

**Stock Data**

|                   |              |
|-------------------|--------------|
| Share Price:      | 1.88p        |
| Market Cap:       | £14.30m      |
| Shares in issue:  | 760.46m      |
| 52 week high/low: | 27.50p/1.50p |

**Company Profile**

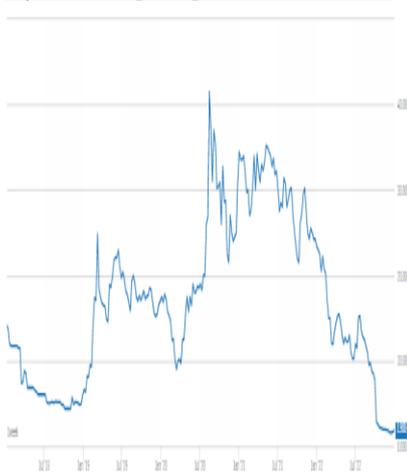
|           |            |
|-----------|------------|
| Sector:   | Healthcare |
| Ticker:   | DVRG       |
| Exchange: | AIM        |

**Activities**

DeepVerge plc ('DeepVerge', 'DVRG', 'the Group') 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)

**5-year share price performance**



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 released a full year 2022 revenue update. Unaudited revenues for the period were c.£17.2m (2021 audited revenue: £9.3m, 2020 audited revenue: £4.4m). Although this was some 5% below the market's consensus expectation of £18m, management notes that this would have been achieved but for a significant element of recently signed contracts that instead will fall into the current year due to supply chain issues. Having plugged the working capital shortfall identified at the end of October 2022 through an oversubscribed £10.82m (gross, incl. Broker Offer) equity placing priced at 2.0p/share, the restructured Board is now reasonably comfortable with the Group balance sheet following repayment of the outstanding Riverfort loan (including interest) and retirement of the facility. Significantly, it went on to note that licence revenues featured strongly in 2022, as operations continued their progression from small and medium-ticket equipment sales toward larger £1m+ data and AI-focused contracts through partners. It also stated that one result of the accelerated restructuring announced on 22 November 2022 will be the separation of its divisions with the intention of creating businesses with clear domain focus, including the personnel and resources necessary to support the growth being experienced and anticipated. Another has been to bring certain key logistical processes in-house to improve service for both customers and partners, while also protecting it from ongoing supply chain shocks. With this in focus, the restructuring is expected to deliver cost savings of up to £2m during 2023.**

### Refocusing DeepVerge's business on tier-one partnerships

The past two years have seen Modern Water, the Group's division focussed on monitoring water and wastewater, building high-value, longer-term customer solutions based on advanced software and data automation that are facilitated through its established range of equipment. Skin Trust Club was developed along similar technological lines, but instead targeting a personalised skincare platform for partners; its offering to corporate customers is supported through a unique skin microbiome database.

Having recognised the potential scale of its global opportunities, the Board has chosen to refocus operations on tier-one partnerships that sell and support DeepVerge solutions in core international markets, where they are either dominant or major participants. Modern Water's business, for example, has become increasingly focused on the developing world with activity including multiple, repeat orders coming from across the Middle East, China, South and Central Asia and North Africa. It is successfully providing regional solutions in territories that are under increasing pressure from pollution and water scarcity. The Group has also secured significant contracts and forward orders from a wide range of government institutions in multiple territories. These include US Government agencies, IARPA, NOAA, and Georgia Port Authority in the United States, where DeepVerge is focusing Labskin, Skin Trust Club and its environmental microbiome sequencing efforts.

### DeepVerge's notable achievements of 2022

In today's announcement, Dr Nigel Burton, DeepVerge's interim CEO, highlighted the Group's major achievements of the past year, as follows:

- Intensifying the focus on bigger ticket, higher value technology and data-based sales;
- Gaining the confidence of partners and their customers to use DeepVerge solutions;
- Putting in place the personnel and resource structures needed to support and develop this type of expanding business; and
- Bedding in reference sites across the globe which showcase solutions that can be delivered to customers.

While recognising the importance of the above points, it is likely that the Board will continue to maintain a relatively low profile at this time, as it endeavours to sustain the Group's strong organic growth trajectory, in tandem with continued cost reduction as operations are moved onto a sustainable long-term footing. Having achieved this, a more comprehensive vision for DeepVerge's future is likely to be presented to investors.

Although DeepVerge has managed to sustain quite dramatic expansion across its three core divisions (that are connected by data analysis, artificial intelligence ('AI') and bacteria science) over the past several years, the financial management of this growth has proven to be the Board's biggest challenge as it attempted to transition from more elementary, lower margin unit sales to higher value-added, longer-term customer solutions with mass market appeal. The restructured Board of Directors has strengthened reporting lines and controls, and intends to introduce additional skills and experience necessary to sustain this ambition. Equipped with this, DeepVerge remains confident that it can continue on its current growth trajectory which, in turn, provides sufficient momentum for it to target becoming cash flow positive in H2 2023.

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