

Stock Data

Share Price:	3.05p
Market Cap:	£16.0m
Shares in issue:	524.7m

Company Profile

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

Activities

Modern Water plc ('the Group', '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.

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Modern Water plc

Modern Water this morning released audited final results for its year ended 31 December 2019. While reflecting the financial challenges of the past 12 months, its statement highlights foremost the transformative steps that have subsequently been taken by the Group's new Board of Directors in order to optimise its now obvious business opportunity in supply and service for more permanent and rigorous "early warning" contamination and virus detection programmes being demanded through government intervention and regulation in the battle against the COVID-19 Pandemic. Having since strengthened its balance sheet and adopted a collaborative development approach to support new product/data services initiatives, together with a revenue sharing commercial strategy and the outsourcing of equipment/reagent production, it has successfully modernised and broadened its offering while reducing overall administrative costs in anticipation of substantially heightened demand for its high margin proprietary technologies and services, as it capitalises on a hard-won international reputation derived from 30-years of marketing its Microtox® water monitoring brand.

Transformed to service needs of a permanently changed world

The coincidence of Modern Water's corporate reorganisation with the outbreak of the COVID-19 Pandemic and the global community's heightened awareness of its ongoing vulnerability to similar future threats appears to ideally position Modern Water to capture significant new long-term demand for its water treatment solutions and monitoring products from government agencies and corporates urgently seeking means by which to sustain safe living and working environments. The sharp [rise in demand](#) for Modern Water's water contamination detection consumables received from its international client base early in the lockdown (+46% in Q1 2020 on the comparable period in 2019), is likely to be just the start of multiple new and expanded supply and service agreements. Significantly, buyers recognise not only the Group's 'gold standard' leadership in the water contamination monitoring sector, but also that the necessary facilitation through a manufacturing and logistical partnership with [Integumen plc](#) (AIM:SKIN, 'Integumen') that introduced advanced technologies including ecommerce, communications, networking and data encryption in order to extend Modern Water's reach far beyond its US, EU and Far East offices, meaning it's now global and remains unmatched by its peer group.

Meeting the needs of a post-Pandemic environment

Modern Water has implemented significant operational and management change over the past 8 months, while also significantly broadening its international corporate vision. The statement that accompanies today's release anticipates expanding, long-term demand for its core products and increasingly sophisticated range of services. The complementary integration of its technologies with that of Integumen both modernises its delivery and provides the capacity/logistical support necessary to satisfy the heightened demand anticipated, while also presenting cross-selling opportunities across both companies' respective distribution channels. The Group's participation in both the Integumen-led [ecowaterOS consortium](#), which recognises the urgent international need for an end-to-end water contamination, detection and decontamination provider network, and the more recent [three-company collaboration](#) that has successfully developed a real-time system for identification of localised COVID-19 hotspots in wastewater, highlights the scale of the opportunities now being presented. Altogether, the recent stream of news and initiatives reflect the new dynamism that now characterise Modern Water's operations and appears to ideally position it to service seemingly enormous needs of a post-Pandemic environment.

Essential real-time wastewater detection

The Group's recently updated IT platform provides it with the ability to fully exploit the information it generates from different water systems across the world. Data analytics with the latest AI systems in collaboration with partners have set Modern Water up to receive multiple revenue streams from equipment, consumables and predictive services from its existing and new clients coming online in an effort to manage or identify their COVID-19 risk. Perhaps one of the most obvious initiatives taken in this respect is the Group's [13 July 2020 collaboration](#) with Integumen and [Avacta Group plc](#) (AIM:AVCT), for the successful development (and roll-out through its existing distribution channels), of a real-time wastewater detection system that represents a ground-breaking product capable of immediate local identification and tracking of the coronaviruses or similar future outbreaks..

This comes in the form of an essential test package available to governments, industries, military, corporates, etc. that are urgently seeking immediate identification of local COVID-19 hotspots, prediction of fresh coronavirus outbreaks and advice on required areas of containment. For the developers, it offers multiple commercial opportunities beyond individual equipment unit sales, with all three parties standing to enjoy long-term recurring revenues generated through the supply of Avacta's [Affimer®](#) reagents in each of the proprietary [consumable test cartridges](#), AI-as-a-Service predictive alerts and maintenance contracts. The true scale of this opportunity is ideally demonstrated by, for example, the global cruise line industry which handles [32 million passengers](#) in a market annually worth US\$31.5 billion, yet is likely to remain significantly disabled and passengers effectively uninsurable until perpetual coronavirus monitoring, detection and testing systems are installed. In this respect, the collaborators appear to have not only rapidly recognised one of the world's most pressing needs, but also have successfully combined their core competencies and well-established worldwide marketing reach to develop and distribute a unique, seemingly unmatched technological package of potential global significance.

Full year results to end-December 2019

While 2019 was a tough year financially for the Group, structural change was considered necessary to move away from the existing high-ticket sales/high employee support cost model that previously operated in its desalination and membrane divisions. The outcome for the year was for total revenue from continuing operations falling to £2.9m (compared with 2018: £3.6m). EBITDA losses before exceptional items amounted to £0.9m (2018: £0.5m), while Administration costs reduced to £2.4m (2018: £2.5m), leading to an Operating loss of £1.6m (2018: £1m) after providing for Depreciation & Amortisation of £687k (2018: £483k). Cash outflow before financing and investing in 2019 was £0.5m (2018: £1.4m), with cash at period end of £0.2m (2018: £0.2m).

Not that the period was without some successes, however, with numerous events continuing to recognise Modern Water's international reach and sector reputation. These included the sale of Modern Water's largest single order for its Microtox® CTM to a customer in China, the sale of brine concentration plant to leading global producer of industrial chemicals and receipt of its largest ever order for an All Membrane Brine Concentrator ('AMBC'), a core technology for Group's Membrane Division which can be used to tackle complex wastewater treatment problems at a reduced cost compared to standard processes, from a Korean Salt Production Facility. There was also a focus cost containment, with the Group closing down two subsidiaries, together with the disposal of non-performing assets and a reduced employee count as it moved to become a more online equipment and consumables support service operation.

Post-period events set the scene for the remainder of 2020

To date, Modern Water has had an exceptionally busy 2020 during which time it undertook structural change and implemented a corporate reorganisation.

Following January's completion of an oversubscribed £1.85m placing, February saw the appointment of Dr Nigel Burton to the Board of Directors and the Group's agreement to join the ecowaterOS consortium for real-time water monitoring, recovery, treatment and recycling. The key appointment of Gerard Brandon to the position of Chairman of Modern Water's Board of Directors in March, further accelerated the ongoing transformation, with a series of cooperative steps and partnership agreements with Integumen, for which Mr Brandon acts as Chief Executive Officer, in an effort to modernise the Group's product offering and marketing approach with a view to securing higher revenue visibility, while also leading new initiatives designed to capture long-term opportunities being created by the Pandemic. As a result, the business model has now been transformed to one based primarily on a high volume, high margin recurring revenue strategy.

With thousands of sites and hundreds of water systems installed over the last 30 years, Modern Water retains a Gold Standard lead in water monitoring. The strategic challenge presented throughout the COVID-19 Pandemic was successfully overcome through the provision of online support services, making it easier and safer to interact with customers while at the same time increasing capacity of equipment to provide surveillance against all sorts of contaminants and threats including viruses and pathogens. Undoubtedly, this was one of the reasons its Microtox® LX was declared winner in [China laboratory instrument award](#) some three months ago while around the same time the Group received its first patented AMBC wastewater from [Ion Exchange \(India\) Limited](#) and secured the sale of its largest single order for 20 Microtrace® PDV units and seven sets of related consumables [from the Chinese Sichuan Province](#). A higher level of activity is expected to be sustained going forward as the lockdown becomes increasingly relaxed around the world and focus moves to local containment/early warning of future virus outbreaks and/or detection of contaminants/toxins in a post-Pandemic environment.

Following the Group's liquidity issues that became apparent toward the end of 2019, the conclusion of an over-subscribed Placing in February 2020 that raised c.£1.7m net plus receipt of a further £110,000 in June 2020 due to the exercise of warrants granted as part of the February's Placing, leaves it with sufficient resources to execute its new strategy and business model.

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