

Microsaic Systems plc

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

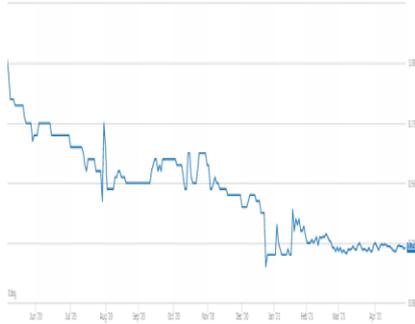
Sector:	Electronic and Electrical Equipment
Ticker:	MSYS
Exchange:	AIM

Activities

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

Website: www.microsaic.com

1-year Share price performance



Source: [LSE](https://www.lse.com)

Past performance is not an indication of future performance.

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TPI acts as Joint Broker to Microsaic Systems plc.

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Microsaic has released two important news announcements today: (i) its Final results for the year end 31 December 2020; and (ii) its signing of a Heads of Terms ('HoT') for patient-centric diagnostics with an unnamed partner for the Chinese market. While investor focus clearly now rests on the Group's significant post-period events, including its Board reorganisation, oversubscribed fund raising and Framework Services Agreement with DeepVerge plc ('DeepVerge', AIM: DVRG), it is positive to note that despite the hit to activity seen during the Pandemic, management nevertheless managed to reduce Microsaic's operating expenses sufficiently to ensure full year losses ended below those of the comparative period. It is also positive to note the distinct improvement in activity that has already been registered so far this year, with revenues up 180% in Q1 2021 compared to Q1 2020, which looks to be sustained as the Group exploits its partnership with DeepVerge in the process of refocusing its business model toward the provision of more complete, integrated longer-term customer solutions and away from more elementary system and consumables sales. The in-principle agreement with an unnamed Chinese counterpart announced today, which details a prospective partnership in the supply and marketing of Microsaic's micro-engineered MS technology for use within a point of care ('POC') medical device monitoring system for hospital diagnostics in the Chinese market, highlights significant new opportunity for such a business model based on collaboration and revenue sharing.

Significant progress in key verticals anticipated in 2021

2021 has witnessed a fundamental shift in Microsaic's strategic business model. Its Board now anticipates significant progress in its key verticals of human and environmental health this year, as it rolls out solutions in diagnostics, pharmaceutical and biopharmaceutical therapeutics, and water monitoring and screening. The partnership formed with DeepVerge in February 2021 is expected to permit a pivoting of its business model towards providing more complete, integrated solutions, which are supported by an AI infrastructure. Significantly in this respect, strategic challenges presented by the COVID-19 pandemic are being met through a move to provide support services online, making it easier and safer to interact with customers while, at the same time increasing the capacity of its micro-engineered MS equipment to provide surveillance against contaminants and threats for existing clients and partners' clients.

The new strategy gives the Microsaic team the ability to fully exploit the data generated from existing and adapted MS equipment. AI-driven data analytics offered in collaboration with partners in the environmental and life science sectors offers them additional ongoing shared revenue streams from the Group's CE-marked equipment and consumables. By introducing predictive services for quality control in real-time, Microsaic is adding value for its existing and new clients coming online to manage their production risk in active pharmaceutical ingredients, to detect contaminants in the environment and even to provide medical diagnosis at point of care. As such, the Group's planned move away from just selling equipment and consumables, to securing a more visible source of recurring revenues is taking shape.

As part of this, discussions remain ongoing with DeepVerge across North America, Europe, Japan and China regarding how Microsaic can augment its POC water monitoring stations and extend sales channels to gather demand for the Group's products, services and supplies, including the new of Liquid Chromatography-Mass

Spectrometry ('LCMS') systems. Additionally, Microsaic together with other members of the ecowaterOS consortium, including DeepVerge, will be developing and bringing to market solutions aimed at solving POC problems in water health. The Centre for Process Innovation Limited ('CPI') project for quality control in biologics manufacturing is also progressing well and is expected to be completed during Q2 2021. This project, in collaboration with the Digital Innovation Hub, is aimed at demonstrating in a process analytical technology ('PAT') digital hub how automated analytics of a bioreactor can be used to intelligently intervene and control the production of biologics. Microsaic's stated objectives are to further the future development of its smart medical devices, sample-to-result platforms, equipment/devices and network management software capability, recognising that its technology is an effective 'enabler' to support longer-term revenue visibility, rather than just a 'product sale'.

China based production of Microsaic equipment to commence in 2021

The non-binding HoT signed with an unnamed Chinese counterpart ('the Partner') announced today, describes an in-principle agreement for the parties to collaborate in the supply and marketing of Microsaic's micro-engineered MS technology for use within a POC medical device monitoring system for hospital diagnostics in the Chinese market. Given that in 2019 there were 33,000 registered hospitals in China, with 7.9 million beds (or 1 bed per 1000 population), the scale of the opportunity now presented to position its unique technological offering is clear.

Under the HoT, the first application will be in monitoring psychiatric therapeutics, with further monitoring applications to follow. Subject to completion of a final agreement with the Partner, Microsaic expects to generate two streams of revenue, from both the initial sale of monitoring systems and the subsequent recurring revenue-share from the supply of reagents and consumables used for monitoring. Both parties will negotiate and agree the terms of the proposed assembly and sale of the monitoring equipment. Microsaic expects to secure the requisite medical device licence in 2022, although its technology is expected to have production capability in China later in 2021, which will be in support of product testing and validation for regulatory approval. Further details on the completed agreement are expected in due course.

Results for the year-ended December 2020

Total revenue for the period of £198,258 reduced by 77.3% (2019: £872,125) as a result of the COVID-19 pandemic. Product and service revenues declined by 88.1% and 76.1% respectively, while consumable revenue of £105,135 (2019: £132,962) declined by 20.9%. Gross profit for 2020 £99,910 (2019: £338,243) fell by 70.5%, although a gross margin of 50.4% was significantly higher than the 38.8% achieved in 2019 due to the product mix including a smaller proportion of lower margin product sales. Cash burn reduced from £230,000/month in 2019 to £185,000/month in 2020.

Total operating expenses of £2,728,282 (2019: £3,392,831) fell by 19.6% following the introduction of a contingency plan to mitigate the fall in revenues due to the Pandemic, which included reduced payroll, marketing, sub-contract and (pre-corporate transactions) professional fees. As a result, the loss from operations for the year before share-based payments fell by 17.1% to £2,531,746 (2019: £3,054,588). Accounting for share-based payments, financial costs/income and an annual tax credit, the total comprehensive loss for the year of £2,372,658 ended 14.7% lower than prior year (2019: £2,781,087). The basic loss per share fell by 14.8% from 0.61 pence in 2019 to 0.52 pence per share in 2020.

Balance sheet strength expected to support Microsaic's corporate transformation to point of profitability

2021 has started well for Microsaic, with first quarter revenues rising strongly from a low base. TPI considers existing visibility, a gradual relaxation of Pandemic-related restrictions amongst the Group's existing and proposed client base, along with already contracted sales to DeepVerge (which are expected to be billed in Q2 2021) will see the revenue growth recorded in the opening quarter to be sustained for the whole of 2021. 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 successfully completed a £5.5m equity placing and broker option in February, Microsaic now appears to be sufficiently resourced to capture the global market opportunities for its technologies that it and its partners have identified.

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