

**Stock Data**

Share Price:	30.00p
Target Price	94.70p
Market Cap:	£64.55m
Shares in issue:	215.16m
52 week high/low:	70.0p/19.0p

**Company Profile**

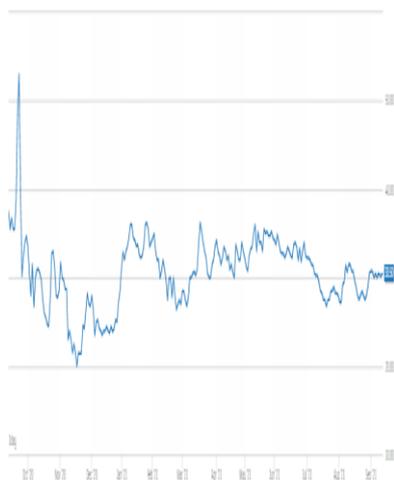
Sector:	Healthcare
Ticker:	DVRG
Exchange:	AIM

**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.

[www.deepverge.com](http://www.deepverge.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 sole broker to DeepVerge plc.

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## DeepVerge plc

DeepVerge has announced its unaudited interim results for the six months ended 30 June 2021. Once again delivering on best financial expectations, H1 2021 revenues expanded by 231% to £3.319m (H1 2020: £1.004m) in tandem with gross margins rising to over 52% (H1 2020: 41%). EBITDA losses crept up by only 26% as a result, despite a 172% hike in administration costs in anticipation of sharply higher levels of activity again being seen in the second half. With over £9m finance available at period end to support not only a production ramp-up of Modern Water's Microtox® PD wastewater SARS-CoV-2 detection systems, high volume processing capacity for the Skin Trust Club's home test kits and ongoing joint venture negotiations with China Resources, the Board's overall revenue guidance presently remains unchanged at £10 million given that it is still too early to provide an accurate prediction of their impact on year end numbers. Recognising the scale of the opportunities being presented and in expectation of further significant news releases between now and the year end, however, on 3 August 2021 TPI updated its forecasts and financial model for DeepVerge, resulting in an increased price target of 94.7p for the shares (up from 84.8p that was previously).

(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.)

### Half year to end-June 2021 financial highlight

- H1 2021 revenue £3.319m is an increase of 231% from H1 2020 (£1.004m)
- EBITDA (loss) before exceptional items £0.697m (H1 2020: £0.552m)
- Administration costs increased to £4.211m (H1 2020: £1.547m) with large increase in staff across all divisions
- Comprehensive loss for the period of £2.669m (H1 2020: £0.858m), weighted by higher depreciation & amortisation charges of £1.553m (H1 2020: £0.384)
- Net Assets at 30 June 2021 £25.3m (2020: £4.3m)
- £10m Placing and Subscription completed in June 2021
- Finance available to the Group at period end in excess of £9m:
  - Cash & cash equivalents of £7.6m, plus finance availability of £1.5m

### Regulatory enforcement expected to deliver a surge in demand

While COVID-19 continues to present major, ongoing challenges for the global economy, this extraordinary predicament has nevertheless positioned the Group to capture multiple, newly created opportunities in sizeable and wholly unsatisfied, long-term global markets. Having provided investors with guidance of £10 million revenue for the current year along with delivery of its first ever quarterly EBITDA profits, DeepVerge strengthened its balance sheet on 7 June 2021 through a £10 million (gross) placing to accelerate commercialisation/roll-out/fulfilment/manufacturing scale-up across its three focussed divisions. Expecting regulatory enforcement to deliver a surge in demand for its unique products and services, most particularly across the Microtox and MicroTrace range, the Microtox® BT nano-optofluidic Rapid Breath Test and Skin Trust Club ('STC') home test kits, the Board continues to express a high level of confidence in its ability to deliver a further substantial leap in revenues and profitability for 2022E.

News releases that might be expected to support such expectations include, amongst other things, widespread regulatory imposition by European governments of real-time

virus/pathogen detection in water/wastewater potentially in tandem with formalisation of DeepVerge's far-reaching joint venture with State-owned China Resources, which together present an opportunity to kick-start an extended product roll out across multiple jurisdictions by the end of 2021. These, along with STC's full UK marketing launch prior to expanding into other international territories, suggests Group activity levels are set to step up a gear in the coming months, with the MHRA potentially also awarding Microtox® BT with a CE mark toward the end of Q1 2022.

### Anticipating significant news flow in coming months

Having delivered a strong H1 2021 performance, in which all Group divisions once again produced triple-digit percentage growth, management confidently projects second half revenues to be a 'multiple' of the first. Having seen the Group's Environmental Health division continue to expand apace with new equipment, solutions and laboratory services generating a £3.6m sales pipeline for Microtox and MicroTrace in Q1 2021 alone, while Labskin continues to collect increasing demand from its extensive blue-chip client base. A marked increase in inventories at period end, rising to £1.953m (H1 2020: £79k), anticipates a substantially increased level of shipping during H2 2021. Together with other regular divisional order flow, this continues to provide the Board with conviction that sales of £10 million-plus will be achieved for the current period.

With the increasing acceptance at governmental/regulatory level of just how critical it has become to understand and monitor national and local water/wastewater systems, DeepVerge's Environmental division finds itself positioned to play a key role in the modernisation/automation of infrastructure that will determine just how the current and future pandemics are to be managed. Even during lockdowns, the Group continued its expansion/recruitment on three continents, substantially raising its market profile with orders increasing across all divisions. In particular, timely investment was made to deal with increased demand for Modern Water's contamination detection and monitoring equipment, resulting in upgrades to its laboratories in Delaware (US) and York (UK), as well as the new Cork (Ireland) AI and optofluidic engineering facilities. These will be seen to support the Group's ambition for the remainder of this year and next, which is focussed on securing a substantial share of the major new long-term markets that have been created by the Pandemic and for which DeepVerge retains an ideal skillset. Substantial development and collaboration have prepared the Group for its imminent launch and penetration of a series of new high-volume products across various international territories:

- **Wastewater** - Having completed the Phase III testing of the real-time nano-photonic microchips coated with Affimers and Aptamers that bind to SARS-CoV-2 virus in a number of wastewater treatment plants in multiple countries, each using AI for real-time detection of the virus in sewage, a mass production capability for Microtox® PD has been established in order to satisfy orders and installations expected in multiple jurisdictions before the end of 2021.
- **Skin Trust Club** – UK Capacity of 20,000 Home Test Kits/month with full marketing launch supported by Android and iOS and availability in multiple countries by end of 2021, with similar volumes for US and Chinese markets expected to be added in 2022.
- **China Resources** – Joint venture negotiations are ongoing with Phase III field trials results for real-time detection of pathogens in wastewater now central to the discussions. A framework agreement is expected by end-2021, which should then lead to high volume production of licenced Microtox equipment.
- **Breath Test** - Microtox® BT human trials remain ongoing. Expected to become part of a multi-industry long-term solution for COVID-19 and other viral conditions.
- **Labskin** – Continues to receive expanding demand while deepening commercial relationships across its broad spread of Tier One global consumer skin, health and pharmaceutical customers.
- **Multiplex chip trials** - First real-time pathogen/virus surveillance to include multiple pathogen detection using a single microchip.

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