TURNER POPE
INVESTMENTS

Stock Data

Share Price:	27.25p
Target Price	94.70p
Market Cap:	£58.63m
Shares in issue:	215.16m
52 week high/low:	70.0p/18.5p

## 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

1-year share price performance
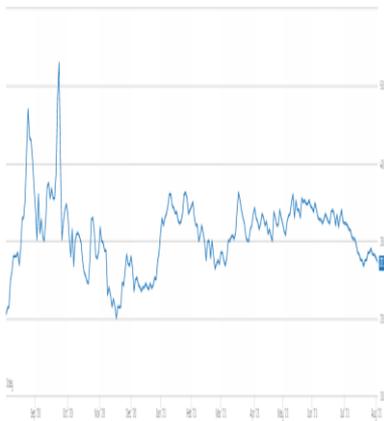
Source: LSE

Past performance is not an indication of future performance.

Turner Pope contact details

Tel:	0203 657 0050
Email:	info@turnerpope.com
Web:	www.turnerpope.com

Andrew Thacker
Corporate Broking & Sales
andy.thacker@turnerpope.com

Barry Gibb
Research Analyst
barry.gibb@turnerpope.com

TPI acts as sole broker to DeepVerge plc.

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DeepVerge plc

DeepVerge's AGM of 26 July 2021 provided its Board with an ideal platform to highlight both the Group's transformational past year and the exceptional opportunities it now has to deliver substantial, profitable growth going forward.

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 already provided investors with guidance of £10 million revenue for the current year along with delivery of its first ever quarterly EBITDA profits, DeepVerge recently significantly strengthened its balance sheet 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 now expresses 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 anticipate this 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 extended product roll out across multiple jurisdictions in 2H 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. Recognising the scale of the opportunities being presented, TPI has updated its forecasts and financial model for DeepVerge, resulting in a higher price target of 94.7p for the shares (up from 84.8p previously set on 11 January 2021).

(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.)

Anticipating significant second half news flow

2021 started strongly for DeepVerge and looks to end even better. The opening months saw the Group's Environmental Health division continue to grow apace with new equipment, solutions and laboratory services generating a £3.6m sales pipe for Microtox and MicroTrace in Q1 alone, while Labskin continued to collect increasing demand from its extensive blue-chip client base. Together with other regular order flow, this provides the Board with conviction that sales of £10 million-plus will be achieved for the current period. That said, its true ambition for the remainder of this year and next 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 a series of new high-volume products across various international territories:

- **Wastewater –** Microtox® PD mass production capability 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 agreement expected during 2H 2021 followed by 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.
- **Expansion -** Laboratories in UK, US and Ireland to meet increased demand for human, environmental health with AI and data analytics.
- **Multiplex chip trials -** First real-time pathogen/virus surveillance to include multiple pathogen detection using a single microchip.

DeepVerge plc - An Environmental and Life Science Group of Companies
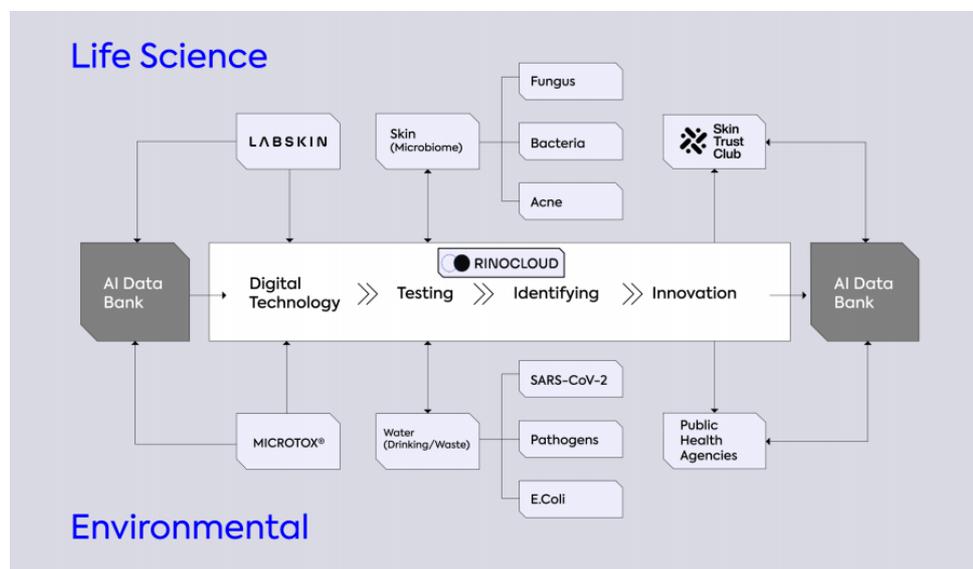
Source: DeepVerge, *AGM Investor Presentation 26 July 2021*

DeepVerge comprises a highly innovative group of environmental and life science companies that develops and applies AI and IoT technology for the analysis and identification of bacteria, viruses and toxins. It utilises predictive modelling and data analytic technologies to scientifically demonstrate the impact of skincare product claims on the skin microbiome for most of the top 20 global cosmetic company clients, while also being able to remotely detect and identify dangerous pathogens, such as SARS-CoV-2 in wastewater treatment plants, drinking water, rivers, lakes and reservoirs in real time.

The Group's core services include:

- Regulated environmental toxicology services
- Human skin equivalent platform that validates and verifies the safety and impact of client products in a clinical setting for regulatory approval
- AI and microbiome platform capable of predictive modelling to facilitate and optimise clinical trials for skincare/pharmaceutical development companies along with provision of remote test-kits for consumer skin
- Monitoring and data analytics platform for real-time detection and identification of pathogens in water and wastewater

Post year-end highlights

The first half of 2021 was a very busy period for DeepVerge. January's confirmation that 2020 had delivered an exceptional 300%+ revenue growth along with delivery of maiden quarterly profits (at the EBITDA level and before exceptional costs associated with the acquisition of Modern Water plc ('Modern Water')) in the fourth quarter, allowed the Board to underline its confidence for

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the current period by providing investors with revenue guidance of £10 million, while also noting that several large projects, including two multi-million pound opportunities due for decision in 2021, offered potential to drive substantially higher growth.

Following this, the Group went on to detail that production orders worth US$5 million (£3.6 million) had been received since its acquisition of Modern Water completed on 17 November 2020, with all distributor and customer contractual obligations having been met. Notably, 80% of this was earmarked to satisfy exceptional demand from Chinese buyers (some of which are existing Modern Water customers and some new), with a proportion of the equipment being shipped direct to the Group's Shanghai facilities where further assembly work and localisation is carried out.

March saw the transfer of initial data from the Group's ongoing Phase III clinical studies for detection of SARS-CoV-2 on breath samples of confirmed COVID-19 positive patients. DeepVerge's Microtox® BT nano-optofluidic chip provided identification of the virus' spike protein in quantities as low as 40 femtogram per millilitre ('Fg/mL') with close to 100% sensitivity and specificity. The same month also confirmed the Group's full technical and commercial agreement with Microsaic Systems plc (AIM: MSYS) ('Microsaic'); Microsaic is now supplying regulatory-approved, CE Marked, miniaturised mass spectrometry equipment and services on a non-exclusive basis to DeepVerge's Innovenn subsidiary.

These are now offered across the Group's global sales, marketing and distribution channels as a much-needed portable solution for environmental contamination detection, healthcare diagnostics and sample evaluation. Automated monitoring of remote 'Lab to Sample' environmental health data also allows DeepVerge to offer a virtual laboratory facility at the site of detection for the diversified chemical, biochemical, biofuel, biodegradable plastic, biologics, and waste-water treatment industries. This collaboration also enabled DeepVerge to introduce AI data analytics into Microsaic's existing Mass Spectrometry data capture capabilities in order to fast track the Microtox® BT breathalyser, with a view to delivering a 'Point of Care' diagnostic solution to GP's clinics, pharmacies etc.

Developed initially as a quicker, highly specific and non-invasive alternative to the SARS-CoV-2 lateral flow test ('LFT'), DeepVerge has established that different biomarker binding agents are capable of similarly detecting as many as 40 different diseases on human breath, including cancer, neurodegenerative, respiratory and metabolic conditions. As such, this product has potential to be developed for swift identification and referral of serious conditions, while at the same time reducing unnecessary doctor-to-hospital referrals and over-prescription of antibiotics, potentially substantially lowering healthcare costs in the process.

Two important announcements at the end of April detailed the Skin Trust Club iOS app going live for the first time, along with the Group's signing of a non-binding Memorandum of Understanding ('MoU') with China Resources Environmental Protection Development Limited ('China Resources'), a wholly-owned subsidiary of China Resources Group, to enter into a Joint Venture ('JV') for the manufacture, assembly and sale of environmental monitoring equipment. This agreement, which has recently been further extended, also holds potential for future joint development of smart environmental platforms, equipment/devices and network management software capabilities.

May's announcement of DeepVerge's opening of a new AI centre of excellence in Cork, which has seen Group staff numbers rise to around 60 individuals, was followed in June with the Group undertaking a conditional equity placing ('the Placing') to raise £10 million (gross). Ensuring the Group remains well-resourced to oversee a rapid global roll-out of its key product developments, the Board noted the net proceeds would be applied to the following purposes:

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

Having transformed its business model over the past year through its unique application of artificial intelligence to life science and environmental test services covering bacteria, viruses and toxins, the Group has been positioned in anticipation of international governmental regulation creating significant new post-Pandemic markets to oversee a much higher level of ongoing commercial and consumer surveillance. Full year results released at the end of June reconfirmed the Board's revenue guidance for 2021, along with the appointment of a highly experienced Group Marketing Officer, Niamh O'Kennedy, to help drive the its international brand strategy.

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Microtox® PD wastewater project

DeepVerge's wholly-owned Modern Water is set to claim a world first in terms of its ability to operate permanent anonymised mass surveillance of wastewater, capable of real-time identification and defence against global Pandemic conditions. Extensive field trials of Microtox® PD units at wastewater plant/treatment facilities in multiple jurisdictions have successfully provided instantaneous alert and detection of SARS-CoV-2. First data has already transferred from installed units that are being operated by a number of unidentified clients in undisclosed European locations (under strict conditions of NDAs). Final housekeeping/validation is now underway, involving duplicate timestamped samples for independent polymerase chain reaction ('PCR') testing conducted through an independent third-party laboratory along with additional data integration being compiled by collaborative partner, Strathkelvin Instruments Limited, a leading global supplier of precision respirometry and dissolved oxygen instruments for the biomedical research, wastewater treatment and product testing markets. Once validated, Modern Water expects the uptake of this monitoring service from public institutions and private industry clients seeking access to live data capable of simultaneously identifying sources of COVID-19 cases along with detail of their location and size each cluster, later this year.

This unique capability has been enabled through Rinocloud's AI-based nano-optofluidic pathogen identification scanner, for which the Group has already filed use and design patents following confirmation from European government sponsored consultants that the technology has never previously been demonstrated. Original development was in response to customer demand for real-time water quality monitoring surveillance services, engaging the services of Aptamer Group, a UK-based specialist that creates oligonucleotides or peptides that bind to a specific target molecule in order to develop a range of binders for highly specific detection of contaminants of concern, including SARS-CoV-2, other pathogens including contagious infections and even community detection of opioids. Having retrofitted enabled nano-optofluidic chips into Modern Water's Microtox and MicroTrace range in order to create the Microtox® PD (pathogen detection), initial testing was carried out using the University of Aberdeen's CAT3 laboratory with the live SARS-CoV-2 supplied by Public Health England while working in conjunction with the Group's two new containment level 3 (virus) labs at its York facility.

The relevance and timeliness of this development is clearly recognised in a UK government guidance paper that was updated on 30 July 2021 by the Department of Health and Social Security and titled 'COVID-19 contain framework: a guide for local decision makers.' This framework document, which should be read in the context of the government's roadmap to ease restrictions in England (COVID-19 response: summer 2021) and its overall public health objectives for responding to the Pandemic, prepares the ground for specific initiatives including the much anticipated imposition of binding regulation on water authorities for, amongst other things, real/near real time monitoring at a regional level in order to provide an early warning system capable of identifying local hotspots of SARS-CoV-2 as well as any other future viral contagions.

Driving this point home, the paper specifically highlights the understanding that 'Wastewater testing helps us understand where the virus is circulating in the population, regardless of whether people have symptoms or have been tested, and to swiftly identify future potential spikes in infection'. It goes on to note two things, (i) the Environmental Monitoring for Health Protection ('EMHP') Programme involves monitoring wastewater for the presence of COVID-19, including Variants of Concern ('VOCs') and that it can work with the local authorities to identify areas for focused wastewater testing and; (ii) that domestic wastewater monitoring capabilities are being further optimised to establish a permanent national surveillance capability, monitoring wastewater from across England to inform understanding of the current national epidemiological picture.

Microtox® PD fulfils this requirement by carrying out sample testing every 15 minutes. So, rather than one test sample a day, 4 days a week as the current national surveillance program operates, it provides 672 tests on a 24/7 basis at each plant. It is installed at any part of the influent pipework of the plant (typically at the output of the sedimentation tanks), where it can not only instantly alert that SARS-CoV-2 or any target pathogen is present (which it likely is), but also highlight trends over a 24-hour period of increase or decrease within the catchment area. Based on these trends and known population it is possible not only to confirm the current rate of growth but also predict the next two weeks' trends.

Having successfully demonstrated its ability to target single pathogens using nano-optofluidic chips, multiplex version trials are presently underway using the same configuration in order to offer a comprehensive, upgradeable full-time pathogen/virus surveillance as future needs arise. The subsequent partnership with Microsaic Systems plc (AIM: MSYS) has provided for an accelerated miniaturisation of micro-engineering elements that will further enhance the service offerings for multiplex testing

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of multiple pathogens on the same microchips. As the scale of analytical database expands, moreover, the Group's central AI system offers potential to predict the growth trajectory of future clusters of SARS-CoV-2 and/or any other dangerous pathogen. Further development and design for a mass-producible photonic biosensor based on success of the current technology is key to this requiring, amongst other things, new grating sets to be fabricated using a higher quality and scalable process than that used to date. This procedure is required for scaling to high volume manufacturing. Developments presently underway cover four iterations including at least two further pathogen bindings (possibly Norovirus and pepper mild mottle virus ('PPMoV')), while existing bindings have also demonstrated the ability to capture/detect cancerous cells in benchtop equipment testing, making way for clinic diagnostic solutions transferring to point-of-need from hospital ER to GP clinics.

Modern Water has outlined an 18-month program, over which it intends to incorporate updated multiplex chip designs, commence batch production before moving to mass manufacture and initiate a training schedule, as below:

Microtox® PD – Timelines to Mass Manufacturing
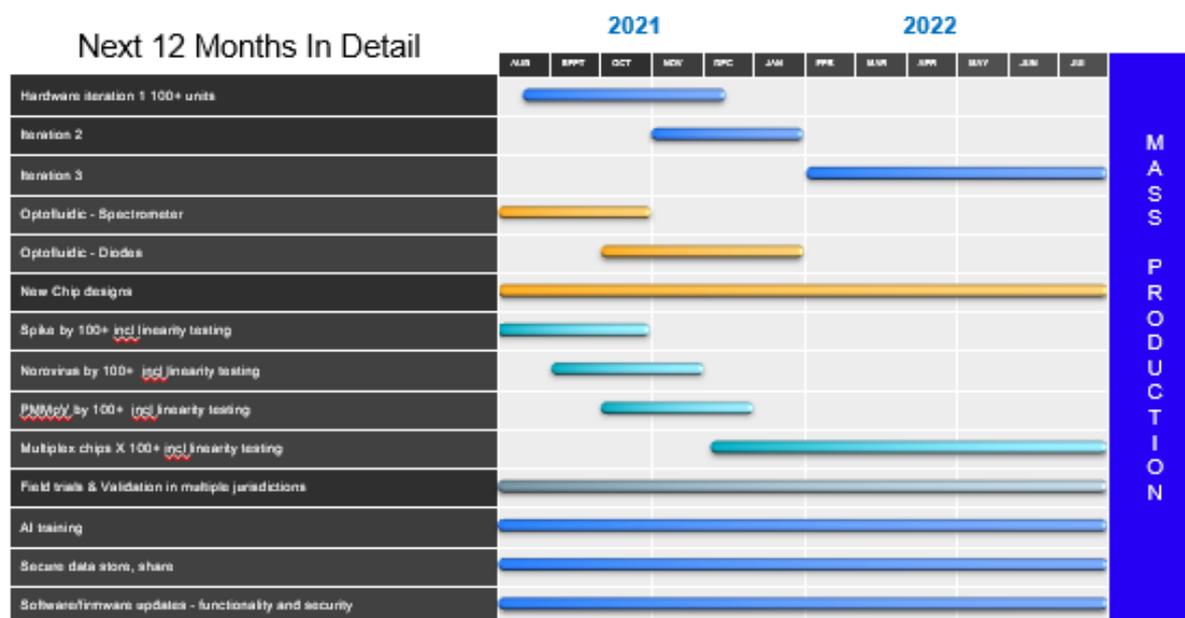
Source: DeepVerge, AGM Investor Presentation 26 July 2021

Water authorities undoubtedly recognise the urgent need for such real/near-real time detection and most certainly will already be considering the challenges and costs associated with handling such an anticipated regulatory imposition. Existing manual sampling and processing already in place is labour intensive, disrupting and potentially subject to human error, while being incapable of delivering either instantaneous results or predictive capabilities. Given the fact that in England and Wales alone, there are 7,078 sewerage treatment works, connected across the UK via a network of 347,000km pipework that collects 11 million litres of waste water daily, the potential market to Microtox® PD is clearly very large indeed. In Europe, where there is said to be 18,000 treatment plants which are typically of larger capacity than the UK's more fragmented base, it is much bigger still.

Realistically, a typical UK wastewater plant processing, say, 30 million cubic metres of wastewater/day, might have a need for several Microtox® PD units to ensure output from all sedimentation tanks can be adequately monitored. Turnkey solutions for pre-production evaluation of both batch builds and subsequent mass production are presently being assessed. These comprise hardware design, volume multiplex chip production for identification of additional pathogens along with IT/software/security/training/systems support to handle data volumes and required response. Such a unique ability to provide utility companies, national agencies, regulators and governments with urgently needed, real-time/near-time mass surveillance of water/wastewater in a comprehensive fashion, while also unlocking new data points to provide improved means by which to manage water issues, suggests such equipment could become a key element of national biosecurity surveillance infrastructure going forward.

Based on an estimated purchase price of £50,000 for a single Microtox® PD unit, with initial small batch production is considered capable of returning a gross margin of c.50%, the economics stack up well. DeepVerge's recent AGM presentation cited initial batch build of Version 2 units is due to take place between August and December 2021 with production of 100+ units

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incorporating motorised optical alignment. This is due to be followed in Q1 2022, with 100+ units of a Version 3 that offers additional facilities including auto chip/flow cell feed. Anticipating the build-up of an order backlog from Q2 2022, new units with integrated hardware and software design are expected to enter mass manufacture with production of up to 200 units/month; this implies prudent production of just c.9000 units over the next five years, although the Board considers this could rise substantially subject to demand from other jurisdictions. Operating on such a scale, TPI sees potential to lift gross margins to around 70% based on contractual 5-to-8-year monitoring agreement, with installations likely to be billed on a lease plus maintenance agreement plus set charge per test. An estimated £10,000 annual service charge for the unit is also seen providing a similar return.

Recognising the prospective global scale of this proposed roll-out, DeepVerge has already attracted a range of top tier partners capable of providing necessary for full time support, networking and communications to ensure a comprehensive, uninterrupted service. These include Dell Technologies Inc. (NYSE: DELL), Vodafone Group plc (LSE: VOD), the Energy Performance & Sustainability Group Ltd ('EPS Group'). Provision of such supporting real-time evidence-based, objective analysis to inform local and national decision-making in response to COVID-19 and other such viral outbreaks is expected to become a key, regulatory responsibility of utility companies going forward in the fight to provide communities with a healthy living environment.

China Resources – Joint Venture ('JV') negotiations continuing

China Resources Holdings Company Limited ('China Resources'), is a Chinese state-controlled conglomerate that owns a variety of businesses in Hong Kong and mainland China. Its 2019 revenues amounted to some US$91 billion.   Since announcing the signing of an MoU with DeepVerge on 28 April 2021, complex commercial and legal negotiations plus detailed due diligence between the parties have been underway. The scope of negotiations between the two parties has recently been extended beyond what was originally contemplated, although both parties are actively seeking to conclude an agreement as soon as possible. Whether the outcome results in China Resources entering a joint venture (China Resources (51%)/DeepVerge (49%)) with Modern Water Technology (Shanghai) Co. Ltd. which controls the rights to manufacture, distribute and service Microtox® PD throughout China or, alternatively through the formation of a new enterprise into which Modern Water injects its brand, technology and IP along with the necessary licensing, remains uncertain at this time. The timeline for final signing has been moved from Q3 2021 to Q4 2021.

The scale of the proposed JV's commercial opportunity for full time monitoring of pollutants and pathogens is clearly very large. China's National Bureau of Statistics, for example, reported that China discharged 60.8 billion cubic metres of wastewater in 2019, 26% of which originated from industrial sources. China accounts for 21% of the world's population, yet only possesses 6% of its fresh water. Rapid urbanisation and industrialisation have created enormous challenges to domestic water quality. The government's recent increased focus on environmental protection has resulted in a revision to the Water Pollution Prevention and Control Law, in turn creating substantial demand for water/wastewater treatment technology.

As part of a national development strategy to transform into a cleaner, healthier and more sustainable environment under its 13th Five-Year Plan (2015-2020), China invested US$50 billion into wastewater treatment for various heavy polluting industries, including textiles, printing, steel production, oil and gas extraction, coal mining, and pharmaceutical production. China's 14th Five-Year Plan (2021-2025) outlines a strategy to invest an additional US$18.5 billion in rural areas' wastewater treatment systems. In January 2021, China published further guidelines for wastewater reuse, raising the proportion of sewage which must be treated to reuse standards to 25% by 2025, providing further evidence of its ambition to transition from capacity expansion in favour of a greater emphasis on treated effluent quality. As part of the effort, China also aims to construct and upgrade 80,000km of wastewater collection pipelines over the next five years.

China Resources, which operates in all 29 Chinese Provinces, is expected to play a key role in this national upgrade including assumption of significant oversight and responsibility for long-term monitoring. This is likely to be both for water/wastewater quality and an early warning system for identification/isolation of any localised viral outbreak etc. To put the scale of the opportunity now presented through these negotiations into context, a January 2018 article by WaterWorld Magazine noted that there are around 1,944 municipal wastewater treatment plants across China's city/urban regions and a further 1,599 municipal wastewater treatment plants across its counties, accounting for daily processing capacities of 140 and 29 million cubic metres respectively. These facilities are large compared with the UK's more fragmented base, suggesting that a higher number of Microtox® PD installations/plant might be required.

To accommodate its proposed expansion in the region, Modern Water had already planned to enlarge its Chinese laboratory and sales facilities in 2021 and 2022. The subsidiary already has facilities in place available for upgrading to meet not only anticipated local demand but also to provide low-cost production to supply other worldwide customers. Whatever the final outcome of the presently ongoing negotiation, in expectation of receiving set fees for each unit sold plus ongoing licencing revenues, the JV offers significant long-term potential for (possibly white labelled) Microtox® PD units to become widely installed across China in cooperation with the most obvious domestic sector player, while also offering a springboard into adjacent similarly underdeveloped Asian markets Given the scale and reputation of China Resources, concerns regarding protection of Microtox® PD's IP also appear exaggerated; DeepVerge's legal counsel has significant experience in this area, with its team having been responsible for effecting extensive protection for IBM over 20 years and adopting the similar protocols this time round.

Microtox® BT – The most appealing solution for consistent monitoring of COVID-19

Subject to completion of additional human trials, DeepVerge's Board expects Microtox® BT to meet the criteria for the UK's Medicines and Healthcare products Regulatory Agency ('MHRA'). Passing the Agency's highly specific Target Product Profile ('TPP') Rapid Breath Test would enable the Group to roll out its COVID-19 (plus potentially other pathogen) test kit as early as Q1 2022. This is clearly significant given that despite the millions of tests that continue to be performed worldwide every day, they are still considered incapable of achieving the desired goal, that of elementary routine screening of wider populations as they go about their daily activities. Without doubt, of all realistic solutions presently being considered, the most appealing approach to consistently monitor the spread of COVID-19 is by direct detection of SARS-CoV-2 through exhaled breath.

Microtox® BT uses the same nano-optofluidic chip technology utilised for the Microtox® PD. Through access to the SARS-CoV-2 virus in category 3 laboratories at both the University of Aberdeen and Liverpool University, DeepVerge has demonstrated its ability to identify the virus's spike protein in quantities as low as 40 Fg/mL. Delivering results in under 60 seconds following extraction of sample breath, a nine-times increase in digital spectrum signal using Microtox® BT when compared to controls of nano-optofluidic chips with binding agent, and 19-times increase in signal with nano-optofluidic chips without, confirmed detection of the live virus. This ensures that if the virus is present there is 100% sensitivity and, just as importantly, in its absence it is not possible to produce a false positive, so specificity is also at or near 100%. Applying AI to the data, the technology is then able to detect super-spreaders (with a high viral load), average spreaders and, at the lower limit, asymptomatic emitters with minimal load.

Importantly, the incorporation of Affimer® reagents (in collaboration with Avacta Group plc (AIM: AVCT)) and Optimers (Aptamer Group), DeepVerge appears to have successfully overcome the difficulties experienced by other laboratories which found it necessary to collect the exhaled breath sample over extended durations (typically in excess of 30 minutes) while using specialist apparatus capable of collecting a high density of condensate. This is because the viral load of SARS-CoV-2 in aerosol samples is several orders of magnitude below those in nasopharyngeal swabs, making the detection of the virus from the air in close contact with positive/acute patients more challenging. The effectiveness of Microtox® BT, which incorporates a joint development program on the PBM-HALE™ breath condensate device from PulmoBioMed Limited, 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. Further human trials have now commenced with results expected to complete early Q4 2021 for submission to the MHRA early in 2022.

Limitations of existing standard methods of detection

Existing standard tests for COVID-19 rely on polymerase chain reaction ('PCR') technologies. PCR is well-known for its ability to ensure high sensitivity (e.g., positive or negative) and specificity (e.g., low levels of false positives and negatives). Yet, the efficiency of this approach is hindered by the slow delivery of the results, mostly 1 or 2 days after sampling. By contrast rapid tests, typically based on lateral flow assays ('LFT') or ELISA technologies, are now routinely used for pre-screening. The outcome is available in 10–30 minutes with sensitivity of c.90%. Both these antigenic and sensitive molecular tests, however, have limitations in terms of procedures.

The first is that they require trained personnel and properly equipped test sites, presenting challenges in terms of operational logistics and product supply chains given the enormous number of tests undertaken every day across the world. The second is

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that the analysis is of nasopharyngeal and oropharyngeal specimens, for which extraction procedure is unpleasant for the patient and non-standardised in its application, introducing potential to bypass locations with high viral loading during sampling which, in turn, could lead to false-negative results. Research conducted by the BMJ, for example, has found that the Innova lateral flow devices, which is most commonly used in the UK, to be just 58% accurate at detecting Covid in symptomatic people when administered by non-scientists, and work best in the first week after symptoms appear. Thirdly, they produce millions of tonnes of single-use plastics rather that, as is the case with Microtox® BT simply reusing a sterilised mouthpiece.

High resistance of SARS-CoV-2 in aerosol droplets

The two-principal means by which COVID-19 spreads are airborne and through contact infections or diffusion. This appears to be due to the high resistance of the virus once in aerosol droplets expelled from infected persons. Human atomisation of viruses arises from coughing, sneezing or even laughter by an infected person, producing virus-containing droplets (>5 µm) and aerosols (<5 µm). Virus transmission then occurs through direct/indirect contact and/or airborne aerosol routes. Large droplets mainly settle out of the air to cause person/object contamination, whereas aerosols efficiently disperse in air.

Direct and airborne transmissions occur in short-range and extended distance/time respectively, with inhaled airborne viruses potentially deposited on the human respiration tract. Laboratory assessment and dynamic modelling suggests that the rapid spread of SARS-CoV-2 has been made possible due to its relatively long survival outside the body (estimated at up to 3 hours) in a saliva medium even in surprisingly hostile environmental conditions in which a tough shell protects the virion from inactivation. As such, breath-based detection methods, appear to offer the best opportunity to significantly reduce unnecessary exposure to contagious individual and control the Pandemic. It could also reduce the volume of hospital-based confirmatory tests and permit screening solutions that might be operated from multiple central online or even mobile facilities.

Integrating AI to improve the way COVID-19 informatics are approached

Rinocloud's AI and data analytics add value to all of DeepVerge operations. Interacting the capabilities of bigdata and modelling technologies with integrated online breath sensing platforms could assist decision-makers and healthcare systems improve approach and containment of COVID-19. It provides a means to enable continuous patient support, from predictive diagnosis to post recovery. Point-of-Care makes it possible to track and trace the progress of the stages of any infection, subject to the type of pathogen (bacteria, virus, fungi or parasite) or biomarker of a disease being targeted by the Binding Agents. AI algorithms are designed to assess the risk of steric hindrance, in the case of SARS-CoV-2, by the capture of one spike protein and one viral particle, blocking the binding of other viral particles in the immediate vicinity. Throughout hospitalisation or a period of isolation, breath analysis could serve as a monitoring tool for assessing the efficacy of treatment and disease regression. Importantly, database models could also be established for prediction of disease development among the high-risk groups and prognosis for positive patients. The breath analysis platform will enable not only adequate patient diagnosis, treatment, and follow-up, but also continual screening of at-risk populations and real-time monitoring of epidemics.

Microtox® BT - Global potential

The scale of ongoing global COVID-19 testing is positively breathtaking. But not all countries presently report testing data on a daily or reliable basis. Given the limitation of available official sources collated by Our World in Data, the chart below indicating c.3 to 4 million tests being undertaken daily clearly substantially undershoots the current total which TPI prudently estimates to be at between two and three times this figure. It also recognises that such testing might become part of humankind's ongoing routine in the medium term. These are all potential long-term markets for Microtox® BT.

Although LFT are not considered to be a long-term solution to the COVID-19 crisis for the reasons already detailed, initially at least DeepVerge does not intend to target them as direct competition for Microtox® BT. Its intention instead is to focus on specific sectors/industries that more likely to be disposed to operate the (shoe box sized) test equipment required to analyse optifluidic scans. Mass hospitality venues, for example, where a convenient, non-invasive and highly accurate rapid approved solution could be obvious targets. The global cruise line industry fits this description, with operators likely to be willing to accept optifluidic technology once European governments have confirmed its use in their own national surveillance programmes. Handling some 30 million passengers (pre-Pandemic) annually plus 1.1 million employees, they are likely to require all to routinely undertake a rapid test each time they re-board the vessel at different ports going forward. Stadiums, airlines, international hotels etc. might

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also be on DeepVerge's list. Looking beyond this, although not contemplated in the Group's own modelling, mass produced test equipment could ultimately reach the individual consumer level, perhaps though workplace/occupational health testing, while there is also future opportunity to generate with efficiencies and savings for health services by equipping GP clinics with diagnostics for a range of breath testing biomarkers for detection of multiple diseases.

Global Daily COVID-19 Tests

Source: Our World in Data, 23 July 2021
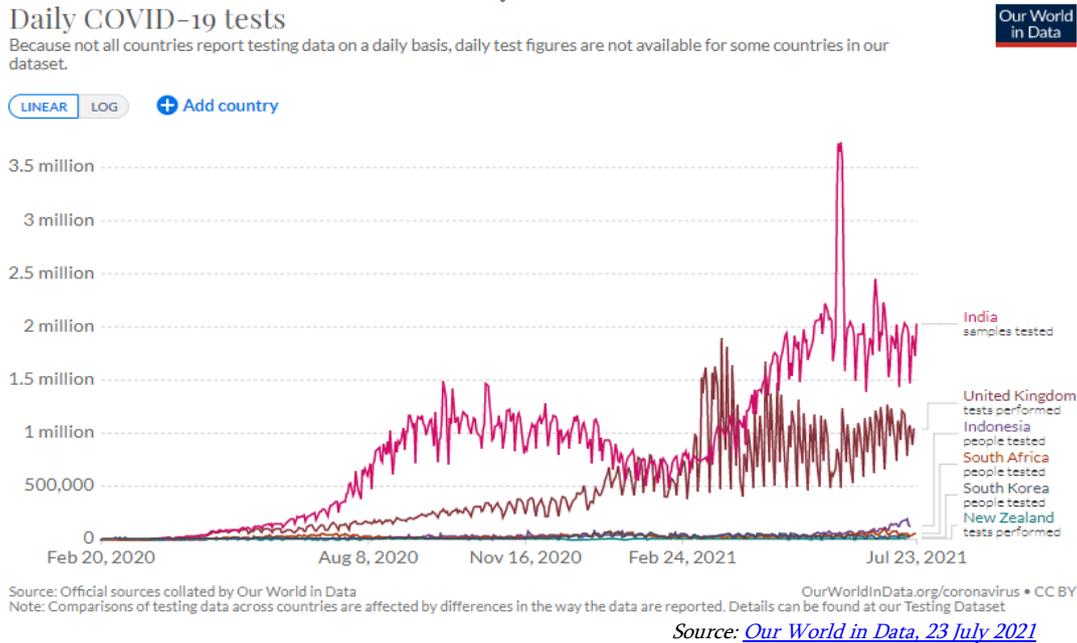
UK approval seen speeding adoption in other international territories

At this time, Microtox® BT is only being assessed as prospective rapid test for COVID-19 by the UK's MHRA. The requirement for its TPP Rapid Breath Test is 150 confirmed positive samples and 250 confirmed negative samples. Following the success of its initial 40 subject clinical trial, additional supervised breath test clinical trials from a larger group are presently underway. These are expected to provide sufficient data to meet the desired and acceptable criteria. Expected to be completed for submission early in Q1 2022 with the product's prospective awarding of a CE mark by the end of the quarter, roll-out could get underway shortly afterwards. Microtox® BT's performance and user convenience compared with existing solutions might then be expected to speed similar adoption across Europe followed by other parts of the world. To put just its UK opportunity into perspective, one needs to consider as of 26 July 2021, total registered UK virus tests conducted to date amounted to something over 236 million, with the daily count presently in excess of 0.75 million according to government data.

Daily UK Coronavirus (COVID-19) Testing

Source: Gov.UK, 26 July 2021
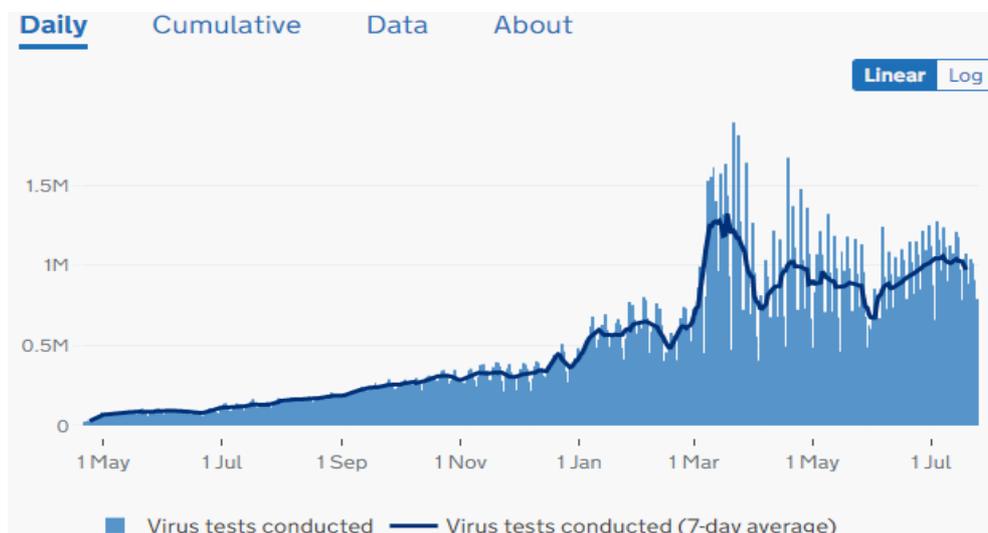
According to the Financial Times slower acting LFTs, cost the UK government 'in the range of £5 to £30 each'. A recent report by the National Audit Office ('NAO') revealed that as of the end of March, the government had purchased around one billion LFT kits, at a total cost of around £3bn. This provides a reasonable indication of scale of the commercial opportunity presented, although pricing might need to become more competitive going forward. Plans reportedly being considered by ministers suggest that such rapid COVID-19 tests may no longer be on a nil-cost basis in the UK after September 2021. LFTs are currently available for free at schools, colleges, pharmacies and official coronavirus testing sites; members of the public can also order a pack containing seven tests per day from the government website. Presentation of a negative test result is a condition of entry for many mass gatherings, including football matches and clubs. Should the government decide to introduce a so-called 'sticker system' to require sectors that are currently receiving publicly funded tests for staff etc. it is likely to result in a greater emphasis on competitive pricing, potentially driving the cost per registered test down below £2 each. Assuming this is the typical individual test cost in 2022 and that Microtox® BT test is priced in line with this, TPI considers the high level of its IP protection plus first mover advantage should substantially dissuade copy-cat competitors. Based on scale operation, Microtox® BT should therefore be capable of returning gross margins in excess of 75%.

Skin Trust Club ('STC')

DeepVerge recently launched the Skin Trust Club Artificial Intelligence Skincare App ('the STC App') and Home Test Kit that provide simple, at-home skin microbiome testing for personalised skincare and skin health tracking. This introduces something new and genuinely innovative to a major consumer sector that otherwise appears bereft of ideas. It also represents the Group's first move away from purely business-to-business ('B2B') transactions to also include business-to-consumer ('B2C'). It operates on the basis of a self-administered skin swab and allows the participant to conduct each stage of the test without direct interaction. STC's DNA Test generates a report that consumers can use to design and manage a personalised skincare regime. Scientific analysis of individual skin attributes provides information to create hundreds of different product combinations to suit an individual's unique skin microbiome. In turn, this will enable the building of a large data repository to allow AI predictive modelling of skin conditions and the effect of direct application of certain ingredients.

On 26 April, the STC App went live on iOS. This followed the successful completion of 2,000 Alpha skin tests, with exceptional customer interest forcing the Beta test to be limited to 5,000 individuals. The App Store is also expected to start offering the download through Android in the UK and Ireland in August 2021. Appointment of a Tier 1 international marketing group to oversee the brand's roll-out should follow this coming September/October which will see the product offered in multiple countries before the end of 2021. Working with Labskin, the STC offers individuals a unique, customised skincare routine derived from laboratory-based analysis of their microbiome, which is comprehensively analysed in the light of the individual's existing conditions and real-time information derived from their geographical surroundings, etc. A 95% conversion rate of pre-registration participants highlights desire from a broad range of customers who are dissatisfied with their existing treatments, seeking instead a scientifically-based approach to skin maintenance through a personalised skincare routine, rather than being forced to rely on guesswork as they have in the past.

Based on a prospectively high-margin, largely automated subscription service, users are able to regularly track changes in their skin health that result from application of the App's recommended non-franchised products and treatments. Recognising the added-value and customer loyalty such a personal, agnostic service has potential to generate, major cosmetics and healthcare companies, dermatologists, beauty salons, pharmacists and major high street chains could recommend the service or even adopt a white labelled version of the App as part of their own bespoke customer solution, through which they would then be able to offer suitable products from their branded ranges.

International roll-out supported by attractive economics

Largely an automated online information and laboratory feedback service that is vended direct to the consumer, the STC is expected to enjoy high gross margins once reasonable user scale has been achieved. Home test kits are being sold on the basis of either a 2-test plan (providing 3 months of analysis) or a 4-test plan (9 months). Processing 20,000 tests/month therefore requires 5,000 sales/month, given introductory pricing for the STC based on two different formats: One £85 test kit for a 'Spot Check' where the user undertakes one test immediately, followed by the second £85 test kit three months after, (total £170) having followed the recommended daily regime (including application of suggested products). Alternatively, 'Skin Tracker' is based on a 1-year subscription (at £300) for supply of one home test kit every three months. On this basis, 20,000 STC home test

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kits/month will generate between £1.5m and £1.7m (or £18m and £20m in a rolling 12 months). The Group's target is the sale of 20,000/month by end-December 2021, with the marketing team focussed on the Christmas gift season as a major advertising feature in early promotion. Recent expansion of the Group's York laboratories is available to accommodate anticipated near-term demand.

A US launch is planned for early next year, in partnership with a local operator who currently supplies the STC with items included in the home-test-kit in tandem with the Group completing a scheduled upgrade of its existing US laboratories. Management see potential to exceed 20,000 home-test-kits sales/month in US alone by end of 2022. Asian markets will also be targeted, which is expected to start with China in H2 2022. This is expected to enable the Group build-out a major, comprehensive database covering all skin types/conditions through which AI can contribute predictive modelling to complete the users' understanding.

Building a complete picture of an individual's skin microbiome

The Skin Trust App builds a complete picture of an individual's skin microbiome and the impact of their local surroundings on skin health. DeepVerge can make this possible because its wholly-owned Labskin produces the only commercially available full-thickness 3D human skin equivalent that incorporates biological components vital to model normal skin function in real-world environments. Through its highly scalable and robust genome sequencing database, which is supported by proprietary software and AI, the Company already partners with 50 of the world's largest cosmetic and skincare companies.

Users of the App must first return elementary swap samples to the Club, using its regulatory compliant microbiome test kit. The individual's microbiome then undergoes laboratory assessment, incorporating also their metadata (age, health, diet, medications, etc.), plus information regarding any specific condition (medical or otherwise) that the customer may suffer/have suffered from along with details of any existing product usage. The Skin Trust App then incorporates real-time forecast local air pollution and weather data which sometimes can have a significant influence on skin health, in order to build a more complete picture of how this may be affecting their microbiome. Skin Trust Analysis includes:

- Microbiome identification and quantification of living organisms (bacteria, viruses, bacteriophages, fungi, parasites, etc.) on the skin;
- Skin gene expression analysis to quantify the biological activity of living organisms on the skin;
- Analysis of metabolites in the skin sample; and
- Personal genetic analysis – analyse genomic data to understand potential skin concerns and future risks but does not analyse genes to identify inherited diseases.

The Club's subscription model then allows participants to dynamically track their skin health over time, measuring the impact of specific changes to their routine and application of recommended products. AI analysis and modelling utilising a 'data lake' that is now being built is then reproduced in the form of easily digestible online reports that provide the user with simple access to key findings (such as the mix of dominant microbes, etc.) and index score beyond which they can, if desired, dive deeper into the analysis to examine the science behind individual elements, etc. With this, they are provided with various agnostic, non-franchised product suggestions, typically for application as part of their tailored morning and evening routines which are based on the user's skin type category (dry, balanced and oily).

Technology provides opportunity to support clinical trials

Skin diseases are ranked as the fourth most common cause of human illness, resulting in an enormous, mostly non-fatal, individual and social burden. Despite this, many affected people do not consult a physician. Such disorders vary greatly in symptoms and severity and can be temporary or permanent. Some, as recognised by the Skin Trust Club, have situational causes, while others may be genetic. The American Academy of Dermatology Association, for example, has recently published a report that considers acne to be the most common skin condition in the US, affecting c.50m (c.15% of the total population) Americans annually, while it also estimates 10% will develop atopic dermatitis during their lifetime and c.2.5% have psoriasis.

Clinicians have long recognised that conditions such as eczema, acne, psoriasis, dermatitis and rosacea appear to be connected to a lack of diversity in the skin microbiome. Recent studies have shown, for example, that individuals with eczema have a skin microbiome not found in those without. Numerous clinical trials for patients with severe medical conditions have been undertaken over the past forty years, mostly with a view to applying 'good bacteria' to affected skin in order to affect a re-

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balancing of its microbiome. Although initial results have often been sufficiently positive to sponsor continuation of the trails into Phase II and even Phase III, they have almost always been abandoned prior to commercialisation due to their inability to demonstrate significantly consistent results across different patient groups.

Given that that all individuals have highly unique microbiota, and that its reaction/response to the application of different products/medication will be similarly unique, perhaps such an outcome is not that surprising. Should it be possible to vary application of the proposed medication in accordance with spot changes to the patient's microbiome, as determined using the Skin Trust Club App, however, such trails could then potentially vary application (concentration, regularity, etc.) of the proposed medication in order to satisfy the individual's specific needs at that point in time. As such, utilisation of the Skin Trust Club App could potentially become integral to successful application of the individual's long-term treatment.

95% of those individuals that pre-registered to receive STC's sample report and were subsequently notified that the App was free to download decided to take up the offer. This is a clear reflection of a high proportion of individuals who remain unhappy with the underlying condition/appearance of their skin. The scale of the commercial opportunity being presented is clear. In the UK, for example, a 2019 study commissioned by E45 reported that 81% of those surveyed had experienced a skin problem of some type, with more than a quarter (26%) suggesting it resulted in them feeling depressed. Similarly, a New York Post article of 18 February 2020 titled 'Most Americans Admit they are not Comfortable in their Own Skin', revealed 59% of those surveyed considered skin issues were significantly responsible for their general lack of confidence. Indeed, this highlights a concern that is now widely shared across multiple global populations. A subscription service that applies science to provide ongoing, dynamic monitoring and recommendations to help overcome such problems, therefore offers potential to attract a loyal, long-term following. Given Labskin's pre-eminent scientific position and extensively documented history in the sector, having also partnered with most major international cosmetics and healthcare companies, barriers to entrance for competitors seeking to emulate this initiative are particularly high.

Labskin – Sealing its reputation as a leading diagnostics partner

Labskin and Rinocloud provide the laboratory and technology expertise upon which the Group's different initiatives are founded.

Labskin operates as 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. Having collected 14 years of comprehensive data, it has sealed its reputation as a leading diagnostics partner with global partners (including 18 of the top 20 global skincare companies, such as Procter & Gamble, Colgate-Palmolive and Kimberly-Clark) to which new and innovative services are routinely offered. 2021 has seen it sign numerous six-figure annual product testing contracts with framework agreements that stretch for multiple years.

Supported by EU regulation that prohibits the sale of any cosmetic product and/or its ingredients that had been tested on *in vivo* skin models across its territory (European Commission, 2014), Labskin provides a unique, highly accurate and economical alternative testing method for health & beauty industry and contract research organisations. Labskin, the trading name of Innovenn UK Ltd., itself a wholly owned subsidiary of DeepVerge delivers exactly this, in the form of an animal-free human skin microbiology services to support product R&D activities in the cosmetic, personal care, medical device and pharmaceutical sectors. Its model is based on a 3D human skin equivalent that incorporates vital biological components to model normal and diseased skin functions. The division's virtual clinical trials through remote collection of human volunteers' skin microbiome, provide an ideal solution for laboratory-controlled testing of advanced skin models. Supported by AI, continued expansion of Labskin's microbiome data bank will further improve the accuracy and reliability of virtual product testing being fed back to clients, thereby eliminating the need for early human trials and/or repeat error testing. This provides customers with greater economy while also speeding time to market.

Results for the year to end-December 2020

Final results released on 30 June 2021 detailed total 2020 revenue £6.650 million. Including pre-acquisition Modern Water sales, this represented an increase of 553% from 2019's £1.017 million. Consolidated Group revenue amounted to £4.483 million (2019: £0.823 million).

EBITDA losses before exceptional items reduced by 19% to £0.859 million (2019: £1.055 million). Strong Q4 2020 sales were sufficient to deliver the Group's first EBITDA profitable quarter (excluding exceptional costs associated with the acquisition of Modern Water). Administrative costs increased to £4.561million (2019: £2.973 million) primarily due to the acquisition of Modern Water and Labskin's operational expansion. Operating losses amounted to £2.718 million (2019: £2.371 million) after providing for depreciation of £0.172 million (2019: £0.101 million), amortisation of £0.941 million (2019: £0.442 million), impairment of intangible assets £nil (2019: £0.241 million and impairment of investments of £0.354 million (2019: £nil). Exceptional costs of £0.391million (2019: £0.532 million) related to one-off transaction expenses from the £13.315 million all-share acquisition of Modern Water plc during the period.

Valuation

TPI's updated assessment of DeepVerge suggests an equity value of £204.3 million which, based on a current 215.2 million ordinary shares in issue indicates a new price target of 94.7p (compared with an equity value of £140.6m arrived at in a previous report of 11 January 2021, suggesting a target of 84.8p).

Based on the expectation that DeepVerge will fulfil the growth strategy that has been outlined in this report, TPI has extrapolated an estimated free cash flow projection beyond that implied by the Group's own revenue projection of £10m for the current year to December 2021. For the year to end-2022E, TPI's estimate of 129% revenue growth, assumes continued expansion of the Group's existing core operations (Labskin, Modern Water) plus some modest take-up of at least one of the major international initiatives considered in this report. Prudently, revenue growth of just 33% and 22% for the two following years has been assumed, although it is clear that in the event of international demand being received on a scale envisaged by the Board for even part of its product portfolio, has potential to quite dramatically reset overall expectations. With existing core operations continuing to regularly receive contractual demand/enquiries operational visibility appears to have improved substantially over the past year, while numerous innovative product developments have also substantially advanced beyond concept into advanced field testing, clinical trials and customer marketing (including those designed to satisfy new regulatory requirements in a post-Pandemic environment), it is not considered appropriate to apply a further 'probability of success' discount factor to the gross DCF calculation.

TPI's modelling indicates DeepVerge's gross margins move from the 41% achieved in 2020 to a level of around 61% by 2024E, by which time an operating margin of c.29% is being achieved through sales primarily of laboratory tech, monitoring and AI services. This projection is based on organic expansion plus limited initial take up of at one of least one of the Group's 'big ticket' initiatives being apparent in 2022, without considering further opportunities that might be created through its Board's ambitious buy-and-build acquisition strategy. Modest additional scale benefits have also been factored into the cost assumptions along with a rising corporation tax obligation. TPI's valuation in this report is now based solely on its DCF modelling, having abandoned its previously applied peer group comparison due to the unique nature and mix of DeepVerge's businesses and its innovative approach.

Key assumptions of DCF assessment

Given the uncertainty entailed in the inclusion of some limited revenues from at least one of its major new product initiatives when compiling a discounted cashflow valuation for DeepVerge, TPI has chosen to slightly increase the discount factor applied to 10% (7% was assumed in its previous assessment of 11 January 2021), while retaining the same conservative terminal growth rate ('TGR') of 3% beyond 2030. Adopting this, TPI has tapered its detailed annual cash flow growth rate projections, from 2025 to 35% for through the five following years down to just 5% in 2030, whereafter 3% has been assumed. Such caution identifies appreciable risk that its business plan might not secure anticipated market traction over the coming years should other major sector players move rapidly to emulate the Group's offering, potentially even loss-leading to capture customers with a broader ambition of securing this longer-term data analysis opportunities.

TPI's valuation does account for the Group's present balance sheet strength (including access to loan facilities) and assumes its operations become significantly cash generative from 2022E onward, beyond which it should have sufficient cash resource/facility to fulfil the Board's wider ambitions through its proposed 'buy-and-build' acquisition programme. Given its recent successful £10 million (gross) equity, TPI considers the Group is now sufficiently resourced to continue development of its existing operations, while also taking advantage of the commercial opportunity available through Modern Water's enlarged international footprint plus scope to service a range of the new global market opportunities that will be created in the post-Pandemic environment.

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DeepVerge plc – DCF Summary Valuation Table*

Year to December (£'000)	2020A	2021F	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	4,483	10,500	24,000	32,000	39,000						
EBITDA (post-exceptionals)	-859	250	6,190	9,580	13,400						
Operating profit (loss)	-2,717	-2,550	5,090	7,980	11,350						
Total comprehensive income	-2,685	-2,600	4,740	7,330	10,600						
Group net cash (debt)	(491)	6,891	10,731	16,461	24,811						
Free cash flow	248	5,900	3,990	5,930	8,550	11,543	14,428	17,314	19,911	21,504	22,579
Discounted free cash flow *Discount Rate= 10.0% TGR=3.0%*	248	5,364	3,298	4,455	5,840	7,167	8,144	8,885	9,289	9,120	8,705
Cumulative DCF	70,266										
PV of residual growth	128,090										
Starting net cash (debt)	5,900										
Value of equity	**£204,255**										

A=Actual, F= Group forecast, E=TPI estimate   *Source: DeepVerge, TPI estimates*

*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.

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DeepVerge plc - Projected Income Statement (2019A – 2024E)

Income Statement** (Year-end Dec) £'000	2019A	2020F	2021F	2022E	2023E	2024E
Revenue	823	4,483	10,500	24,000	32,000	39,000
Cost of sales	-221	-2,639	-4,450	-10,010	-13,020	-15,200
Gross profit (loss)	602	1,844	6,050	13,990	18,980	23,800
Admin.	-1,657	-2,703	-5,800	-7,800	-9,400	-10,400
Exceptional items	-532	-391	0	0	-100	-100
Operating profit (loss)	-2,371	-2,717	-2,550	5,090	7,980	11,350
Finance income	10	0	150	150	200	600
Finance (expense)	-36	-183	-300	-300	-150	-150
Profit (loss) before tax	-2,397	-2,900	-2,700	4,940	8,030	11,800
Taxation rebate (payment)	126	182	400	-200	-700	-1200
Loss from discontinued operations	6	0	0	0	0	0
Profit (loss) after tax	-2,265	-2,718	-2,300	4,740	7,330	10,600
Foreign exchange arising	-8	33	0	0	0	0
Total comprehensive income (loss)	-2,273	-2,685	-2,300	4,740	7,330	10,600
Basic EPS (p)	-0.28	-2.09	-0.98	1.86	2.67	3.59
Average no of shares	807,395,734*	128,715,344	235,000,000	255,000,000	275,000,000	295,000,000

*pre-share consolidation   **Modern Water plc consolidated from 9 November 2020   Source: DeepVerge, TPI estimates
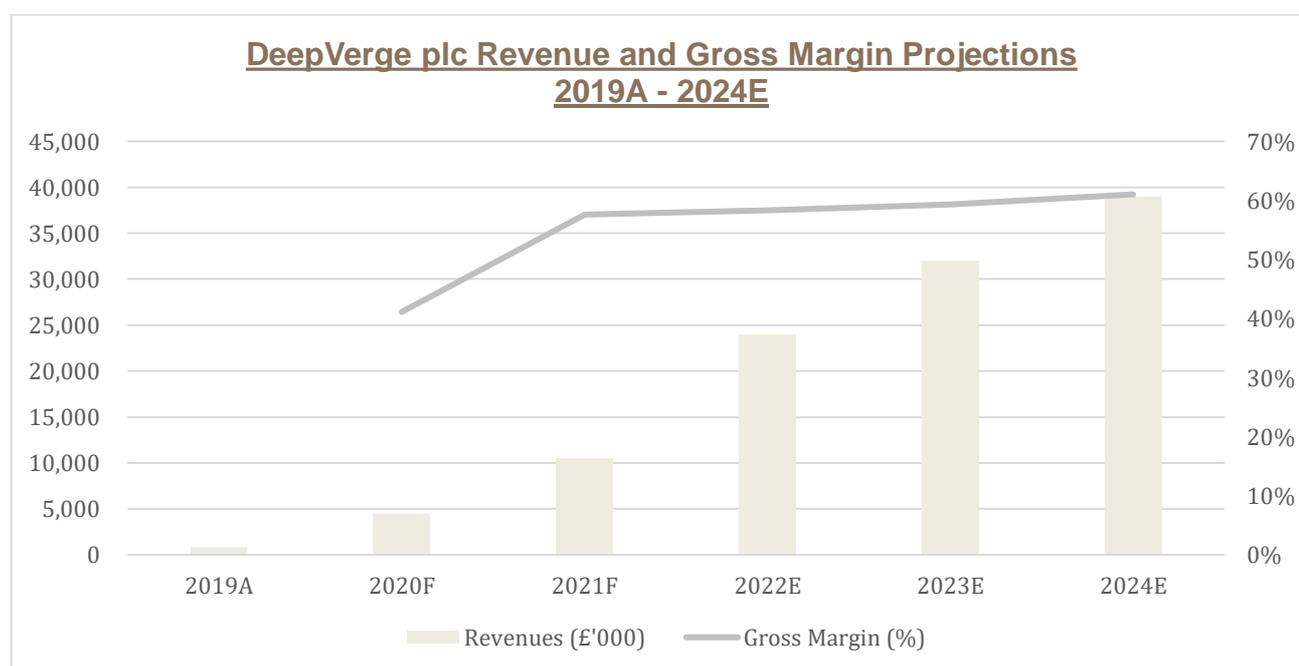
DeepVerge plc Revenue and Gross Margin Projections 2019A - 2024E
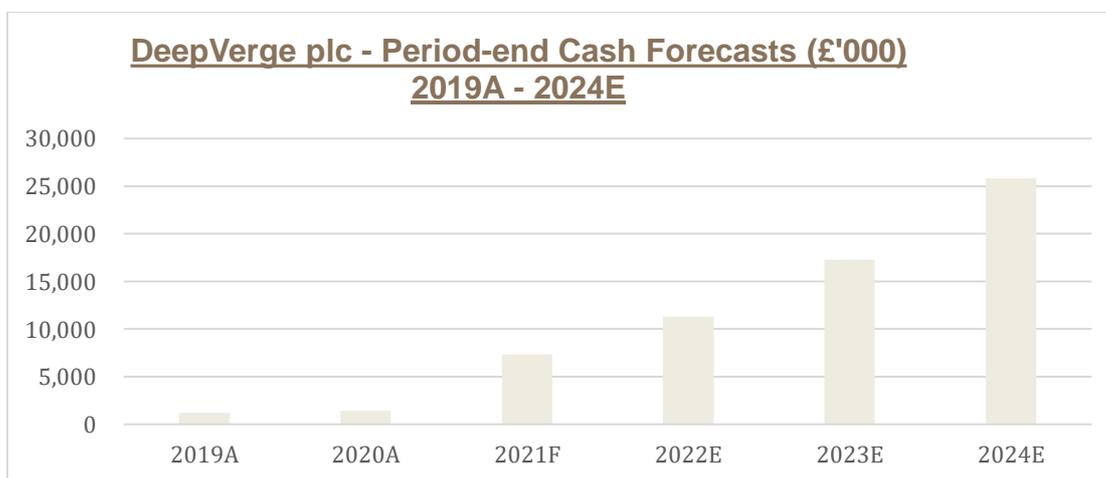
Source: DeepVerge, TPI estimates

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.

DeepVerge plc - Projected Cash Flow Statement (2019A – 2024E)

Cash Flow** (Year-end Dec) £'000	2019A	2020F	2021F	2022E	2023E	2024E
Profit after tax	-2,265	-2,718	-2,300	4,740	7,330	10,600
Depreciation	101	172	1,250	500	700	1,000
Amortisation	442	941	1,550	600	800	950
Change in inventories	37	100	400	200	200	200
Change in trade receivables	-100	-200	-800	-800	-1,100	-2,000
Change in creditors	200	-603	100	250	300	350
Taxation	-126	-182	-400	200	700	1,200
Cash generated from operations	-2,275	-2,207	200	6,090	9,230	12,600
Interest received (paid)	-26	-180	-150	-150	50	450
Net cash used in operations	-2,185	-2,205	450	5,740	8,580	11,850
Purchase of PPE	-138	-296	-2,500	-1,450	-2,500	-2,600
Purchases of intangible assets	-213	-488	-2,000	-1,300	-1,300	-1,800
Net cash used in investing activities	-329	-45	-3,800	-2,050	-3,000	-3,600
Proceeds from issuance of shares	3,961	1,328	10,700	300	300	300
Net cash from financing activities	3,681	2,498	9,250	300	350	300
Net change in cash	1,167	248	5,900	3,990	5,930	8,550
Cash at beginning of the year	26	1,193	1,441	7,341	11,331	17,261
Cash at the end of the year	1,193	1,441	7,341	11,331	17,261	25,811

Modern Water plc consolidated from 9 November 2020   *Source: DeepVerge, TPI estimates*

DeepVerge plc - Period-end Cash Forecasts (£'000) 2019A - 2024E
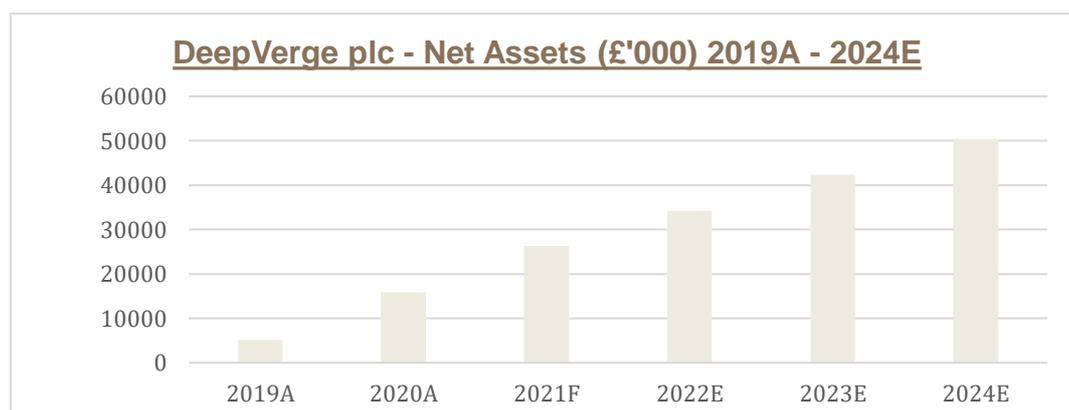
Source: DeepVerge, TPI estimates

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.

DeepVerge plc - Projected Balance Sheet (2019A – 2024E)

Balance Sheet** (Year-end Dec) £'000	2019A	2020F	2021F	2022E	2023E	2024E
Property, plant and equipment	471	874	3,500	4,600	6,800	5,600
Intangible assets	3,654	18,241	17,900	16,500	16,000	15,500
Other investments	1,211	923	1,200	1,000	1,000	1,000
Total non-current assets	5,336	20,038	22,600	22,100	23,800	22,100
Inventories	85	1,347	1,550	2,000	2,500	3,000
Trade receivables	549	1,448	1,900	2,248	3,000	4,248
Cash and cash equivalents	1,193	1,441	7,341	11,331	17,261	25,811
Total current assets	1,827	4,236	10,791	15,579	22,761	33,059
Total assets	7,163	24,274	33,391	37,679	46,561	55,159
Overdraft/lease liabilities	284	1,613	400	600	800	1,000
Trade payables	693	2,667	2,900	2,500	3,000	3,500
Deferred tax liabilities	61	328	400	200	200	200
Total current liabilities	1,038	4,608	3,700	3,300	4,000	4,700
Deferred tax liabilities	902	3,162	3,300	200	200	200
Loans	135	583	50	0	0	0
Total non-current liabilities	1,037	3,745	3,350	200	200	200
Total liabilities	2,075	8,353	7,050	3,500	4,200	4,900
Net assets	5,088	15,921	26,341	34,179	42,361	50,259

*Modern Water plc consolidated from 9 November 2020   *Source: DeepVerge, TPI estimates*

DeepVerge plc - Net Assets (£'000) 2019A - 2024E

Source: DeepVerge, TPI estimates

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