

**Stock Data**

Share Price:	13.90p
Target Price	94.71p
Market Cap:	£30.54m
Shares in issue:	219.71m
52 week intraday high/low:	70.0p/11.5p

**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](http://www.deepverge.com)

**Share price chart since 25 March 2017**



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

Past performance is not an indication of future performance.

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TPI acts as sole broker to DeepVerge plc.

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## DeepVerge plc

DeepVerge has announced the signing of a Memorandum of Understanding ('MoU') with Abingdon Health plc ('Abingdon', AIM: ABDX), which is expected to lead to a commercial agreement for development and manufacture of a range of Lateral Flow Tests ('LFTs') for the Group's Environmental Health and Life Science divisions. Management's ambition is to integrate and digitise this analogue data into Modern Water's hand-held test device for residential households, thereby potentially playing a key role in the identification of localised hotspots beyond SARS-CoV-2 through diagnosis of existing and prospective ranges of other hazardous pathogens in domestic drinking and wastewater. Today's release also confirmed a further extension of Skin Trust Club's Medical and Wellness testing to include hormone analysis, stress and vitamin D levels, along with numerous other significant health markers.

(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.)

### Hand-held Modern Water test device for households

LFTs comprise analogue devices that offer potential to add an extra layer of detection to Modern Water's range of equipment and services, by providing diagnostic capabilities at the household level through the technology's incorporation into a hand-held mobile unit.

Abingdon is well known for its high-quality lateral flow rapid test development and manufacturing services. It works with clients globally across different industries, including healthcare, animal health, environmental and agri-food, taking tests from concept through to routine lateral flow manufacture or transfer-in of standard operating procedures that enables quick and accurate scale-up of production. Its wide range of diagnostic services extend through COVID-19, nucleic acid and antibody detection, while its UK facilities provide significant production capacity.

Driven by growing demand for mobile diagnostics, in 2020 Abingdon launched a new proprietary reader technology, AppDx™, that enables a smartphone's cameras and connectivity to create a self-sufficient standalone lateral flow reader. In so doing, it digitally captures lab-quality rapid test results data that can then be quickly and securely shared through data silos and connected stakeholders. As such, Modern Water's collaboration with Abingdon offers potential to play a key role in the rapid source identification within localised hotspots across a range of pathogens in domestic drinking and wastewater. Relevant authorities can then be alerted through Modern Water's Live Alert System, in order to contain the outbreak through targeted intervention with a view to preventing the infection's spread to the wider community.

DeepVerge and the Abingdon expect their collaboration to result in them entering a longer-term commercial agreement, whereby Abingdon will take responsibility for manufacturing and DeepVerge for commercialising any new products through its production, sales, marketing and distribution channel partners around the world. Future developments for water testing that are complementary to Modern Water's current portfolio include the Pepper Mottle Mosaic Virusi ('PMMoV') as a potential marker for human faecal matter in water, and an automated multiplexing project designed to bring Influenza A, Influenza B, Cryptosporidium, Polio etc. into the testing format required for a hand-held device.

## The key terms of the (non-binding) MoU

The MoU has been signed to enable the potential integration of the respective technologies of both DeepVerge and Abingdon technology platforms. The key terms are as follows:

- Signing of a commercial agreement anticipated by the end of April 2022;
- End Products covering (i) transfer of some of the current Modern Water assays into LFT format; (ii) developments for water testing and (iii) wellness testing to complement the Skin Trust Club test portfolio;
- Abingdon shall grant to DeepVerge a non-exclusive, royalty bearing, non-assignable sub-licensable irrevocable, worldwide licence to use the Abingdon technology for the purpose of using the Materials as a component in the End Products only;
- The Company shall pay single digit percentage royalties to be agreed on Net Sales of the End Product.

## Extending Skin Trust Club's test portfolio

Following the confirmation of 17 March 2022 in which Skin Trust Club was immediately planning to increase the genome sequencing footprint at its North American head office in New Castle, Delaware, today it has also announced an extension to its range Medical and Wellness testing. Complementing the existing portfolio, this now includes hormone analysis (menopause and the skin changes during this time), stress levels (cortisol), vitamin D (and possibly other vitamins in order to recommend specific supplements), and other health markers such as for diabetes, heart and liver function.

## Recognising the scale of the opportunities now being presented

DeepVerge's recent record of delivering triple digit annual revenue growth is set to be sustained in 2022. The new year is now starting to witness a step-change in both international need and longer-term demand for Modern Water's unrivalled pathogen testing equipment. In tandem with this, Group receipts continue to grow rapidly as processing capacity for Skin Trust Club's home test kits expands in response to surging demand, while Microtox BT's regulatory tests and joint venture negotiations with China Resources remain ongoing. Recognising the scale of the opportunities being presented and in expectation of further significant news releases in coming months, TPI retains its ambitious 2022 forecasts for DeepVerge along with a DCF-based valuation, which suggests the shares presently trade at less than 6x its 2022E EBITDA multiple while implying a share price target of 94.7p.

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