.

We expect the multiple gap on VQS shares to narrow compared to peers, as the company continues to make strides in its organic and acquisition-driven growth strategy and we anticipate multiple expansion. We apply a 2x multiple to our 2026E revenue projection, the lower end of the above noted range. We note that our projection does not take into consideration possible M&A transactions in 2026. We lower our confidence metric to 45% from 50% before to account for potential timeline delays in anticipated operating improvements and expansion. On this basis we derive a valuation of about US$0.18 or C$0.25.

In successful execution of growth measures, we would anticipate multiple expansion on VIQ shares and we also might modify our confidence adjustment factor. Although we believe uncertainty could continue to overhang the shares in the near-term, as noted, the risk / reward could be attractive for investors with a longer time horizon, in our view.

RECENT NEWS

- VIQ reported 2Q26 results on August 13, 2026.
- On June 15, 2026, VIQ announced client contract extensions and upcoming product release.
- VIQ provided an update on the Voluntary Administration process in Australia on June 4, 2026.
- VIQ reported 1Q26 results on May 26, 2026.
- VIQ announced Voluntary Administration of its Australian subsidiaries on March 15, 2026.
- VIQ identified data incidents in Australia on February 20, 2026.
- VIQ announced that it filed for share repurchases on December 17, 2025.
- On December 10, 2025, the company announced the appointment of Larry Taylor as CEO.
- The company introduced its development of VIQ SmartAudit advanced verification technology designed to enhance accuracy and consistency across all verticals on December 2, 2025.
- On November 18, 2025, VIQ introduced advanced automation to transform court documentation workflows.

RISKS

Risks to VIQ achieving its objectives, and to our valuation, include the following.

- Beedie might not agree to another extension before VIQ is able to restructure and/or replace the debt.
- VIQ might need to raise additional capital earlier than or at a more dilutive valuation than expected.
- There might be delays in the company's timelines.
- The new product launches might not produce the results that management anticipates.
- Traction with prospective customers might take longer than expected or might not come at all.
- The company might not be able to advance its tuck-in strategy if M&A transactions take longer than expected to close or are too expensive to acquire.
- Other competing technologies might advance faster than the company's.
- VIQ might not gain market share or wallet share as quickly as it expects.
- The company could incur unanticipated costs associated with its growth strategy and for marketing to promote its platform.

FINANCIAL MODEL

VIQ Solutions Inc. (US$m)

	1Q25A	2Q25A	3Q25A	4Q25A	2025A	1Q26A	2Q26A	3Q26E	4Q26E	2026E
Revenue	$9.6	$10.4	$10.9	$10.6	$41.5	$9.8	$11.5	$5.8	$5.9	$33.0
Cost of sales	4.6	5.4	5.7	5.4	21.1	4.8	4.9	2.3	2.4	14.4
Gross profit	5.0	5.0	5.2	5.2	20.4	5.0	6.7	3.5	3.5	18.6
Gross margin	51.9%	48.0%	47.8%	49.0%	49.1%	50.8%	57.8%	60.0%	60.0%	56.5%
Selling & admin expenses	3.8	3.9	3.6	3.2	14.5	3.5	3.6	2.5	2.5	12.0
R&D	0.1	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.7
Stock-based comp	(0.0)	0.3	0.0	0.0	0.4	0.1	0.1	0.0	0.0	0.1
Gain / (loss) on revaluatic	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)	-	-	-	(0.0)
FX	(0.1)	(0.4)	(0.3)	(0.3)	(1.0)	(0.5)	(0.1)	(0.1)	(0.1)	(0.9)
D&A	0.9	0.8	0.8	0.8	3.3	0.3	0.3	0.4	0.4	1.4
Interest expense	0.5	0.4	0.4	0.5	1.9	0.5	0.5	0.2	0.2	1.5
Accretion & other	0.4	0.5	0.6	0.5	2.0	0.5	0.6	0.3	0.3	1.6
Loss on debt modificatior	-	-	0.7	-	0.7	-	0.0	-	-	0.0
Restructuring costs	(0.0)	0.0	1.0	0.1	1.2	0.2	0.2	-	-	0.4
Strategic review costs	1.2	0.1	(0.3)	-	1.0	-	-	-	-	-
Impairments				9.1	9.1	-	-	-	-	
Other	(0.0)	(0.0)	(0.0)	0.2	0.2	(0.0)	(0.0)	0.1	0.1	0.2
Total expenses	6.8	5.9	6.9	14.4	33.9	4.8	5.3	3.6	3.6	17.2
Pretax income	(1.8)	(0.8)	(1.7)	(9.2)	(13.6)	0.2	1.4	(0.1)	(0.0)	1.5
Tax expense	0.0	0.1	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.3
Net loss / income	(1.9)	(0.9)	(1.7)	(9.3)	(13.8)	0.1	1.3	(0.2)	(0.1)	1.2
EPS or LPS	($0.04)	($0.02)	($0.03)	($0.14)	($0.25)	$0.00	$0.02	($0.00)	($0.00)	$0.02
Avg shares outstanding	52.3	52.6	53.8	65.1	56.0	69.6	74.5	74.5	74.5	73.3

Source: Company reports, Zacks estimates   *2025 PF estimates, except where A is indicated, which = company disclosed approximate*

HISTORICAL STOCK PRICE

Source: Yahoo Finance

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