

Stock Data

Share Price:	12.00p
Target Price	94.71p
Market Cap:	£26.37m
Shares in issue:	219.71m
52 week intraday high/low:	70.0p/11.5p

Company Profile

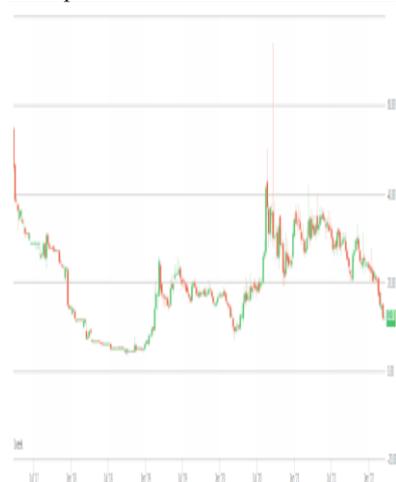
Sector:	Healthcare
Ticker:	DVRG
Exchange:	AIM

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

Share price chart since 25 March 2017



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

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

Barry Gibb
Research Analyst

TPI acts as sole broker to DeepVerge plc.

Attention is drawn to the disclaimers and risk warnings at the end of this document.

Retail clients (as defined by the rules of the FCA) must not rely on this document.

DeepVerge plc

DeepVerge has announced that the first six installations of Modern Water's post-Pandemic Microtox[®]PD wastewater pathogen detection system have been deployed to various sites in the UK, as part of the Environmental Monitoring for Health Protection ('EMHP') programme. A team from the Group's 100%-owned subsidiary are also working with the Joint Biosecurity Centre, part of NHS Test & Trace service, to trial a national system of 'sentinel' sewage works that are designed to act as an early warning system to identify spikes of the most common variants of the SARS-CoV-2 virus. Wastewater surveillance testing presently takes place at c.470 sites across England between four and seven times per week, targeting the existence of a range of viruses and chemicals that are potentially hazardous to public health. The UK Health Security Agency's stated post-Pandemic requirement, however, is for the development of locally deployed monitoring sensors that provide real-time wastewater-based epidemiology ('WBE') as a service, a capability that is uniquely available through Modern Water's proven technologies which offer unrivalled, networked and AI-driven early-warning detection. Indeed, the fact that the Agency sees fit to present an image of Modern Water's onsite equipment within its recent publications, 'Wastewater monitoring during and after a pandemic', suggests Microtox[®]PD may already be part of its preferred solution.

(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.)

Microtox[®]PD – A unique ideal solution for an urgent global requirement

As part of the EMHP programme, Microtox[®]PD has demonstrated its ability to continuously monitor wastewater for identification of local concentrations of SARS-CoV-2, while also detecting the presence of variants of concern ('VOC')/variants under investigation ('VUI') through genomic sequencing. The information captured is used to build a range of datasets for comparative analysis to ensure the health & safety of local and regional populations. Following the first six installations, additional UK units are expected to be deployed in the coming months to rigorously prove their capability.

Such extensive use of Microtox[®]PD will ensure aggregated data is available for other regional, national and ultimately the global utilities/regulators in their search for rigorously tested and innovative ways to improve their populations' overall health & safety outcome amid endemic and/or pandemic conditions. Given that the UK is recognised internationally for its ability to benchmark the most effective technology/process in such circumstances, the Agency's prospective recommendation that Microtox[®]PD should form part of its national solution, would provide DeepVerge with an ideal platform from which to commercialise its unique COVID-19 virus/multiplex detection systems around the world.

Although the 470 sites across England that the EMHP is presently testing enables surveillance monitoring of c.70% of the population, TPI estimates that comprehensive UK coverage is more likely to demand installation in up to 15% of the total c.9000 sewage treatment works that process c.11 billion litres of wastewater each day. An average facility is estimated to require between 6 and 8 units, which are likely to be provided on the basis of a long-term 'lease-and-upgrade' arrangement, that would include regular service charges for continuous connection to the Group's network (including Rinocloud's artificial technology ('AI') that enables projection of prevalence/trend from the wastewater signal), along with allocation of high-margin consumables, etc.

UK Health Security Agency - Perspectives from the EMHP Programme 2022 Presentation Extract (Slide 10)

Post Pandemic Sensors – Integrated Solution

Collaboration between previous trial operatives to integrate developed technologies to produce an end to end (sampling to data out put) automated solution

A solution that integrates previously disparate steps of the sample to data pipeline and localises them on-site

A reduction in results turnaround time

A tool that could be used to enable a sentinel style WBE approach to be deployed at the National Infrastructure level

Improved calibration of in-field equipment



10 Environmental Monitoring for Health Protection

Source: [UK Health Security Agency](#)

The automated, real-time Microtox[®]PD detection systems screen for dangerous pathogens, such as bacteria and infectious viruses including SARS-CoV-2, PMMoV, Influenza A, Influenza B and Polio in wastewater, plus E.coli in drinking water, on a single chip, using AI, in real-time. The data collected is then fed into a computer and AI is used to predict where public health bodies should target their resources to contain any outbreaks. The Aptamer Group plc (AIM: APTA) provided their Optimiser[®] binding agents on the chip to capture the pathogens and Microsaic Systems plc (AIM: MSYS) has partnered with DeepVerge in the development and validation of Microtox[®]PD's innovative detection system.

DeepVerge – Ensuring it has the technical and financial resources to commence volume production

Connected with today's news, on 17 March 2022 DeepVerge announced both the purchase of Glanaco Limited ('Glanaco') and the arrangement of a £25 million mezzanine loan facility. The cash and shares acquisition of Glanaco, a private engineering services company, for £1.1 million (comprising of £0.65m equity and £0.43m cash), is expected to bring in-house all processes required for the development of a new generation of Microtox[®]PD systems, ranging through testing, commissioning and production.

In tandem with this, the Group also arranged a £25 million mezzanine loan to support continued rapid growth in Group revenues, which have successively doubled in each of the past three years. Seemingly anticipating significant prospective demand for Microtox[®]PD from one or more national utility this facility has, amongst other things, been put in place to deliver cost savings and increase control, while mitigating risk of supply-chain bottlenecks that might otherwise be considered a possible barrier to securing demand from both national and international buyers seeking similar delivery schedules. This of course recognises that it is not just the UK regulator that is expected to demand its utilities install semi-permanent nationwide early-warning detection systems capable of identifying the emergence of localised viral conditions, but also similar bodies throughout Europe as well as multiple other developed nations. In this respect, the actions taken by DeepVerge appear to pre-empt Modern Water's preparation for volume production in anticipation of satisfying a possible spike in demand later this year.

Glanaco - Enabling rapid deployment of Modern Water technologies

Glanaco presently has nine employees and occupied premises covering 6,000 square metres in Cork, Ireland. The Company designs, manufactures, assembles, and distributes mechanical and electronic products in sensor and detection, remote monitoring

and robotic extension solutions. It serves partners and customers in a range of sectors including local authorities, utilities, oil and gas, mining, data centres and construction across the EU, UK and US.

Glanaco has been a collaboration partner and contractor in the production, assembly and testing of Modern Water's Microtox®PD equipment since August 2021, when it became part of DeepVerge's €2.8 million expansion programme which was supported by a €750,000 grant from Irish state funding body, Enterprise Ireland. This engineering expertise, scalable manufacturing capacity and logistics facility in Cork, Ireland, along with existing long term supply chain partners across the world, allows the Modern Water division of DeepVerge to accelerate production expansion in Europe.

In taking all Microtox®PD operations in-house and combining facilities with the existing DeepVerge technology centre of excellence in Fermoy, Cork, Ireland with support from the Group's laboratory facilities in York, UK, this acquisition has been designed to support continued innovation while enabling rapid deployment of Modern Water's pathogen detection and identification solutions across Europe, the US, India and China.

In the year ended 31 December 2020, the most recent year for which accounts have been filed, Glanaco Limited posted profits before tax of £214,731 on turnover of £1.101 million. At 31 December 2020 it had net assets of £339,978. Its unaudited accounts for the year ended 31 December 2021 show profits before tax of £218,315 on turnover of £1.362 million, and net assets at the period end of £524,255.

Proposed utilisation of the £25 million, 3-year mezzanine loan facility

On 17 March 2022, DeepVerge secured a £25m mezzanine loan facility available for 3 years through Riverfort Global Opportunities PCC Limited and YA II PN Limited (together 'the Lenders'). Structured for flexible draw down based on an interest rate of 1% per month on outstanding funds, the loans are convertible (on the Lenders' discretion) at a 40.8% premium (the 'Fixed Premium Placing Price') to a 5-day volume weighted average price ('VWAP') prior to the date of each draw down. The notes are intended to be used to fuel momentum across all divisions of the Group, with an initial £4 million draw down ('Initial Advance') on 16 March 2022 being utilised for:

1. The cash element of the Glanaco acquisition;
2. Expansion of manufacturing capacity and laboratory space in the US for the Skin Trust Club; and to
3. Maintain the growth trajectory of equipment production and build on the increasing demand the Group is experiencing for its products and services across all divisions.

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 expand 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 has retained its ambitious 2022 forecasts for DeepVerge along with a DCF-based valuation, which presently trades at less than 6x its 2022E EBITDA multiple, that implies a share price target of 94.7p.

(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.)

THIS DOCUMENT IS NOT FOR PUBLICATION, DISTRIBUTION OR TRANSMISSION INTO THE UNITED STATES OF AMERICA, JAPAN, CANADA OR AUSTRALIA.

Conflicts

This is a non-independent marketing communication under the rules of the Financial Conduct Authority (“FCA”). The analyst who has prepared this report is aware that Turner Pope Investments (TPI) Limited (“TPI”) has a relationship with the company covered in this report. Accordingly, the report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing by TPI or its clients ahead of the dissemination of investment research.

TPI manages its conflicts in accordance with its conflict management policy. For example, TPI may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to TPI that is not reflected in this document. TPI may have acted upon or used research recommendations before they have been published.

Risk Warnings

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Any opinions expressed in this document are those of TPI’s research analyst. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price.

The value of securities, particularly those of smaller companies, can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of smaller company securities may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results.

AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UK Listing Authority; consequently, AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

Specific disclaimers

TPI acts as sole broker to DeepVerge plc (‘DeepVerge’) which is listed on the AIM Market of the London Stock Exchange (‘AIM’). TPI’s private and institutional clients may hold, subscribe for or buy or sell DeepVerge’s securities.

Opinions and estimates in this document are entirely those of TPI as part of its internal research activity. TPI has no authority whatsoever to make any representation or warranty on behalf of DeepVerge.

General disclaimers

This document, which presents the views of TPI's research analyst, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, express or implied, is given as to their accuracy or completeness. Any opinion reflects TPI's judgement at the date of publication and neither TPI nor any of its directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price. TPI does not undertake to provide updates to any opinions or views expressed in this document. TPI accepts no liability whatsoever

(in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by applicable law).

The information in this document is published solely for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The material contained in the document is general information intended for recipients who understand the risks associated with equity investment in smaller companies. It does not constitute a personal recommendation as defined by the FCA or take into account the particular investment objectives, financial situation or needs of individual investors nor provide any indication as to whether an investment, a course of action or the associated risks are suitable for the recipient.

This document is approved and issued by TPI for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. This document may not be published, distributed or transmitted to persons in the United States of America, Japan, Canada or Australia. This document may not be copied or reproduced or re-distributed to any other person or organisation, in whole or in part, without TPI's prior written consent.

Copyright © 2022 Turner Pope Investments (TPI) Limited, all rights reserved.