

Stock Data

Share Price:	1.30p
Market Cap:	£6.8m
Shares in issue:	524.9m

Company Profile

Sector:	Medical Equipment
Ticker:	DEMG
Exchange:	AIM

Activities

Deltex Medical ('DEMG', 'Deltex Medical', 'the Group') manufactures and markets haemodynamic monitoring technologies which are primarily used in critical care and general surgical procedures. Deltex Medical's proprietary oesophageal Doppler monitoring ("ODM") (TrueVue Doppler) measures blood flow velocity in the central circulation in real time.

1-year share price performance



Source: [LSE](#)

Past performance is not an indication of future performance.

Turner Pope contact details

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

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

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Barry Gibb
Research Analyst
Tel: 0203 657 0050
barry.gibb@turnerpope.com

Andrew Thacker
Corporate Broking & Sales
Tel: 0203 657 0050
andy.thacker@turnerpope.com

Deltex Medical Group plc

Deltex Medical has released a trading update covering its half-year ended 30 June 2020. Somewhat foreshadowed by its detailed [AR&A statement](#) of 24 April 2020, the Group notes the period was affected in a number of different ways by the COVID-19 Pandemic, most notably in terms of an early decline in probe sales for elective surgery which was then followed by strong growth in sales to intensive care units ('ICUs'). Although subsequent demand for elective surgery has so far failed to compensate for the fall-off from ICUs as UK incidence of COVID-19 cases passed their peak, TPI expects this to be compensated by a more general 'post-summer rush' by patients wishing undertake deferred surgery before the year end. This, together with recognition of the benefits that the Group's technology brought to intubated COVID-19 patients at high risk of acute kidney injuries and the fact that it successfully renewed important relationships with Intensivists across the UK, points to a possible return to revenue growth in the second half and into 2021.

Anticipating a stronger performance in the second half

Based on market feedback from the UK and the USA, as well as via discussions with its international distributors, the Group believes that pent up demand for elective procedures should result in a rebound in activity levels in the second half. This expectation is borne out by a major [recent review](#) by the [British Journal of Surgery](#) ('BJS'), in which it estimated the total number of adult elective operations that would be cancelled worldwide during the 12 weeks of peak disruption due to COVID-19. Its expert response study concluded the overall rate would be a quite exceptional 72.3% globally, with Europe & Central Asia for example, recording average cancellation levels ranging between 70.7% to 73.7% across different income levels and conditions including cancer, obstetric and benign.

Significantly within this, the BJs further concluded that should countries increase their normal surgical volume by 20 per cent following the Pandemic, it would take a median of 45 weeks to clear the backlog of operations resulting from the COVID-19 disruption. It went on to suggest Governments might mitigate against this major burden on patients by developing recovery plans and implementing strategies to rapidly restore broad confidence in surgical activity safely.

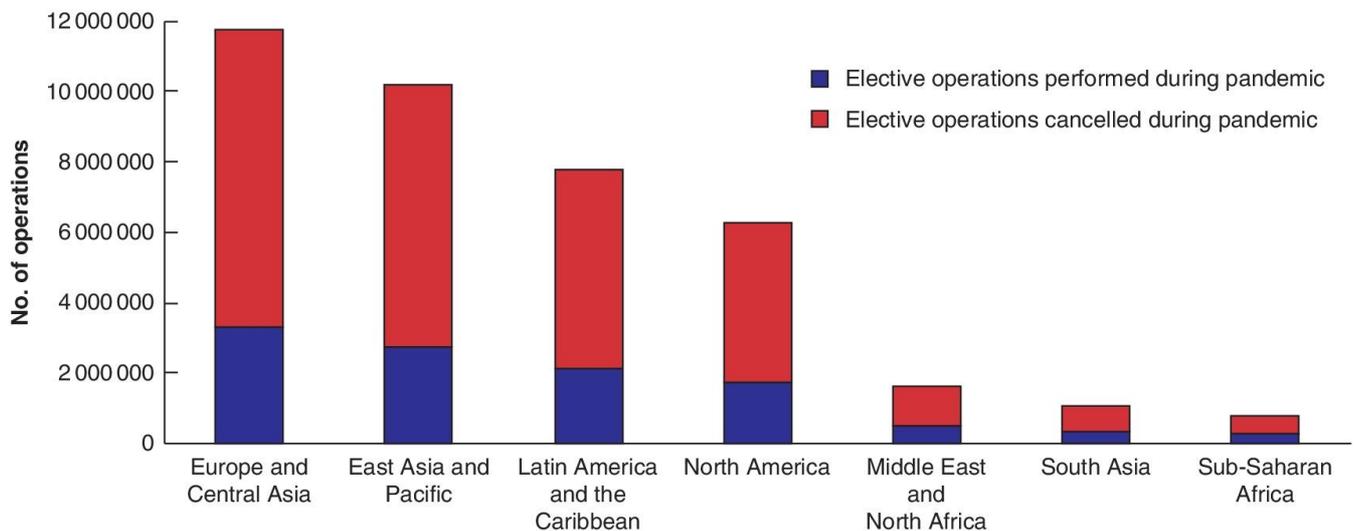
Heightened relevance of oesophageal doppler monitoring

Deltex Medical rightly claims global leadership in oesophageal doppler monitoring. Its core technology has been proven in a wide range of clinical trials to reduce complications suffered by patients after surgery and consequently can save hospitals money, particularly given a more cautionary post-Pandemic environment. Uniquely, Deltex's twenty-two randomised controlled trials demonstrate the benefit of measuring aortic blood flow to optimise the clinical management of patients. As such, TrueVue Doppler sets the MedTech industry's technological standards and points of reference for such equipment, offering features that cannot be matched by any of its peers. While a well-publicised reluctance by hospital trusts/practitioners/patients appears to have temporarily deferred to resumption of high-volume elective surgery, the extent of the existing backlog suggests demand for Deltex Medical's products could rise sharply once confidence returns post-summer. This point is highly relevant given that the world's eyes are focused on the very real and ongoing threat of respiratory pandemics to the human race's wellbeing. As such, Deltex Medical's business outlook appears to have improved quite dramatically in just the past few months, to the extent that TPI considers much larger sector players envious of the Group's preminent Doppler monitoring R&D/trade-secret/IP who may already be considering their opportunities to control of such an undervalued asset.

Given that many health systems already [lack sufficient capacity](#) to meet the need for surgery, the impact of cancellations will be cumulative, adding to an existing need to raise theatre throughput. Governments generally will need to fund substantial increases in baseline surgical volume to clear backlogs. New investment will be called for, with the BJS, for example, estimating that based on an average fee of £4000 per operation, it would cost over £2 billion just to clear the UK's backlog.

The table below provides the BJS's expert response study ([12 May 2020](#)) assessment of elective surgery cancellations during the period that it considered to be the UK's COVID-19 Pandemic's peak 12-week period. Elective operations detailed are those that were projected not to be cancelled during the same period. It went on to conclude that it would take a median of 45 weeks for hospitals to clear the backlog of outstanding operations based on a 20% increase in baseline surgical volume, or 30 weeks based on a 30% increase.

Best estimates for number of elective operations cancelled during the peak 12 weeks



Source: [BJS Society](#)

Both patients and staff seem likely to require more rigorous screening/monitoring to reduce the risks of cross-infection and/or operational complications once theatre activity levels resume. Surgical recovery plans should also consider that an accelerated return may only be permissible on the basis of additional equipment/technologies be incorporated. This may, for example, include more routine adoption of Deltex Medical's TrueVue Doppler as part of its standard patient monitoring procedures.

Deltex Medical's financial performance in the first half to end-June 2020

Total revenues for the half-year declined £1.2 million (2019: £2.0 million).

Having moved quickly in the face of the COVID-19 crisis, the Group moved quickly to reduce cash outflows through various measures including by furloughing employees from May onward. Cash at hand on 30 June 2020 was £0.6 million (30 June 2019: £0.6 million; 31 December 2019: £0.9 million).

Further, Deltex Medical has been awarded an Innovation Continuity Grant by Innovate UK worth approximately £0.2 million to help the funding of its new product development programme.

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