

Stock Data

Share Price:	1.73p
Market Cap:	17.0m
Shares in issue:	977.97m

Company Profile

Sector:	Healthcare
Ticker:	SKIN
Exchange:	AIM

Activities

Vertically integrated test services company focused on developing and commercialising technology and products that scientifically prove the impact of skin care product claims for healthcare, life sciences, clinical research, pharmaceutical and cosmetics industries.

Share price performance



Source: LSE

Past performance is not an indication of future performance.

Turner Pope contact details

Turner Pope Investments (TPI) Ltd
8 Frederick's Place
London
EC2R 8AB

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

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

This is a non-independent marketing communication. The analyst who has prepared this report is aware that TPI has a relationship with the company covered in this report. Accordingly, it 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 ahead of the dissemination of investment research.

TPI acts as joint broker to Integumen PLC.

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

Barney Gray Research analyst
Tel: 0203 657 0050
barney@turnerpope.com

Integumen plc

The acquisition of RinoCloud in April 2019 and recurring revenue from higher margin software services has reduced EBITDA losses compared to the previous period. Operationally, the Labskin business has also added a raft of new contracts including 4 blue-chip clients from the US and EU and six CBD (cannabidiol) test contracts with more in the pipeline. With the wider reorganisation of the company completed prior to the period end, we anticipate that the full impact of the operational and financial progress outlined in these results will be seen starkly in H2 and beyond.

Integumen reported an increase in interim revenue from continuing operations to £346,679 compared to £54,149 in H1 2018. This excludes £178,000 of RinoCloud revenue generated in between January and April 2019 prior to its acquisition by Integumen. The acquisition of RinoCloud for an all share consideration of £3.0m in April 2019 has provided an end-to-end science data management service has already begun to facilitate the efficient automation and scale-up of Labskin AI.

The EBITDA loss shrank from £544,278 in H1 2018 to £370,102 in H1 2019 as the impact of two profitable months from RinoCloud made an immediate impact on group financials. The collective impact of amortisation, depreciation and exceptional items implied a headline loss after tax of £925,063 which was reduced from a loss of £1,291,892 in the comparable interim period.

In April 2019, the company raised £2.52 before expenses, augmented by £0.25m from the exercise of warrants over the interim period. In the same month, Integumen also completed the corporate reorganisation of the business with the disposal of underperforming business Visible Youth Group, debt to equity conversions associated with Venn and Cellulac and the settlement of legacy litigation issues. This has eliminated a raft of future contractual liabilities in excess of £2m and reduced outstanding debt at the end of June 2019.

The Labskin business has been transformed in H1 whereby contract order prices have increased from £1,500-£12,000 in H1 2018 to £35,000-£210,000 in H1 2019. This has been facilitated by four blue-chip client agreements signed for test services on cosmetic products during the period with US and EU customers. Labskin has also signed six CBD test contracts in the period with more in the pipeline which are expected drive recurring revenues over the full year. Integumen's STOER For Men skin products business continues to trade at break even and the division has also come to represent an ideal test bed for 'proof of concept' claims for a range of product claims.

To accommodate the increasing volumes of new Labskin business, Integumen increased its York laboratory by 40% in H1 and will increase capacity by a further 50% in Q3 2019 as part of a £0.4m investment programme in hi-tech equipment.

Post the period end, Integumen has established an expanded Wound pHase CBD development collaboration with Cellulac and a breakthrough Labskin cloning study with human volunteers to test multiple skincare products as reported in our more detailed reports from 29 July 2019 and 5 September 2019 respectively.

Strong progress in H1 coupled with several important post-period milestones, particularly the successful multiple cloning of human volunteers enabling multiple skincare products to be tested simultaneously on the same subject without the attendance of the original human volunteer, bode well for the next 12 months. With four of the top ten cosmetic companies already acquired as clients, a strong pipeline of future business, increased laboratory capacity and a strengthened management team, we are confident of continued strong progress over the next 6-12 months.

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 Integumen plc (“Integumen”) 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 Integumen’s securities.

This document has been produced by TPI independently of Integumen. 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 Integumen.

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 © 2019 Turner Pope Investments (TPI) Limited, all rights reserved.