

Stock Data

Share Price:	0.09p
Market Cap:	£5.72m
Shares in issue:	6,361m
52 week high/low:	0.30p/0.08p

Company Profile

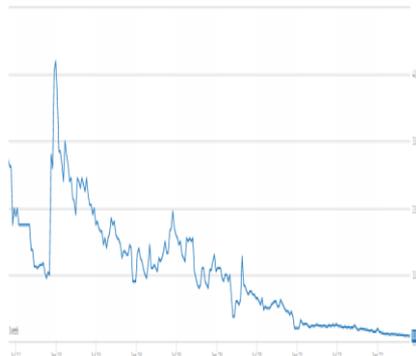
Sector:	Electronic and Electrical Equipment
Ticker:	MSYS
Exchange:	AIM

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

5-year Share price performance



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 Joint Broker to Microsaic Systems 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.

Microsaic Systems plc

Microsaic has announced audited financial results for the year ended 31 December 2021, concurrently releasing its Annual Report & Accounts. Reflecting a period during which the new management began transforming the Group's proprietary equipment-only sales model, to a partner-based one that adds contract micro-engineering design, build and commissioning of client equipment as a core source of revenue, improved momentum witnessed in recent months suggests potential to significantly boost forward prospects. A range of medical, environmental and bio-processing test services are also being facilitated using the Group's proprietary mass spectrometry equipment beyond this for external clients, also presents opportunity to generate further streams of longer-term, recurring revenues. Starting from a low base, total sales for the period more than tripled those reported for FY2021, while also delivering a sharp reduction in Adj. EBITDA losses. Opening with a strong £3.5m net cash position, Microsaic is now primed to deliver a combination of organic growth and joint ventures in the coming year, while management also reviews various opportunities to secure enhancing, bolt-on acquisitions.

Transformation into a partnership-based and services business model

The past year saw Microsaic's new management take a measured approach to market access for its unique, proprietary technologies. While seeking to limit operational expenditure, the business has been refocussed on securing low-risk growth in conjunction with partners and joint ventures. These include DeepVerge plc (AIM: DVRG, 'DeepVerge') in water detection collaborations, and also contract research organisations ('CROs') in bioprocessing, including extension of its Chinese activity with a range of local partners, and via OEM/other strategic collaborations that are presently under discussion. Out-sourced production and in-licensing of AI technologies (to enhance data analysis services) contribute to a reducing in-development costs, while providing capacity and building on the expertise/experience of the Group's highly skilled team of in-house micro-engineering equipment technology specialists.

2021 financial highlights

- Total revenues increased 357% on the previous year to £0.91m (2020: £0.20m);
- Orders exceeded £1m, the largest increase since 2013, with the backlog of £125k of orders at the year-end anticipated to be shipped during 2022 (2020: order backlog: £nil);
- Other operating income of £67k (2020: £97k);
- Operating expenses reduced to £2.50m (2020: £2.73m);
- Adjusted EBITDA loss of £1.77m (2020: £2.17m) (EBITDA before share-based payments and professional fees relating to corporate activities);
- Loss before tax of £3.40m (2020: £2.59m) after providing for:
 - Share-based payments of £1.36m (2020: £52k)
 - Depreciation of £161k (2020: £167k) and amortisation of £38k (2020: £41k);
 - Professional fees of £66k (2020: £149k) relating to corporate activities;
- February 2021: oversubscribed fundraising with gross proceeds of £5.5 million raised; and
- Cash and cash equivalents at 31 December 2021 of £3.46m (2020: £0.40m).

FY2021 revenues of £0.91m, represented a substantial increase on FY2020 (£0.20m) and a recovery to beyond that seen in FY2019 (£0.87m). Orders for the year exceeded £1m, representing an important milestone for the Group. Following the effects of COVID-19

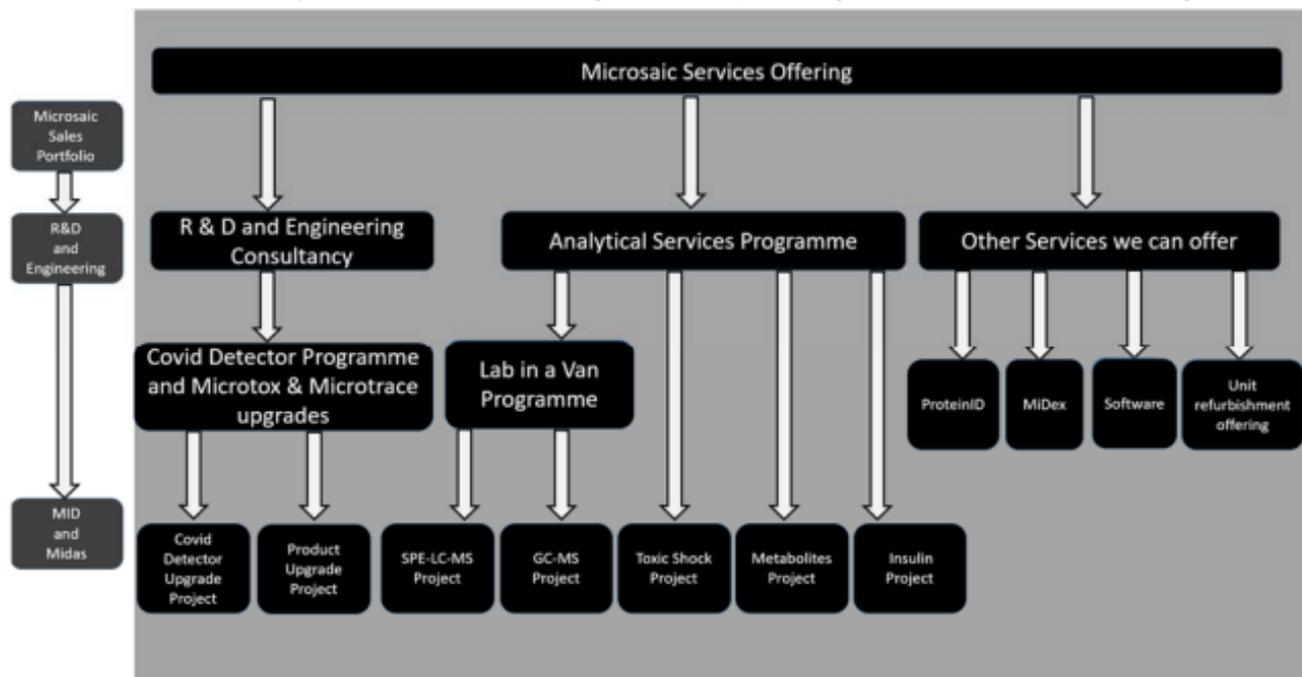
in FY2020, sales in the first half of FY2021 (£0.50m) predominantly comprised demand from the previous year converting to orders, while the second half recorded a strong intake of fresh business, driven in part by newly secured instrument and service activity in the Environmental and Human Health sector. Reflecting primarily global supply chain pressures still hanging over from the Pandemic, the remaining 2021 order backlog is expected to be shipped in the opening months of FY2022, while working to ensure disruption any future related impact remains minimal.

Gross margin for the Group for the period were 44% (FY2020: 50%), falling due to a change in mix, with products averaging 31% (FY2020: 37%) and consumables 63% (FY2020: 56%).

Recognising multiple growth opportunities ahead

Having recognised the limitations of Microsaic's original business plan, the new Board took advantage of a fresh £5.5m (gross) injection of equity funding in order to affect a number of strategic and positioning changes with a view to opening up multiple growth opportunities. As a result, business model has moved on from equipment-only sales (which depend on lengthy sales cycles), to be transformed into a collaborative offering for new products and services with a focus on design, build and commissioning based on a revenue sharing commercial strategy, along with the facilitation of a range of medical, environmental and bio-processing scientific test services that make the Group's proprietary mass spectrometry capabilities available to external clients. Out-sourced production and in-licensing of AI technologies have helped reduce development costs, while offering both capacity and rapid response by working in conjunction with Microsaic's highly experienced team of micro-engineering equipment technology specialists. The Board believes this transition will establish higher levels of end-user engagement, with the shift in the business model already leading to a greater proportion of recurring revenue through workflows, software, and services.

Microsaic Systems plc – Extending the Group's Range of Services and Offering



Abbreviations: SPE - Solid Phase Extraction; LC - Liquid Chromatography; GC - Gas Chromatography; MS - Mass Spectrometry; MiDex - Point of need bioprocessing MS
Source: Microsaic, [2021 AR&A](#)

Partnerships, joint ventures and alliances derived from the new business model have extended the reach of Microsaic's micro-engineering MS equipment/services to now provide surveillance against contaminants and threats for new and existing clients, including partners in the pharma, environmental and life science sectors. The revised strategy of offering such additional services provides the team with opportunity to fully exploit the value inherent in previously ignored high volumes data generated from existing and adapted MS equipment.

AI-driven data analytics offers the Group's distribution partners (in sectors such as environmental and life sciences) additional ongoing shared revenue streams from its CE-marked equipment and consumables. Updated configurations of its MS technology are now included in water monitoring solutions for chemicals and pathogens (including so-called 'forever chemicals', drugs of abuse and pharmaceutical ingredients, as well as SARS-CoV-2) provided by its partner, DeepVerge, which is also opening access to international markets across three continents. Progress was evident with the early signing of a commercial framework agreement in March 2021, which included initial equipment orders, with further demand reported in the following July, October and December. This includes both its work with DeepVerge's wholly-owned subsidiary, Modern Water, which incorporates AI to power analysis for substances such as drugs of abuse and active pharmaceutical ingredients during real-time sewage monitoring, as well as Microsaic's work with Swansea University Medical School that examines the interaction of epigenetics and environmental factors, including pollutants. Anticipating also a long-term increase in the proportion of revenues derived from AI and analytical electronic sensor-based Internet of Things ('IoT'), such prospective revenue streams will be in addition to premium services related to existing operations/support/data analytics, in particular Industry 4.0 smart technology for the bioprocessing industry. Equipment developed in collaboration with partners, can be expected to incorporate a higher level of integration of sensors and analysers to solve specific problems for a range of industries in which the Group's partners already operate.

Predictive services for quality control in real-time are already adding value for existing and new clients coming online to manage their production risk in active pharmaceutical ingredients and/or detection of environmental contaminants. Typical point of need markets and applications include process analytical technology for the manufacture of high value biologic drugs and identification of food contaminants, as well as cannabinoid screening; the capability to provide medical diagnosis at point of care is also at an advanced stage of preparation. Notwithstanding the continuing global uncertainties inherent in managing the current and any possible future pandemic(s), the Board recognises it has not only improved operational visibility for the coming months but also that growth is now on a more solid footing.

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

2022 has started well for Microsaic. With a healthy sales opportunities pipeline in place, the Board is targeting a significant increase in revenues this year, underpinned by scientific services opportunities, particularly in bioprocessing and water markets, while benefitting from extension of the Group's detection platform into Human and Environmental Health real-time monitoring. International market access is now being found through the expansion of existing and prospective partnerships/collaborations, without the need to substantially increment operational expenditure. Although at this time TPI has yet to set a valuation, project forward revenues or set a target share price for Microsaic, it does recognise that this latest update represents a further, important step toward delivering on the promises made back in February 2021, when it successfully completed a £5.5m equity placing and broker option. Having since redirected its business model from an instrument-centric sales focus to a more commercial and collaboratively-based business model centred on customer workflows, providing instrumentation, software, service and analytics to help solve real-world problems, the Group has emerged from the Pandemic as a stronger and more commercially-focused operation. This is something TPI expects to be demonstrated through value retained in its proprietary and unique technologies, improving sales and deepening customer relationships as 2022 progresses.

(Risk warning: Future performance and forecasts are 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 joint broker to Microsaic Systems plc (‘Microsaic’) and sole broker to DeepVerge plc (‘Deepverge’) which are both 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 Microsaic and/or 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 Microsaic or 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.