

Stock Data

Share Price:	0.43p
Market Cap:	£2.2m
Shares in issue:	502.7m

Company Profile

Sector:	Elect. & Electr. Eq.
Ticker:	MWG
Exchange:	AIM

Activities

Modern Water ('the Company', 'MWG') is an AIM listed Water Technology Group that was established in 2006 by IP Group Plc to develop and commercialise IP and technologies related to the treatment of water. It has spent £20m over the last 14 years developing a portfolio of over 100 patents and cutting-edge technology focused on making the treatment and recycling of water more efficient.

Share price performance



Source: [LSE](#)

Past performance is not an indication of future performance.

Turner Pope contact details

Turner Pope Investments ('TPI') Limited
8 Frederick's Place
London EC2R 8AB

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

Attention is drawn to the disclaimers and risk warnings at the end of this document.

This is a non-independent marketing communication. The analyst who has prepared this report is aware that TPI has a relationship with the company covered in this report. Accordingly, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

TPI acts as sole broker to Modern Water plc.

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Barry Gibb

Research Analyst

Tel: 0203 657 0061
barry.gibb@turnerpope.com

Andrew Thacker

Corporate Broking & Sales

Tel: 0203 657 0050
andy.thacker@turnerpope.com

Zoe Alexander

Corporate Broking & Sales

Tel: 0203 657 0050
zoe.alexander@turnerpope.com

Modern Water plc

Modern Water, the global water crisis monitoring and solutions provider, has announced its signing of a three-year revenue sharing manufacturing agency agreement (the 'Agreement') with Integumen plc (AIM:SKIN, 'Integumen'). This will provide manufacturing and logistical support for the Company's supply of water monitoring reagent consumables.

The Agreement is structured in expectation of receiving revenues of US\$1.25m (£1.04m*) per year for each of the next 3 years, totalling US\$3.75m (£3.12m*). This is then shared between the two, based on a 60%/40% split in favour of Modern Water (after costs) and is subject to rolling 12-month extensions thereafter. The Company has been producing its own bacteria-based products for existing customers to use as consumables in their monitoring equipment. Product demand has shown consistent, organic growth of c. 5% per year from its client base, although past balance sheet constraints have meant that it had been forced to rely on somewhat outdated equipment which, in turn had resulted in capacity constraints while also occasionally testing required quality standards.

The news is a further important step emanating from MWG's February 2020 proposal to modernise its operations along with a Board-level reorganisation, which was then followed by the appointment of Integumen and Cellulac plc's CEO, Mr Gerard Brandon, as non-executive director and Chairman. The common factor between Modern Water and Integumen is their expertise in handling and managing bacteria; Integumen, for example, has been developing such products for the past 12 years with specific expertise in viruses and toxins through its Labskin subsidiary. Here it produces full thickness human skin equivalent; it incorporates fully differentiated dermal and epidermal components that functionally model skin for the purpose of clinical research and testing.

Effectively a watershed moment for Modern Water, the Agreement reflects its intention to move from a self-contained production, sales, marketing and distribution operation, to a collaborative, cooperation and partnership business model. It immediately provides the Company with access to state-of-the-art UK laboratories, together with their experienced scientists, without the need for capital expenditure or the extended time required to bring such a team together. Integumen's superior development and manufacturing capabilities should enable MWG to build rapidly upon its existing network of sales, marketing and distribution channels, delivering clients the product quality and quantity demanded through a lower operational cost base. Integumen has already announced a further 100% expansion of its purpose-built product and development laboratories in York, UK, to 6,000 square feet, adding six more laboratory rooms to meet growing demand. Two of those laboratories will be allocated to the production of Modern Water's bacteria reagent. As part of this Agreement, a further three full-time laboratory technicians will be recruited to join Integumen's team of highly skilled scientific specialists in bacteria, virus and toxins.

2020 to date has seen Modern Water implement significant operational change while also broadening its corporate vision. Operating in an area of high international growth its consumable reagents have historically enjoyed gross margins as high as 83%. Today's news confirms it has not only secured access to increased production capacity to service its expanding global opportunity, but also that it has the option to co-develop bolt-on real-time detection of contamination in water using the Rinocloud AI bacterial and viral infection tests using its RAWTest AI solution. Presenting cross-selling opportunities across the two companies' respective sales, marketing and distribution channels, its recent participation in the Integumen-led ecowaterOS consortium also recognises the urgent international need for an end-to-end water contamination, detection and decontamination provider network, that offers the ability to provide customers with real-time monitoring solutions. Altogether, recent news reflects the new dynamism that has been injected into the Company through its recent reorganisation, in terms of ambition, product offering and customer targeting.

**Assumes £-US\$1.20*

THIS DOCUMENT IS NOT FOR PUBLICATION, DISTRIBUTION OR TRANSMISSION INTO THE UNITED STATES OF AMERICA, JAPAN, CANADA OR AUSTRALIA.

Conflicts

This is a non-independent marketing communication under the rules of the Financial Conduct Authority ("FCA"). The analyst who has prepared this report is aware that Turner Pope Investments (TPI) Limited ("TPI") has a relationship with the company covered in this report. Accordingly, the report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing by TPI or its clients ahead of the dissemination of investment research.

TPI manages its conflicts in accordance with its conflict management policy. For example, TPI may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to TPI that is not reflected in this document. TPI may have acted upon or used research recommendations before they have been published.

Risk Warnings

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Any opinions expressed in this document are those of TPI's research analyst. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price.

The value of securities, particularly those of smaller companies, can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of smaller company securities may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results.

AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UK Listing Authority; consequently AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

Specific disclaimers

TPI acts as sole broker to Modern Water plc ('Modern Water') which is listed on the AIM Market of the London Stock Exchange ("AIM"). TPI's private and institutional clients may hold, subscribe for or buy or sell Modern Water's securities.

Opinions and estimates in this document are entirely those of TPI as part of its internal research activity. TPI has no authority whatsoever to make any representation or warranty on behalf of Modern Water.

General disclaimers

This document, which presents the views of TPI's research analyst, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, express or implied, is given as to their accuracy or completeness. Any opinion reflects TPI's judgement at the date of publication and neither TPI nor any of its directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price. TPI does not undertake to provide updates to any opinions or views expressed in this document. TPI accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by applicable law).

The information in this document is published solely for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The material contained in the document is general information intended for recipients who understand the risks associated with equity investment in smaller companies. It does not constitute a personal recommendation as defined by the FCA or take into account the particular investment objectives, financial situation or needs of individual investors nor provide any indication as to whether an investment, a course of action or the associated risks are suitable for the recipient.

This document is approved and issued by TPI for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. This document may not be published, distributed or transmitted to persons in the United States of America, Japan, Canada or Australia. This document may not be copied or reproduced or re-distributed to any other person or organisation, in whole or in part, without TPI's prior written consent.

Copyright © 2020 Turner Pope Investments (TPI) Limited, all rights reserved.