

**Stock Data**

Share Price:	16.50p
Market Cap:	£11.89m*
Shares in issue:	72.06m*
52-week high/low:	15.00p/25.10p

\*Post Admission of first and second tranches of Consideration shares plus Subscription shares

**Company Profile**

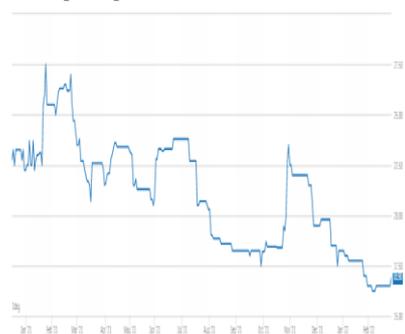
Sector:	Financial Services
Ticker:	IIG
Exchange:	AIM

**Activities**

Intuitive Investments Group plc ('Intuitive', 'IIG', 'the Group') is a recently established closed-end investing company that seeks to provide investors with exposure to a portfolio concentrating on fast growing and/or high potential Life Sciences businesses operating predominantly in the UK, continental Europe and the US, in order to generate capital growth over the long term for shareholders.

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

**Share price performance since Admission\***



\*AIM Admission took place on 14 December 2020  
Source: [LSE](http://LSE)

Past performance is not an indication of future performance.

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# Intuitive Investments Group

The COVID-19 Pandemic, has brought the need for disinfection and hygiene products & services in to sharp focus. But demand for such services goes much wider than COVID-19. Pre-lockdown hospital acquired infection, for example amounted to 48,000 cases in 2017. the heightened application of disinfection and hygiene products & services witnessed over the past two years is therefore likely to be sustained or even expanded going forward. Recognising the scale of the international opportunity being presented within this highly fragmented sector, together with the need for increasingly sophisticated/simple-to-use technologies, IIG has announced its acquisition of the entire share capital of Touchless Innovations Limited ('TI'). Immediately prior to this corporate action, TI acquired the business and assets of Sanoserv International Franchising Limited ('Sanoserv'). This is a franchise business whereby sales volume and market share can be increased significantly with little capital investment. In conjunction with Friday's announcement, IIG also confirms the appointments of a new Non-Executive Chairman for the Group and a new Chairman of its Investment Committee. Demonstrating their confidence in this investment, the Board has also participated in a Subscription of new IIG ordinary shares priced at 22p each (representing a premium of 33.3% to the closing mid-market of 16.5p on 24 February 2022) that will raise a total of £607,000 gross in support of existing investments.

## Investment in Touchless Innovations

The entire issued share capital of TI has been acquired by IIG through the issue of 28,863,636 new ordinary shares to TI shareholders, along with a cash investment of £1 million into the Company, bringing the total value of the consideration to c.£7.35 million, based on the 22p Subscription price. The 'Consideration Shares' will be issued in two tranches; the first comprises 22,589,352 shares (which are expected to be Admitted on the 4<sup>th</sup> March 2022); the second comprises the balance, which is subject to IIG being granted a waiver by the UK Panel on Takeover and Mergers for the requirement of the vendor shareholders to make a general offer under Rule 9 of the Takeover Code to be approved by an ordinary resolution (at a general meeting) of IIG's independent shareholders (the 'Whitewash'). Having successfully built the Company from scratch, TI's CEO, Stuart White, clearly comes with strong credentials.

IIG's £1 million cash investment in TI comprises a £550,000 subscription for new ordinary shares in TI prior to the acquisition and a cash payment of £450,000 for existing ordinary shares in TI. Alongside existing cash in TI, this cash injection will be used for the initial cash consideration for the acquisition of the business and assets of Sanoserv. These assets include various items of equipment, master franchise agreements in various country territories, intellectual property, including brands and trademarks, and the entire share capital of two US entities. The consideration for the acquisition of the business and assets of Sanoserv breaks down as follows:

- £2 million in cash and 5% of the issued share capital of TI paid on completion ('Completion');
- £900,000 of deferred consideration payable six months from Completion; and
- An earn out of 30% of US profits for the three years from Completion.

For the eleven months to 30 November 2021, Sanoserv had revenue of €183,000, gross profits of €131,000 and EBITDA of €74,000. Being a franchise business, sales volume and market share can be increased significantly with very limited capital investment. Moreover, Stuart White, who will be executing on this strategy, has aligned his interests

with shareholders by leaving c.£1.45 million of cash in TI as part of the initial consideration for Sanoserv. TI will not be consolidated as an IIG subsidiary, but instead be held at fair value on its balance sheet with any revaluation being shown through its profit or loss in accordance with IFRS 9 'Financial Instrument'.

### Existing revenues and profits

Touchless Innovations wholly owns Touch-Less Hygiene UK Limited (together the 'Touchless Group' or 'TG') which was incorporated in April 2005 also by Stuart White. TG's unaudited management accounts for the year ended 31 May 2021 produced revenue of £3.5 million, pre-tax profits of £1.12 million and, as at 31 May 2021, comprised net assets of £1.0 million (including £1.0 million of cash). For the seven months to 31 December 2021, the Group had revenue of £2.0 million, pre-tax profits of £628,000 and, as at end-December 2021, held net assets of £1.54 million (including £1.37 million of cash).

### Core disinfection & hygiene services technologies

TG is an established franchise business providing disinfection and hygiene services, primarily through its core technology of spraying and fogging. TG has entered into a master franchise for the UK with Sanoserv International Franchising Ltd., a Maltese registered company. Sanoserv offers an international disinfection and decontamination franchise opportunity, using a revolutionary complete touch-less disinfection technology under the name of Sanondaf UK ('Sanondaf'). Sanondaf has earned its reputation of being an infection and control specialist service provider, by delivering a medical grade dry disinfectant fog, which is capable of rapidly eliminating surface contamination, airborne infections and eradicates 99.99% of all known bacteria, mould, fungus and viruses, including amongst others scarlet fever, slap-cheek, influenza, H1N1, E-coli, Norovirus, Salmonella and Hand-Foot-&-Mouth. Sanondaf also disinfects by using an electrostatic process targeted at areas which can be difficult to access. This technology wraps around and clings on any object for complete disinfection and can be used both indoors and outdoors. The process is environmentally friendly, guarantees a total area coverage whilst being non-corrosive and non-toxic.

TG in turn has entered into a number of regional franchise agreements with a number of franchisees. Both directly and through its franchisees, TG's customers operate in a wide range of sectors ranging across healthcare, transport, government, oil & gas etc. and include organisations such as the NHS, Network Rail, and various marine, life sciences and energy companies. The large and expanding global surface disinfectant market addressed by TI was valued at US\$4.54 billion in 2020 and is expected to expand at a compound annual growth rate ('CAGR') of 7.7% from 2021 to 2028 according to Grand View Research.

### Key Products - A leader in touchless technology

Sanondaf is a leader in touchless disinfection and decontamination services. It utilises three unique forms of advanced technology and tailors its approach to each job to ensure maximum efficacy is achieved and that treatments are applied safely, in a manner and time suited to the needs of its clients. Its two key products for disinfection and a patented disinfection solution are as follows:



#### Sanofog - Fogging Disinfection

A medical grade Fogging Device developed around a heating and ionising turbine that sprays the disinfectant liquid transforming it into a dry fog. The droplets fill the room and are drawn into every nook, crevice and corner, reaching surfaces that regular manual cleaning and disinfecting cannot access. The Sanofog assures a homogeneous distribution of disinfectant on all surfaces of a defined space, reducing the risk of cross-contamination of infectious diseases associated with using manual cleaning methods. It is safe for use around all electronic equipment.



#### SanoStatic- Surface Disinfection

This Electrostatic Device we use is an electrostatic spray disinfectant system featuring a sprayer nozzle that adds an electrostatic negative charge to the disinfecting solution. The resulting disinfectant is super attracted to surfaces and it actually surrounds and clings to the surface it touches.

*Source: Sanondaf*

### SanoChem - Patented Solution

This patented solution is a highly effective disinfectant which eliminates almost all harmful germs and bacteria, including unicellular and multicellular eukaryotes. Capable of eradicating 99.99% of such elements, without causing any harm to humans, plants, animals or the surfaces it treats, Sanochem has been proven to effectively eradicate over 280 pathogens including MRSA, C-Diff, E-Coli, Norovirus, H1N1 and H5N1 (flu viruses). The disinfectant solution is a stabilised Hydrogen Peroxide (H<sub>2</sub>O<sub>2</sub>) and Silver (Ag) which, upon application, breaks into water (H<sub>2</sub>O) and oxygen (O). The product is a completely biodegradable, non-corrosive cleaning solution and, as a dry spray, leaves no residue. It is an approved hospital grade disinfectant, safe for use in operating theatres and also approved by the Civil Aviation Safety Authority ('CASA'). SanoChem solution is manufactured to ISO9001/13485 standards.

### Offering a distinct competitive advantage

Sanondaf is a leader in touchless disinfection and decontamination services. It offers expertise covering containment rooms, sealed containers, instruments & equipment across all surfaces. Such processes are provided through its infection prevention and control ('IPC') teams can be used to decontaminate biological safety cabinets, fume cupboards, cold rooms and freezers, as well as in ventilation/air handling units. They are, for example, currently used by a number of NHS Trusts, including Greater Glasgow and Clyde, Lothians, Forth Valley, Fife, Dumfries and Galloway. One case study details a project where 400 rooms received a hydrogen peroxide vapour ('HPV') treatment in acute care. Sanondaf's offering provides a number of distinct competitive advantages:

- Reduces disinfecting time as the process takes only a few minutes to cover an entire room/area.
- Spaces of up to 20,000m<sup>3</sup> can be successfully treated in a single application and can be applied in areas where bleach, steam cleaning etc. cannot.
- Offers a more cost-effective solution than traditional disinfecting processes and methods.
- Poses no harm to humans or animals and is non- allergenic while also effectively eliminating undesired odours.
- Being effectively dry, it can be used on electronics and in lower concentrations than other HPV competitor products.

### Competitive positioning

Sanondaf UK addresses many sectors and also offer a specialist division providing disinfection and decontamination services to healthcare and science sectors. A rapid response time to site of six hours from call-out is available, providing services for emergencies or when urgent decontamination is required due to equipment failure or servicing:

#### Sanondaf's Target Sectors

<ul style="list-style-type: none"> <li>• Assisted Care Facilities</li> <li>• Veterinary Hospitals</li> <li>• Schools and universities</li> <li>• Children's nurseries</li> <li>• Transportation</li> </ul>	<ul style="list-style-type: none"> <li>• Gym and fitness Centres</li> <li>• Office and work environments</li> <li>• Hotel accommodation providers</li> <li>• Restaurant catering industry</li> <li>• Farming and fisheries</li> </ul>
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Source: Sanondaf

#### Selected International Competition in the Decontamination and Hygiene Sectors

Selected Sector Competitor	Franchise Model	Industry Breadth	Dry Fogging	Electrostatic Spray	Turnaround Time
<b>Sanondaf</b>	✓	✓	✓	✓	✓
Ecolab (NYSE: ECL)		✓	✓		
Steris plc (NYSE: STE)		✓	✓		
React plc (AIM: REAT)		✓		✓	
Northern Decont. Solutions (Private)			✓		
Ecocleen (Private)	✓		✓	✓	

Source: TPI

## Global opportunity only now being recognised

The Pandemic dramatically highlighted an already urgent global need for heightened decontamination/sanitisation amongst international populations. After more than two years of contagion, in excess of 10 billion vaccination jabs and some 6 million recorded fatalities, the coronavirus (along with multiple mutations) finally appears to have begun a gradual transition to endemic status. While the direct human symptoms of the continuing condition are ultimately likely to be relegated to that of, say, influenza or a cold, governments worldwide not surprisingly call for significant ongoing containment while creating rapid early reaction teams/facilities to permit immediate response to the future emergence of any such viral infection. The scale of this long-term opportunity, which ultimately is likely to be subject to regulatory oversight, is only now being recognised. In this respect, prospective winners in what will undoubtedly be a highly competitive market environment, are likely to be those that can incorporate technology into their offering in order to simplify and accelerate a comprehensive, warranted one-stop service.

IIG Investment Team first became aware of Sanondaf some eight years ago, when it undertook clean room sanitation for the then AIM-quoted Collagen Solutions plc, where David Evans and Stewart White (no relation to Dr Stewart White) were Chairman and CEO respectively. The business opportunity then recognised for its leading-edge technological equipment and process, of course not only multiplied significantly but also became much more highly defined due to the emergence of COVID-19. Confidence in the prospective opportunity along with strong shareholder alignment, is being demonstrated through IIG's Board's subscription of c.£432,000 value (of the total £607,000 gross Subscription proceeds) at a 33.3% premium to the closing mid-market price on 24 February 2022. Stuart White, the largest vendor shareholder demonstrates similarly by choosing to leave c.£1 million of cash in TI; he will also retain shares in TI sufficient to ensure his issues capital participation in IIG remains below 29.9%. The subsequent Whitewash circular to IIG's shareholders is to be posted and general meeting convened within the next six months after which time, should the Whitewash have not occurred for whatever reason and, if permitted under IIG's Investing Policy's investment restrictions, if requested by Stuart White, the ordinary shares in Touchless Innovations will be purchased by IIG for cash on the same terms as the initial purchase.

## Valuation - IIG's implied cost of investment around just 6x the combined pre-tax profit

Based on annualised numbers for both TI and SF to end-December 2021, the combined business produced revenues of c.£3.62 million and pre-tax profits of c.£1.24 million. Assuming a total acquisition consideration of £7.35 million (based on the 22p subscription price), this suggests IIG paid slightly under 6x pre-tax multiple for the businesses, which compares well with, for example, AIM-quoted REACT Group plc (AIM: REAT), which delivered an underlying pre-tax profit of £767,000 for its year-end September 2021. Based on REACT's market capitalisation of £10.29 million (as of 23 February 2022), its shares were trading on a adj. pre-tax multiple in excess of 13.4x and 12.9x EV/adj. EBITDA, which represents a multiple of more than twice that now being paid by IIG for the enlarged TI. Moreover, TPI considers that TI has both a superior business model and product offering.

## Appointment of Non-Executive Chairman and Chairman of the Investment Committee

David Evans, Chairman of IIG noted in his Group's first RNS release on Friday that, as part of the next stage of IIG's journey, it was his intention to commit to supporting its existing portfolio to help crystallize value over the medium term. In particular, he noted his intention to work with Dr Stewart White and his team to successfully execute the business plan, necessitating his standing down as Chairman.

Julian Baines, MBE will become the IIG's Non-Executive Chairman and member of the Remuneration Committee with immediate effect. David Evans, the current Executive Chairman of IIG, will continue to be Chairman of the Investment Committee, which also has Robert Naylor and Dr Stewart White as its members. David will also step down from the Board. Dr Stewart White will also remain Chair of the Group's Advisory Panel.

Julian was previously Chief Executive Officer and is now Non-Executive Chairman of EKF Diagnostics Holdings plc ('EKF'). During his tenure at EKF, he has successfully completed multiple fundraisings and the acquisition and subsequent integration of eight businesses in seven countries, building revenue from zero to over £40 million. Prior to joining EKF, Julian was group chief executive officer of BBI Holdings plc, where he undertook a management buyout in 2000, steered its AIM flotation in 2004 and was responsible for selling the business to Alere, Inc. (now part of Abbott Laboratories) in 2008 for approximately £85 million.

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