

Stock Data

Share Price:	12.25p
Target Price	94.71p
Market Cap:	£26.91m
Shares in issue:	219.71m
52 week intraday high/low:	70.00p/11.25p

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 27 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

Following its signing of a Memorandum of Understanding ('MoU') with Abingdon Health plc ('Abingdon', AIM: ABDX) on 29 March 2022, DeepVerge has announced that its wholly-owned subsidiary, Innovenn UK Limited ('Innovenn') has entered a Testing Services Framework Agreement ('the Agreement') with Abingdon for development and manufacture of a range of Lateral Flow Tests ('LFT') for the Modern Water, Labskin and Skin Trust Medical divisions of the Group. Management's ambition is to integrate and digitise available analogue data through hand-held test devices for both professional and residential users, thereby potentially playing a key role in the identification of localised hotspots well beyond SARS-CoV-2 through diagnosis of existing and prospective ranges of other hazardous pathogens in domestic drinking/wastewater, as well as assessment of human wellness conditions. As such, DeepVerge is now focused on upgrading its existing offering through the conversion of multi-step field tests to single-use LFTs. The Agreement provides for development across a number of areas of interest over the coming 12 months, with potential to generate multiple revenue streams throughout Modern Water's 60+ country distribution network and Skin Trust Club's rapidly growing club members in the UK, Ireland and the US from early 2023.

(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.)

Proposed development of a range of LFT units

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

This prospectively long-term collaboration between DeepVerge and Abingdon is expected to result in their 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, for example, 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.

Initial product of development interest for the next 12 months

- 1.Traceable Polymer System:** This comprises a field test kit capable of offering operational insight into the use of polymers as dispersants in cooling water and as traceable scale inhibitors for oil & gas that require methods to measure the excess polymer added as a treatment for each system. The new LFT units offer potential to enable a greater understanding of the water chemistry and the ability to optimise treatment levels, and may ultimately become a standard means by which to prevent over/underdosing.
- 2.Sulfate Reducing Bacteria ('SRB') optimisation:** Used by corrosion engineers to determine the presence of SRB, the current kit format uses multiple sample preparation steps and a colour-change end point. The proposed conversion of this test to LFT accelerates the results by reducing the number of steps compared with tests currently available. The SRB business is currently worth in excess of US\$100k per annum to Modern Water and this easy-to-use upgrade expands the reach into wider corrosion test markets.
- 3.Environmental LFT tests:** 1.7 billion of the world population does not presently have regular access to drinkable water. Increasing regulatory support and legislation for high standard maintenance of food and beverage products, pharmaceuticals and other industries, is expanding the routine application of chemically tested water. Environmental LFT tests offer potential to play an important real-time role in this, with devices expected to include acrylamide, microcystins and algae in their second phase of development.
- 4.Detecting PFAS:** 'Forever Chemicals' (Per- and Polyfluoroalkyl Substances) are an important new area of interest. PFAS has been added to the US Environmental Protection Agency drinking water treatability database, creating the need to make informed decisions about the level of such toxins in drinking water. This creates a very large, longer-term opportunity for LFT single use testing in private homes, hospitals, hotels, pubs, restaurants and food and beverage manufacturing.
- 5.Wellness tests for Skin Trust Club:** Proposed LFTs will include Vitamin D, Cortisol, Menopause, Kidney and Liver function with the potential to extend the test service and product offering, including supplements.

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.

(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.