

Stock Data

Share Price:	32.00p
Market Cap:	£54.5m
Shares in issue:	170.3m
52 week high/low:	70.0p/7.0p

Company Profile

Sector:	Healthcare
Ticker:	DVRG
Exchange	AIM

Activities

Deepverge plc ('Deepverge', 'DVRG', 'the Group'), (formerly Integumen plc) is an environmental and life science group of companies that develops and applies AI and IoT technology to analytical instruments for the analysis and identification of bacteria, viruses and toxins.

Group website: www.deepverge.com

1-year share price performance



Source: [ProQuote](https://www.proquote.com)

Past performance is not an indication of future performance.

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DeepVerge plc

Deepverge has confirmed receipt of contractual orders to the value of US\$5m (£3.6m*) for Modern Water equipment so far in Q1 2021, including eight of its units being retrofitted with MicrotoxPD SARS-CoV-2 wastewater detection systems. This is particularly significant in two respects: (i) That it heightens confidence in the forecast made on 11 January 2021, in which the Group guided investors to anticipate full year 2021 revenues of £10m; and (ii) The fact that 80% of the equipment presently being produced by Modern Water has been earmarked for the Chinese market. The fact that China was the first location hit by what became the global COVID-19 pandemic, and also the first to successfully respond in terms of controlling its progression/severity through implementation of strict containment measures followed by an accelerated roll-out of a portfolio of domestically developed vaccines (including Sinovac and Sinopharm), suggests that the same government will also lead the world with respect undertaking a rapid, possibly enforced through regulation, installation and facilitation of various full-time monitoring, detection and alert systems deemed necessary to provide their population with a safe living environment going forward.

Considering that Modern Water's advanced product range is ideally suited to such needs and that it presently has few or no peers offering similar capabilities, demand from other major nations following in China's wake might shortly also be expected to spike sharply. As such, this news provides further confirmation as to the exceptional level of customer interest in Deepverge's highly innovative range of products which have been designed to service a potentially enormous, long-term post-Pandemic market, as well as its ability to utilise core competences as it continues building upon such opportunities. Anticipating such news flow, on 11 January 2021 TPI updated its financial valuation for Deepverge which resulted a new price target of 84.8p/share.

(Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone. Also please note that past performance is not a reliable indicator of future results.)

Modern Water setting international standards for coronavirus detection

Following Deepverge's 17 November 2020 acquisition of Modern Water plc, ongoing investment was immediately focused on creation of an optimised, miniaturised and more cost-effective range of instruments capable of collecting large volumes of data efficiently, which can then be processed using Rinocloud's AI models in order to deliver detailed analysis and timely alerts for its customers. This not only permits real-time detection of water pollution but also, when combined with information from externally sourced data providers, such as weather data, can offer an accurate prediction of local pollution hot-spots.

Through this, local authorities might have the ability to network equipment in order to provide a much needed, automated environmental control and response system covering their entire regions. Facilitating this, Deepverge's 100%-owned environmental subsidiary has already overseen substantial upgrades to its units' software and firmware in order to enhance the user experience and simplify application of its Microtox and Microtrace instruments. Automated detection and identification of Modern Water's reagents through its equipment optimises monitoring capabilities, with all test results benchmarked against regulated standards. Importantly, this also provides Modern Water with a source of recurring demand for its of high margin consumables.

*US\$=0.72GBP

China presently dominating Modern Water demand

Given that China appears to be the first nation attempting to set the international standard required for provision of a safe living and working environment for local populations, it is highly significant that 80% of the equipment presently being produced by Modern Water for delivery during 2021 has been earmarked for Chinese customers. Responding to individual needs, it undertakes further assembly and localization in the country, through its Shanghai facilities and presently has plans to double its current Chinese manufacturing capacity, which is due to start in Q2 2021 and expected to be completed by year end. Modern Water's environmental division has had a multi-person team working out of a wholly-owned Shanghai subsidiary since 2013. Importantly, its long-standing team has successfully tendered for a number of Chinese projects, having installed equipment in 5 of the 23 provinces and now manages 40 in-country distributors offering sales, support, marketing and distribution.

The following list details Modern Water order fulfilment and works upgrades that are expected to be delivered/undertaken during the current year ending 31 December 2021:

- Instruments from across the range of Microtox and Microtrace are being manufactured with upgrades to the software allowing optimised collection and organisation of data for real time surveillance.
- Screens have been upgraded with Chinese interfaces across the range of Modern Water's bench top laboratory equipment.
- In February 2021, over 100 award-winning Microtox bench top and mobile instruments are completing production for immediate delivery.
- 40 Handheld trace metal detector PDVs have been manufactured to meet immediate obligations and a significant upgrade design is underway on a further 100 units that are due to be produced.
- Big ticket (c.US\$50,000) online monitors from the Microtox CTM toxicity range and the Microtrace metal OVA range are being produced across two sites with 40 units scheduled for final assembly at the Group's Shanghai, China, facilities in March 2021.
- 8 Modern Water, Microtrace OVA, units are being retrofitted with the MicrotoxPD real-time optofluidic COVID detection system for wastewater.
- An upgrade to Modern Water's reagent production line, in York, UK, has been completed with the installation of a HS-2 Freeze Drying Lyophilizer supplied by Frozen in Time Ltd. This streamlines downstream processing and automates quality control, improving volume output of the recurring revenue consumables used by most of the Modern Water range of equipment.
- Microsaic plc's in-line bio-processing monitoring unit, announced in the RNS of the 15th February 2021, will fully automate the upstream quality control system removing all manual testing requirements.

Deepverge anticipates strong continuing growth in 2021

On 11 January 2021, Deepverge confirmed that Q4 2020 was its first ever profitable (at the EBITDA level) quarter, during which time order books built strongly with the signing of 12 new contracts for Labskin Services. At the same time, the Board also provided revenue guidance of £10m for 2021 (representing 127% annualised growth on the full year 2020 figures), while noting that several large projects, including two 'multi-million pound opportunities' due for decision in coming months offer potential to drive this figure substantially higher still. Today's news reinforces such expectations. Recognising that the coming year will likely see the world transition from one that has struggled to contain the catastrophic effects of a global viral pandemic, to one that needs to urgently understand how to provide rapid, ongoing detection, containment, monitoring and response in a post-Pandemic environment whose principal challenge must be to ensure such outbreaks cannot undermine humankind's future well-being, Deepverge's seemingly ideal range of core competences, technologies, innovative skillsets and global reach potentially positions it to enjoy years of exceptional, high margin growth. On 11 January 2021, TPI accordingly updated its valuation for Deepverge, which now indicates a revised figure of £140.6m, suggesting a new share price target of 84.8p.

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