

Microsaic Systems plc ('Microsaic')

Stock Data

Share Price:	0.23p
Market Cap:	£14.0m
Shares in issue:	6,076m
52 week high/low:	1.41p/0.08p

Company Profile

Sector:	Electronic and Electrical Equipment
Ticker:	MSYS
Exchange:	AIM

Website: [www.microsaic.com](http://www.microsaic.com)

DeepVerge plc ('Deepverge')

Stock Data

Share Price:	32.25p
Market Cap:	£57.6m
Shares in issue:	178.6m
52 week high/low:	70.0p/7.0p

Company Profile

Sector:	Healthcare
Ticker:	DVRG
Exchange:	AIM

Website: [www.deepverge.com](http://www.deepverge.com)

Past performance is not an indication of future performance.

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## Microsaic Systems plc

## DeepVerge plc

Further to Microsaic entering a non-binding Heads of Terms ('HoT') with Deepverge ('the Group') on 15 February 2021 the two companies have, as expected, today formally announced their signing of a three-year full technical and commercial agreement (the 'Agreement'). Under this Agreement, Microsaic will supply regulatory approved, CE Mark, miniaturised mass spectrometry ('MS') equipment and services on a non-exclusive basis across Deepverge's global sales, marketing and distribution channels, delivering portable solutions for environmental contamination detection and healthcare diagnostic evaluation of samples. For its part, Deepverge will introduce Artificial Intelligence ('AI') data analytics into Microsaic's existing MS data capture capabilities to fast track the Microtox® BT breathalyser with the ambition of delivering a Point of Care ('POC') solution direct to the GP's clinic. By being able to offer such a unique, integrated 'Lab-to-Sample' laboratory solution along with POC diagnostic tests, the two Boards consider their products jointly have transformative potential in markets for both environmental detection and healthcare evaluation.

### Collaborations present a potential turning point in front line detection

Microsaic and Deepverge intend to seize first mover advantage across a number of key application areas which have yet to be reached by today's advanced MS technologies.

In the brief period since 5 February 2021, when Deepverge's CEO, Gerard Brandon, and NED, Dr Nigel Burton, were appointed to Microsaic's Board as Non-Executive Chairman and Non-executive Director respectively, collaboration and cooperation between the two companies has already proved to be highly fruitful.

For Microsaic, the immediate benefit comes from the opening of a direct route to existing distribution channel partners, enabling it to access a global market with a joint vision to solve real-world problems facing humanity. Deepverge, by contrast, highlights the ability to remove duplicated skills, along with opportunities to increase revenue per client through the offer of new services using Microsaic equipment that is already approved for use. As a result, Labskin scientists have been able to fully automate production of bacteria reagents, while the Group's Modern Water division has also added remote higher quality analysis, thereby eliminating the client's need to transport samples back to laboratories.

Beyond this, Deepverge intends to introduce AI data analytics into Microsaic's existing Mass Spectrometry data capture capabilities. This will be used to fast track the Microtox® BT breathalyser (that is currently used to detect the Spike Protein of the SARS-CoV-2 virus), in order to enable its much wider application as a POC diagnostic tool to be utilised at the GP's clinic. With biomarker binding agents capable of detecting up to 40 diseases direct from human breath, including cancer, neurodegenerative, respiratory and metabolic conditions, such a product has the potential to enable swift referral for these serious medical conditions or alternatively, reduce unnecessary doctor-to-hospital referrals and/or over-prescription of antibiotics. Potentially this introduces a step-change in efficiency and quality of healthcare services, through the ability to provide rapid individual diagnosis while lowering specialist consultancy fees and associated support costs.

Given that Microsaic's technology comes with a small footprint with a low maintenance requirement, it appears ideally suited for front line use in automated monitoring of remote 'Lab-to-Sample' environmental health data. As such, it creates a virtual laboratory at the site of detection, a requirement that is urgently needed across a number of industries ranging across diversified chemical, biochemical, biofuel, biodegradable plastic, biologics, and waste-water treatment.

Further to this, Deepverge also sees opportunity to augment Modern Water's front line water analysis portfolio by adding a new portable real-time sewage monitoring capability, this time for particular identification of 'organics' such as drugs of abuse and high levels of active pharmaceutical ingredients ('APIs').

### **Corporate relationship deepened through the Technical and Commercial Agreement**

As part of the original HoT, Deepverge agreed to the sales, marketing and distribution of Microsaic equipment and technology through its global network. As was announced on 15 February 2021, this included provision for an initial order of two units, each worth £50,000, plus up to a £150,000 commitment to install pilot facilities located in its expanded York, UK laboratories. Under the initial three-year Agreement announced today, Microsaic will pay an agency commission based on the revenues received from customers introduced by Deepverge.

In order to speed collaboration and cooperation between their respective scientific teams to jointly conceptualise innovations and minimise development costs while accelerating time to market, it has been confirmed that Microsaic will shortly be co-locating its science and applications capabilities within the enlarged 9,000 square foot Labskin facility in York, England.

### **The EcoWaterOS Consortium**

EcoWaterOS ('Ecological Water Operating System'), is a green-tech data management eco-system that monitors and analyses water for bacterial contamination using AI. The consortium, which comprises Rinocloud AI, Acumen Software, The Nimbus Research Centre, Cork Institute of Technology, Cellulac plc, Modern Water plc, the tcBB Resource Centre, Dell Technologies and Microsaic, provides a range of clients from water utilities to consumers with real-time monitoring and alerts for contamination of water supplies as well as the provision of services from a network of water decontamination solution providers. For its contribution, Microsaic sees opportunity to introduce knowledge and expertise built-up over 20 years covering the miniaturisation of microchip-based equipment, through which it might further enhance the accuracy and efficiencies of existing products, or alternatively extend the range, offered through the multi-continental consortium.

### **Anticipating an exceptional 2021 for Deepverge while Microsaic also delivers on its promises**

Current year expectations for Deepverge are already high. On 11 January 2021, the Group confirmed that Q4 2020 was its first ever profitable (at the EBITDA level) quarter, during which time order books had 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. Since then, positive initial data from Microtox® BT's ongoing Phase III clinical studies have been released which, along with today's news, not only reinforces such financial expectations, but also offer potential to dramatically reset TPI's existing target.

Recognising that the current 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, highly innovative skillsets and global reach potentially positions it to enjoy years of exceptional, high margin growth going forward.

On 11 January 2021, TPI updated its valuation for Deepverge, indicating a revised figure of £140.6m, or share price target of 84.8p. For now, this remains current, although TPI recognises that results from a number of initiatives already in place, including Microtox® BT's full clinical validation followed by rapid progress toward its CE marking in the coming months, along with further progress emanating from today's three-year technological and commercial agreement, could lift this substantially higher.

Although at this time TPI has yet to set a valuation or target share price for Microsaic, it does recognise that today's news represents a further, important step by its Board toward successfully delivering on the promises it made back on 4 February 2021. Having then completed a £5.5m equity placing and broker option, it detailed an updated corporate strategy designed to exploit the global opportunity available for its products and technologies, along with plans to rapidly utilise the new funds raised through the transaction.

**(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.)**

Microsaic Systemss plc: Activities

Founded in 2001, Microsaic Systems plc ('MSYS', 'the Company') is a high technology company which develops point-of-need mass spectrometers, designed to improve the efficiency of chemical and biological workflows

DeepVerge plc: Activities

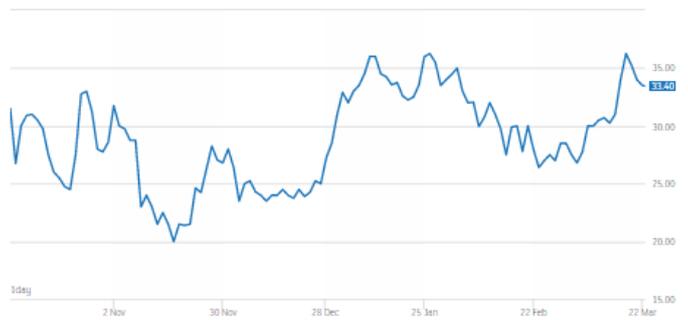
DeepVerge plc ('DVRG', 'the Group'), (formerly Integumen plc) is an environmental and life science group of companies that develops and applies AI and IoT technology to analytical instruments for the analysis and identification of bacteria, viruses and toxins.

Microsaic Systems plc 1-year share price chart



Source: [LSE](#)

DeepVerge plc share price chart since 6 October 2020



Source: [LSE](#)

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