

**Stock Data**

Share Price:	34.00p
Market Cap:	£73.2m*
Shares in issue:	215.2m*
52 week high/low:	70.0p/7.0p

\*Post Admission of Placing shares

**Company Profile**

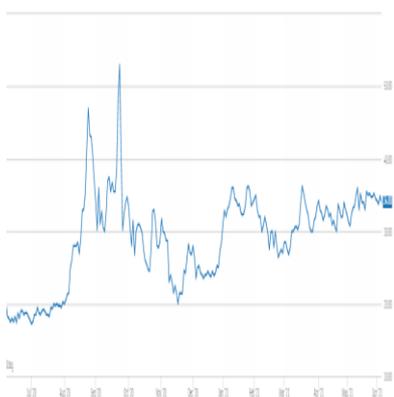
Sector:	Healthcare
Ticker:	DVRG
Exchange	AIM

**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.

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

**1-year share price performance**



Source: [LSF](#)

Past performance is not an indication of future performance.

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# DeepVerge plc

Deepverge has announced its intention to raise £10.0 million (gross) through a conditional placing and subscription (the 'Placing') of c.33.3 million new ordinary shares with existing and new investors at an issue price of 30 pence each. Comprising two tranches, the first of which (£6.33 million) is based on existing authorities, while the second (£3.12 million) plus the Subscription (£0.55 million) remain subject to shareholder approval that will be sought through a General Meeting on 23 June 2021. The funds will be used to scale operations, meet increased demand and expand revenues faster across the Group. Reflecting primarily the major investment and growth opportunity it now finds itself presented with, Deepverge's business model has focussed on the application of artificial intelligence ('AI') to life science and environmental health test services for bacteria, viruses and toxins, capable of servicing a global community that is highly incentivised to ensure no possibility of Pandemic conditions repeating in coming years. Net proceeds have been allocated across three divisions to provide an acceleration of Labskin services, while expanding key marketing opportunities in both Skin Trust Club and Modern Water. Having already provided investors with revenue guidance of £10m for its year to end-December 2021, the Board has announced its creation of a significant new AI 'centre of excellence' in Cork along with the signing of a MOU with China Resources, and Skin Trust Club's iOS App going live in April. Its year end statement, that is expected to accompany release of audited results for 2020 on or around 28 June 2021, might be expected to bolster confidence still further.

## Use of Funds

The year to end-December 2020 was transformational for Deepverge. Aggregate unaudited revenues increased to £6.1 million (including £1.7 million relating to Modern Water in the pre-acquisition period to 9 November 2020) (audited 2019: £1.0 million), during which time it undertook several SARS-CoV-2 initiatives, launched ecowaterOS, completed an all-equity offer for Modern Water while delivering a 4Q 2020 maiden profit. 2020 was, of course, also transformational for the world, during which time it became shockingly aware of its vulnerability to viral and associated infection, as well as the extent to which international governments remained wholly unprepared for such circumstances. Very few companies, however, found themselves with either the necessary skillsets or management initiative sufficient to make a rapid commercial response, leaving Deepverge ideally positioned with a unique set of proprietary, automated and laboratory technologies capable of satisfying such needs with potential to secure multiple, longer-term high margin contracts.

Despite having finished 2020 with c. £3 million (unaudited) in cash plus available debt facility, numerous important initiatives now require additional funding to accelerate their commercialisation/roll-out/project fulfilment, for which the Board has allocated proceeds from today's Placing across its three focussed divisions (plus working capital requirement) as follows:

- Expansion of Modern Water Sales
- Acceleration of Labskin Services
- Expand Skin Trust Club
- Working Capital

Source: DeepVerge, [RNS of 7 June 2021](#)

## Updates on key activities: Labskin

Labskin is a 3D human skin equivalent test platform that scientifically proves the impact of skincare product claims in healthcare, life sciences, skin microbiome clinical trials,

pharmaceutical and cosmetics industries. The division already works with 18 of the top 20 global pharma companies. Its laboratory space has increased from 924 sq. ft in 2018 to 9,000 sq. ft in 2021 to also enable rapid response to leading skincare companies (such as Stryker, L'Oreal and Kimberly-Clark). The division's virtual clinical trials through remote collection of human volunteers' skin microbiome, provides an ideal solution for laboratory-controlled testing of advanced skin models. As the data bank of remote volunteers grows, the higher the accuracy and increased reliability of virtual product testing will be provided to clients, eliminating early human trial and error testing. This provides customers with greater economy while also speeding time to market.

### **Skin Trust Club**

The Company recently launched the Skin Trust Club Artificial Intelligence Skincare App and Home Test Kit, which provides simple, at-home skin microbiome testing for personalised skincare and skin health tracking. The self-administered skin swab is a remote trial and allows the participant to conduct each stage of the trial without interaction. On 31 March 2021, it confirmed 2,000 members were in its Alpha test, with more than 5,000 becoming available before the Beta test was closed to further applicants. Skin Trust Club's DNA Test generates a report that consumers can use to manage their personalised custom skincare regime, with analysis of skin attributes providing information to create hundreds of different product combinations to suit a person's unique skin microbiome.

### **Drinking and Wastewater Analysis**

The Environmental Health division completed the acquisition of Modern Water plc in November 2020 and expanded Deepverge's offering to include environmental data management, monitoring and analysis of water contamination using AI. The division has over 3,000 units installed in over 60 countries serving clients in water utilities, public health authorities and industrial manufacturers. In 2H 2020, it introduced new equipment to meet demand across its Microtox and Microtrace ranges, with an additional offering of real-time surveillance services in water quality monitoring, which is now growing apace; a sales pipeline of equipment, solutions, and services amounting to US\$5m (£3.7m), for example, was generated in Q1 2021 alone. It is also developing, in partnership with Microsaic Systems and the Aptamer Group, a range of binders to detect contaminants of concern, including toxins and chemicals. The division has two new containment level 3 (virus) laboratories at its York facility and is also introducing new services targeting dangerous pathogens (including contagious infections) as well as community detection of opioids.

### **SARS-CoV-2 and COVID-19 Testing**

With access to the SARS CoV-2 virus at a category 3 laboratory with the University of Aberdeen and Liverpool University, the Group's Microtox unit is able to identify the virus S-Protein in quantities as small as 40 femtogram per millimetre ('Fg/mL'). The results demonstrate close to 100% sensitivity and specificity on DeepVerge's Microtox nano-optofluidic chip and Microtox, using AI, was able to detect 'super-spreaders' (with a high viral load), 'average spreaders' and the lower limit sufficient to pick up the 'low emitters' (asymptomatic). The effectiveness of Microtox was demonstrated in a 40 subject clinical trial conducted with the cooperation of the Royal college of Surgeons, Ireland, where 16 subjects were independently confirmed as COVID-19 positive with PCR tests. Breath samples were tested on the Microtox BT nano-optofluidic chip surface with Affimer® and Optimer™ reagents, with detection of the live virus being confirmed through the indication of a nine-times increase in digital spectrum signal on the Microtox compared to control. Microtox delivered results in under 60 seconds from breath samples. Subject to completion of additional human trials, the Microtox BT is expected to meet the criteria for the MHRA's Target Production Profile Rapid Breath Test, which would enable the Group to roll out its COVID-19 and other pathogen breath tests later this year.

### **Deepverge anticipates strong continuing growth in 2021**

Today's Placing will ensure Deepverge is able to invest rapidly in the multiple opportunities it is now presented with. On 11 January 2021, Deepverge confirmed that Q4 2020 was its first ever profitable (at the EBITDA level) quarter, since when order books have continued to build strongly with, amongst other things, the signing of 12 new contracts for Labskin Services, a far-reaching MOU (28 April 2021) with China Resources and formal launch of the Skin Trust Club's online App (26 April 2021). Prior to this, the Board had 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. Indeed, today's news reflects the Board's confidence that near term allocation of adequate resources offers potential to substantially reset current expectations. Recognising that the remainder of this year and 2022 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 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 updated its valuation for Deepverge, which presently indicates a revised figure of £140.6m, suggesting a share price target of 84.8p.

**(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.)**

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