

Stock Data

Share Price:	1.80p
Market Cap:	£19.3m
Shares in issue:	1,072.4m

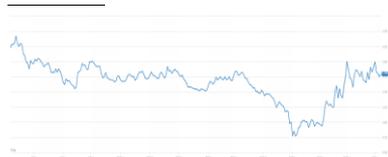
Company Profile

Sector:	Healthcare
Ticker:	SKIN
Exchange:	AIM

Activities

Integumen plc ('SKIN', 'the Group') is a vertically integrated test services company focused on developing and commercialising technology and products that scientifically prove the impact of skin care product claims for healthcare, life sciences, clinical research, pharmaceutical and cosmetics industries.

1-year Share price performance



Source: [LSE](#)

Past performance is not an indication of future performance.

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Integumen plc

Integumen this morning released two separate news items, including its 2019 Annual Report and Accounts and the Group's entrance into an unsecured 2-year £400,000 flexible loan facility. The former summarises not only a transformational year for Integumen, but also important post-period events that position it to secure significant new and long-term Pandemic-related business, both from its newly developed real-time contamination detection/environment sector solutions and its expanded activity within the core Labskin business. Having already provided revenue guidance of £4m for full year 2020, orders so far received for £2m provide management with confidence in its ability to sustain expansion across multiple but related sectors as it moves rapidly to identify and secure major opportunities presented by COVID-19. In this respect, the currently undrawn, non-dilutive 'cushion' now provided by Cellulac Limited, which was supported by period-end cash of £1.2m, should ensure working capital demands are fully satisfied in the process of delivering growth in 2020 and beyond.

2020 set to be a further transformational year

A series of events, seemingly initiated by Integumen's £3m all-share Acquisition of Rinocloud Limited back in May 2019 and followed more recently by the global and unprecedented onset of the COVID-19 virus, appear to have positioned Integumen to capture significant long-term growth, both from its core and newly developed operations. Having enabled a scale-up of the business as it moved from a physical laboratory to an automated, real-time, real-world digital data platform, however, management has been quick to recognise and anticipate long-term, even structural changes that international governments will now need to effect in an effort to ensure their populations are better equipped to cope with a repeat of such circumstances in a post-Pandemic environment.

2020 to date has been particularly busy for Integumen. Starting with the signing of a cooperative alliance agreement with China's [Innocare Group](#), the Group went on to agree its first RAWTest commercial agreement and AI partnership with [Acumen Software](#) of South Africa, followed by its launch of [ecowaterOS](#) consortium for real-time water monitoring, recovery, treatment and recycling. A watershed moment came shortly after in the shape of 3-year, US\$3.75m (£3.12m*) bacteria production agreement with [Modern Water plc](#) (AIM:MWG) and the 100% expansion of Integumen's York, UK Laboratories to meet increased demand in response to the COVID-19 public health crisis. Subsequent to this, the Group facilitated a retrofitting of its RAWTest AI real-time alert system into Modern Water new Microtox units, while Labskin announced its partnering with University of Aberdeen to test COVID-19 anti-viral skin and dental products with a view to mitigate transmission risk of the disease.

Recognising the needs of a post-Pandemic environment

Given the response that is widely expected from international governments in a post-Pandemic environment, Integumen's unique skills and capabilities are likely to remain in significant demand going forward. Its management's ability to pre-empt such needs moreover, along with those of the companies and organisations that it has established commercial agreements/partnerships with, suggests it should enjoy strong, ongoing, contracted growth for some years to come. With the weight of anticipated demand from global-scale manufacturers seen likely to test the Group's expanded laboratory capacity before the end of current period, TPI's Initiation research on Integumen plc set a target price of 3.23p/share*.

Please note our valuation is relative and such valuation may never be realised, therefore please do not base investment decisions on this valuation alone. *£=1.20US\$

Financial results for the year ended 31 December 2019

Including pre-acquisition Rinocloud, total 2019 revenue amounted to £1.017m, increase of 342% (2018 revenue £297k), while the consolidated group figure stood at £823k (2018 restated: £274k). EBITDA losses before exceptional items reduced by 7% to £1.055m (2018 restated: £1.128m), with administration costs increasing to £2.973m (2018 restated £1.629m) as a result of Rinocloud and Labskin expansion. Higher depreciation and amortisation, together with impairment of intangible asset £241k (2018 restated: £nil) and exceptional costs of £532k (2018 restated: £244k) related to one-off transaction costs relating to disposal and acquisition activities, took the Group's operating loss to £2.371m (2018 restated: £1.481m). A total comprehensive loss for the year of £2.273m (2018: £2.714m) produced a loss per share of 0.3p (2018: 1.0p)

Two successful equity fund raises during the period (May 2019: £2.75m gross, December 2019: £1.37m gross) supported the Group expansion and left Integumen with year-end cash of £1.2m.

Unsecured Loan Facility Agreement with Cellulac Limited ('Cellulac')

Cellulac is a subsidiary of [Cellulac plc](#) and is treated as a related party under the [AIM Rules for Companies](#), as Gerard Brandon and Camillus Glover, both directors of Integumen, are also directors of Cellulac Limited and shareholders and directors of Cellulac plc.

Cellulac has made available to the Company a loan facility of up to a maximum of £400,000. The term of the unsecured loan is 24 months and carries an interest rate of 5% per annum on drawn amounts. Under the Loan the Company has the ability to draw four equal amounts of £100,000 per month beginning 30 June 2020 and ending on 30 September 2020. Interest only is payable during the Drawdown Period; Capital and Interest payments are payable over the remaining term of the Loan in equal monthly instalments. The Board states that there is currently no intention to draw down under the facility, which has been put in place to provide additional flexibility, if needed, to meet current and expected demand over the coming months. No arrangement or other fees are payable by the Company in connection with the Loan. A similar facility in 2019 was converted with £400,000 being used for the purchase of hi-tech laboratory equipment.

Core operations positioned for long-term growth

Labskin (Innovenn): Labskin is a human skin equivalent, made from the same primary human cells but grown to a defined specification in a laboratory. 2019 Revenues for the Group increased 371% with contracts for Labskin clinical services reaching up to 25 times the average price of selling single test kits. By the last quarter of 2019, the addition of artificial intelligence for the Labskin test model along with additional senior sales management and new sales and science team members had opened an expansion program that doubled the size of its laboratories to 3,000 square feet by November 2019. Many global Top 10 skincare companies have recently become Group clients.

Rinocloud: Rinocloud is an artificial intelligent software and digital automation company which provides Integumen with the ability to extract and analyse data relating to the skin surface of Labskin by sequencing the genetic material of all microbes present in that microbiome. It has helped the Labskin team to assess the efficacy of client skincare ingredients and products to shift the diseased microbiome to a healthy state. This is a unique service, adding claims to new and existing consumer skincare products, with major cost and time saving benefits for its clients. This Labskin AI combination is now contributing additional revenues per client and has been responsible for a large proportion of the increase in revenues in 2019, compared to 2018 and has continued into 2020.

Life Science Hub: Labskin and WoundPhase are combining technologies to identify biology (triggers) and chemistry that allows changes in wound dressing colour depending on what is happening to the skin. While not core to the strategic growth of the Group, the advantage is that Labskin is able to demonstrate the ability to match skincare products to skin types based on the Labskin dressing as well as health applications that include visually monitoring of body temperature, without electronic devices or attaching monitors on infants or elderly patients.

STOER Skincare: STOER products are used as a control range of skin care products that offer Labskin clients proof of concept for their products to be tested. The most notable result was completion of test protocols for the inclusion of Cannabinoid ('CBD') in client products, which resulted in bringing in the Group's first CBD client in May 2019.

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