

Stock Data

Share Price:	0.22p
Market Cap:	£13.4m
Shares in issue:	6,076m
52 week high/low:	0.70p/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](http://www.microsaic.com)

5-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 Systems plc

Further to the Heads-of-Terms announced on 9 August 2021, Microsaic has confirmed its signing of an agreement ('the Agreement') with Jiangsu Henzhihe Technologies Co. Ltd. ('HZH'), to provide services including product manufacturing, integration and operation of a service centre in support of distribution and prospective OEM partnerships in China. Remaining on track to secure a China medical device licence in 2022, the Group is now developing a local capability with Chinese partners for the mass production of its miniaturised mass spectrometry ('MS') instruments, with a view to maximising available margin through reduced costs while broadening its marketing reach. Targeting annual sales of up to 100 units for each therapeutic drug monitoring sector over the next two to three years, with further opportunity in other analytical areas, HZH has confirmed it can meet the prospective demand requirements for both China and the rest of the world.

### Therapeutic drug monitoring – A giant but underserved global market

Microsaic's miniaturised mass spectrometers offer unique capabilities of significant interest across a range of different Chinese markets. In particular there appears to be high potential in clinical and bioprocessing applications where real-time, point-of-need data for patient treatment is extremely important, but generally is found to be served in a less than satisfactory manner by currently available product.

The global therapeutic drug monitoring ('TDM') market size is estimated to reach US\$3.17 billion by 2025 and is poised to grow at a CAGR of 6.6% during the forecast period 2020-2025, according to research group IndustryARC. TPI estimates that the overall opportunity in China alone could represent in excess of 15% of the global market going forward.

Typically, TDM is segmented across a number of different drug types, including antiepileptic, antibiotic, immunosuppressant, antiarrhythmic, bronchodilator, psychoactive agents, etc, as well as other minor healthcare solutions. Clinicians are routinely required to monitor drug pharmacodynamics by directly measuring the physiological indices of therapeutic responses, such as lipid concentrations, blood glucose, blood pressure, and clotting. To date, for many drugs either no measure of effect is readily available, or equipment utilised is insufficiently sensitive or not available in a timely manner, something that can be resolved by utilising the Group's MiDas™ compact sampling interface through automated sampling, dilution and injection for direct mass spectrometer analysis.

### Working with Jiangsu Henzhihe Technologies Co. Ltd.

HZH is a recently incorporated entity whose directors have a long history of working with MS in China and manufacturing other analytical devices, including active pharmaceutical ingredients ('API'). It is an OEM provider of analytical solutions which includes hardware, such as high-performance liquid chromatography ('HPLC'), Mass Spectrometers, sample preparation devices etc., software and application development. It addresses markets ranging from environmental and food testing to pharmaceutical analysis, as well as clinical diagnostic analysis and has relationships with large analytical instrumentation and pharmaceutical companies, etc. HZH and Microsaic will collaborate with distribution partners to access and service other substantial growth opportunities in China.

Production in China of the Group's MS hospital diagnostic monitoring equipment is expected to commence before the end of this year to support its (presently unnamed) Chinese Distributor through local production and service, something which appears to be a pre-requisite to securing a medical license in the country. As such, the Agreement further establishes a local presence for Microsaic, accelerating its growth opportunity across China. With an addressable hospital market that was estimated in 2019 to comprise 33,000 separate facilities having 7.9 million beds (or 1 bed per c.1000 population), having the ability to scale local production for MS TDM and maintain supply with a high-quality service capability is essential.

### **China based production of Microsaic equipment to commence in 2021**

The non-binding HoT signed with an unnamed distributor ('the Distributor') announced on 4 May 2021, describes an in-principal agreement for the parties to collaborate in the supply and marketing of the Group's micro-engineered MS technology for use within a POC medical device monitoring system for hospital diagnostics in the Chinese market. Microsaic expects to secure the requisite Chinese medical device licence in 2022 through which, having now secured a local production capability, it will undertake product testing and validation for regulatory approval. Further details are expected in due course.

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 Distributor, 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.

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

2021 started well for Microsaic, with first quarter revenues rising strongly from a low base. Beyond this, 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 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 2021, Microsaic now appears to be sufficiently resourced to capture the global market opportunities for its technologies that it and its partners have identified.

**(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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