

Stock Data

Share Price:	0.70p
Market Cap:	£5.32m
Shares in issue:	760.46m
52 week high/low:	17.74p/0.70p

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

5-year share price performance



Source: LSE

Past performance is not an indication of future performance.

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DeepVerge plc

Having undertaken a comprehensive review of all of the Group's major work contracts and strictly applied the relevant accounting standard IFRS 15 ('Revenue Recognition from Contracts with Customers'), DeepVerge's new management team now expects full year 2022 revenues to be c.45% to 50% of the £17.2m revenue figure provided by the previous executive management team. It is important to note, however, that the vast majority of this revenue shortfall has not been lost but is now expected to be recognised in 2023, although the Board considers some is unlikely to be realised at all. Whilst further analysis continues, this carry-over adds substantially to Modern Water and Glanaco's current order book that now exceeds £10m, all of which is expected to be deliverable (and recognised as turnover) in 2023 and 2024. The Board also notes that further contracts are being sought and, if tendering is successful, will be announced in due course. DeepVerge's current cash balance of approximately £1m appears sufficient to adequately service the existing workload while the Board continues to tightly manage its working capital. Recognising that reasonable opportunity exists for it to successfully secure certain larger contracts for which it is actively bidding, the Board is already exploring various options to secure additional funding, including from project financing. Building on this immediate growth trajectory, which continues in tandem with ongoing restructuring that is projected to deliver cost savings of up to £2m this financial year, the Group's target of becoming cash flow positive in H2 2023 presently remains intact.

Clean broom – New management confident going forward

The result of a Board change announced on 6 February 2023, and the appointment of a new Chief Financial Officer on 7 February 2023, provided opportunity for the new management team to take a 'clean broom' approach to the Group's accounts. Based on the current available information and analysis to date, a comprehensive review of all major work contracts against which CFO, Andrew Waters, has strictly applied relevant IFRS accounting standards, the Board presently concludes that full year 2022 revenues will likely be in the range of c.£7.75m to £8.60m, compared with the figure of £17.20m provided by the previous executive management team.

Although a detailed ongoing examination of various assumptions and expectations taken from the previous management still holds potential to surprise, given that the majority of the 2022 revenue shortfall is expected to fall into the current period, taking the Group's current order book to in excess of £10m, its target of becoming cash flow positive in H2 2023 remains unchanged.

DeepVerge's key positioning as an environmental and life science group of companies that develops and applies AI and IoT technology to analytical instruments for the analysis and real-time identification of bacteria, virus and toxins in water/wastewater, ideally positions it as a global player in an increasingly regulated post-Pandemic world. The Group's unique product offering opens up significant contract opportunities which are potentially both very 'sticky' and high margin. With tendering underway for a number of such contracts, some of which are of significant scale, the Board expect to make further announcements in due course. Success here could of course provide some near-term strain on the Group's immediate working capital

requirements, for which it is presently exploring various funding options, including trade finance.

Further strengthening of the Board anticipated

As part of the process of strengthening the Board, interim CEO, Nigel Burton, has already noted that a further independent Non-Executive Director is expected to be appointed as soon as practicable.

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