

# Mercia Asset Management PLC

## 2022 Interim Results

- venture
- private equity
- debt
- proprietary capital

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## A track record of value creation



**Dr Mark Payton**  
Chief Executive Officer

Over 20 years' experience in technology commercialisation and venture investing

PhD in Life Sciences

Co-founder of Mercia

Oxford University Innovation



**Martin Glanfield**  
Chief Financial Officer

Over 20 years' CFO experience of listed and PE-backed technology-led businesses

Former CFO of Forward Group PLC  
KPMG trained chartered accountant

Oversees debt team



**Julian Viggars**  
Chief Investment Officer

Over 20 years' venture capital experience including Blue Prism IPO

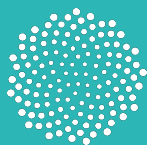
Oversees the investment activity of the Group across venture and private equity

Chartered accountant



# Continued growth and value generation

## Highlights



### Assets under management (AuM)

c. £948m  
(H1 2021: c. £872m)

### Third-party funds under management (FuM)

c. £762m  
(H1 2021: c. £722m)

### Proprietary capital AuM

c. £186m  
(H1 2021: c. £150m)

### Adjusted operating profit\*

£2.4m  
(H1 2021: £1.1m)

### Total AuM liquidity

c. £284m  
(H1 2021: c. £255m)

### Financial

- ↑ 21% revenue\* growth to c. £10m
- ↑ 125% adjusted operating profit\* growth to £2.4m
- ↑ 35% growth in profit after tax to £11.2m
- Strong balance sheet with c. £52m cash and no debt
- 2022 interim dividend of 0.3p/share

### Strategic

- 9 profitable exits across FuM
- Fourth most active venture investor in UK and top investor in the Midlands and the North\*\*
- Team and track record built for organic FuM scale

### Responsible investment

- Responsible Investment Team with ESG principles at its core
- Mercia is focused on diversity and net zero, setting the standard for its investees

\* Excluding the impact of performance fees

\*\* The Deal, Beauhurst (2020)



# Sustainable, growing and financially strong

## Mercia Asset Management



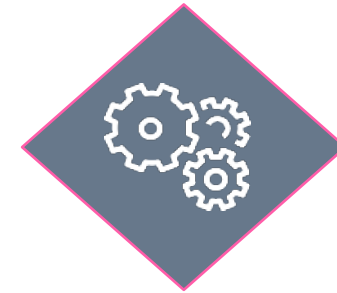
### Find value

1,110 enquiries, 74 deals completed, 38 are new portfolio companies



### Add value

Centralised resource, 9 syndicated deals, 18 NEDs placed, 137 jobs created by regional venture



### Realise value

9 profitable exits in H1 2022

### Addressable market

- SMEs (micro and small cap)
- Predominantly private
- Mercia will invest c.£0.3m to c.£10m
- SMEs with total funding < c.£20m
- Exit enterprise values of c.£20m to c.£200m

### Market penetration

- c.£100m invested per annum or c.5% of addressable market

# Investment model

Flexible financing solutions across the capital structure to help companies develop and grow

## Complete Connected Capital

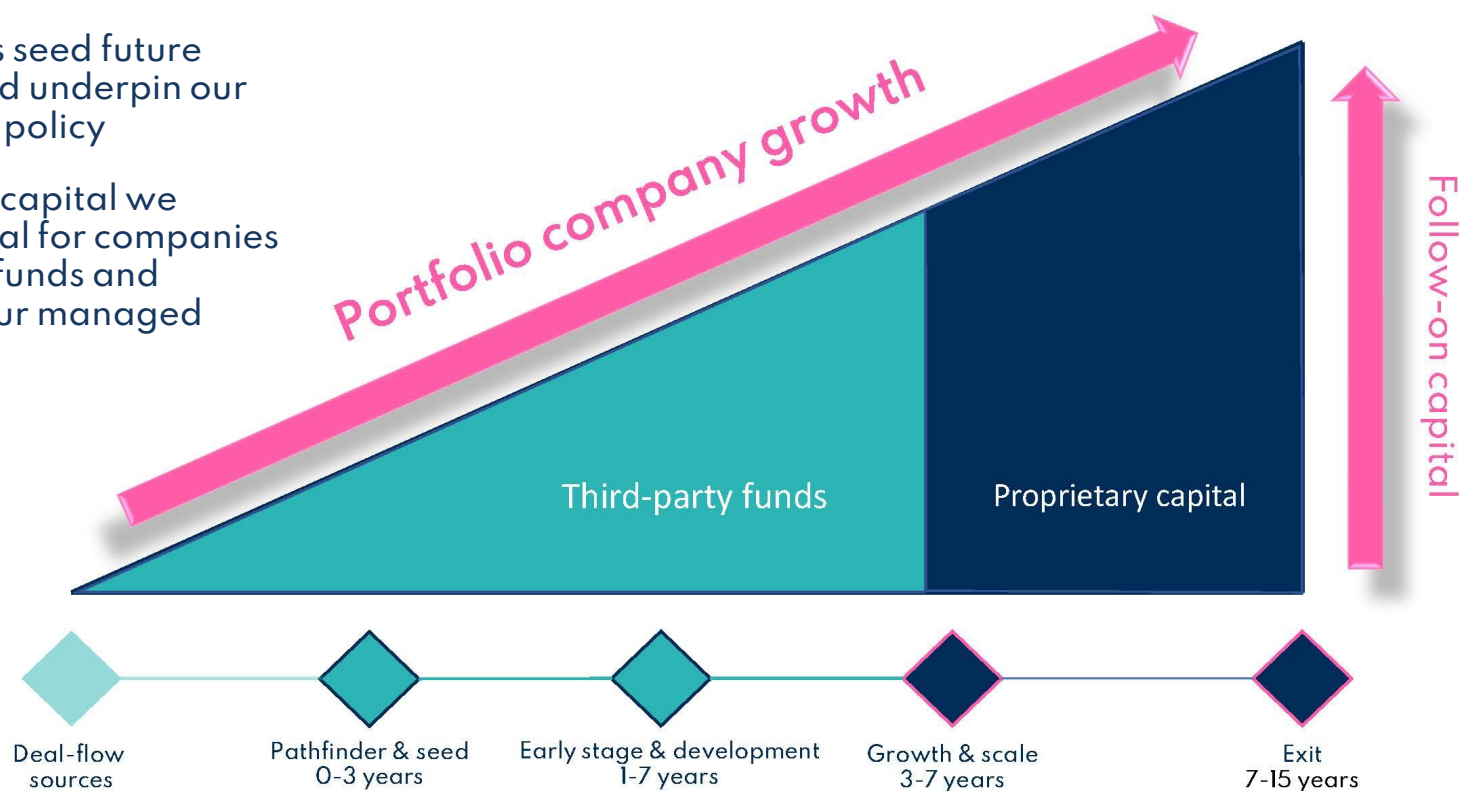
### Venture Capital

- Our third-party funds seed future direct investments and underpin our progressive dividend policy
- With our proprietary capital we provide growth capital for companies from our third-party funds and selectively invest in our managed funds

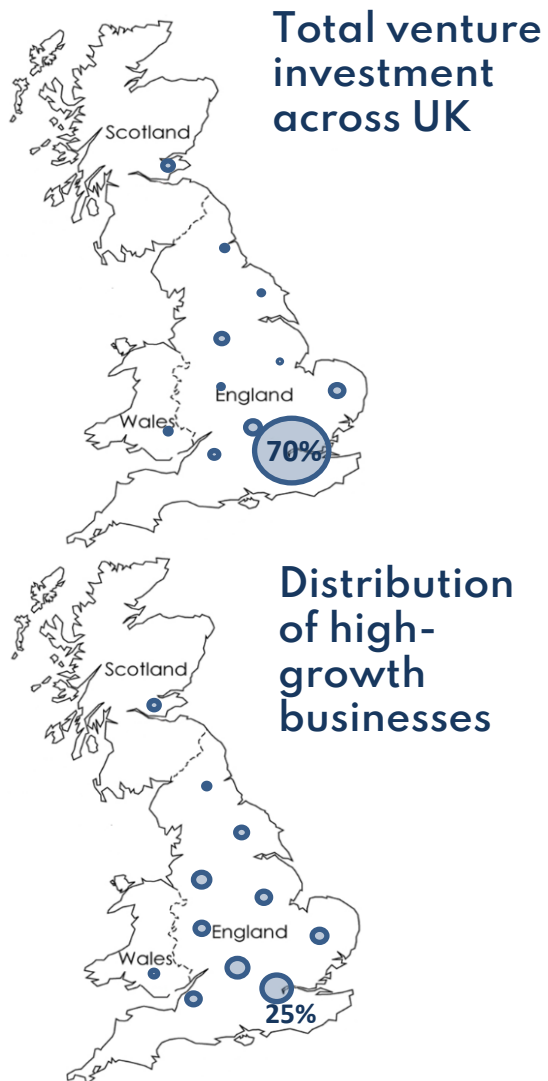
### Private Equity

### Debt

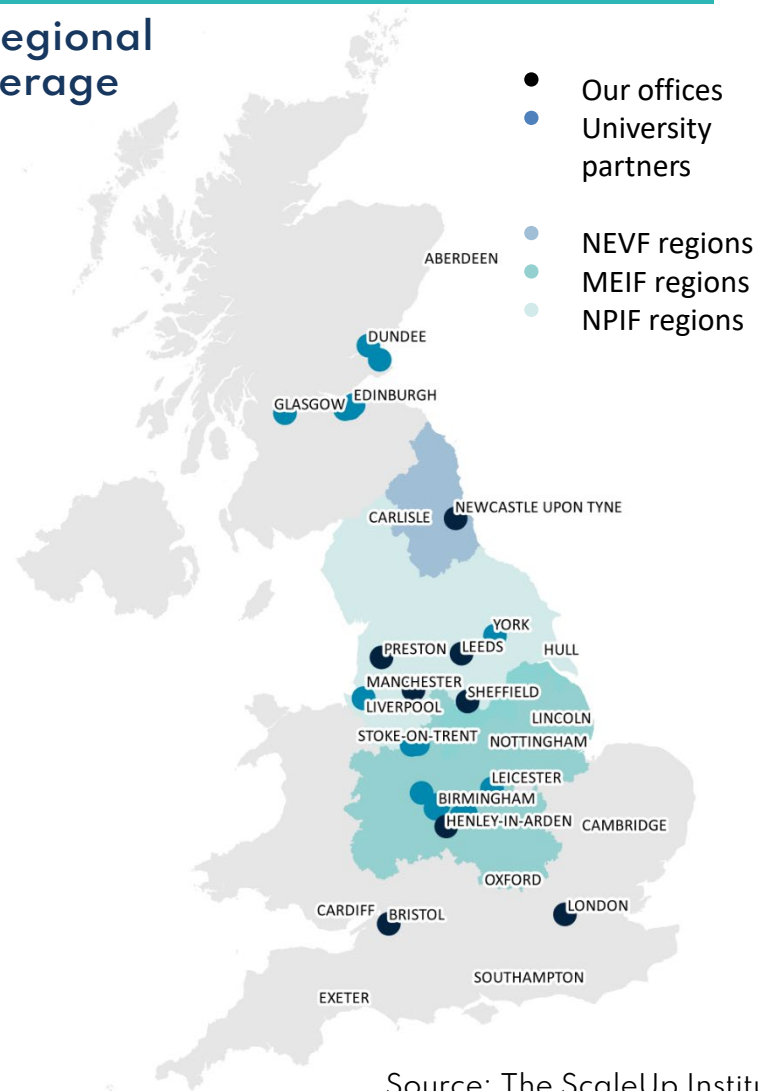
### Scale-up



# Our market



## Our regional coverage

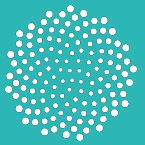


- Active secondary, IPO and trade sale market for Mercia investees

Source: The ScaleUp Institute & Beauhurst (2020), Tech Nation (2020)

# Pillars of Mercia's 20:20 vision

## Three-year objectives



Grow AuM on average by 20% per annum over the next 3 years

- Organic: c.50% of AuM to date through organic growth
- M&A: two successful acquisitions over 7 years has doubled AuM
- Balance sheet portfolio grown at c.14% IRR since IPO

£60m PBT over 3 years, on average £20m per annum

- Proprietary capital:
  - Optimal portfolio size of 30
  - Move to later-stage investments, co-investing with the Northern VCTs
  - 3-7 years typical holding period
  - Continue disciplined approach to direct investment portfolio management to achieve target returns
- Attractive long-term recurring fund management fee income
- Portfolio resource provides value-add capabilities to drive portfolio growth
- Focused on enabling technologies within Life Sciences, Deep Tech, Software and Digital Entertainment





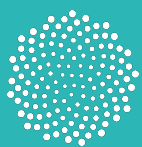
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## Financial review

# Summarised results

## Financial information



- Revenue\* increased 20.7% to £10.1m (H1 2021: £8.4m)
- Adjusted operating profit\* increased 125.0% £2.4m (H1 2021: £1.1m)
- Net performance fees £1.6m (H1 2021: £nil)
- Profit after tax increased 35.2% £11.2m (H1 2021: £8.2m)
- Net assets £186.4m (H1 2021: £149.9m; FY 2021: £176.0m)
- Net assets per share 42.4 pence (H1 2021: 34.1 pence; FY 2021: 40.0 pence)
- Cash and short-term liquidity investments £52.1m (H1 2021: £24.9m; FY 2021: £54.7m); no debt
- Interim dividend 0.3 pence per share, £1.3m (H1 2021: 0.1 pence per share, £0.4m)

\* Excluding the impact of performance fees

# AuM movements

Asset class	AuM 1 April 2021 £'m	Net fund flows £'m	Distributions £'m	Performance £'m	AuM 30 Sept 2021 £'m
Venture	600	11	(36)	26	601
Private equity	54	-	-	(1)	53
Debt	110	-	(2)	-	108
Total FuM	764	11	(38)	25	762
Proprietary capital	176	-	(1)	11	186
Total AuM	940	11	(39)	36	948

- One EIS fund raised in the period and an additional fund allocation by BBB
- Venture, debt and propriety capital distributions to investors
- Performance driven by VCT and direct investment portfolio fair value increases

# Consolidated statement of comprehensive income

For the six months ended 30 September 2021

	Unaudited Six months ended 30 September 2021 £'000	Unaudited Six months ended 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000	
<b>Revenue</b>	<b>12,696</b>	<b>8,362</b>	<b>23,410</b>	
Administrative expenses	(9,082)	(7,429)	(16,554)	
Realised gains on disposal of investments	-	1,704	20,251	
Fair value movements in investments	8,708	6,730	10,088	• Fair value movement +29.4%
Share-based payments charge	(573)	(182)	(543)	
Amortisation of intangible assets	(1,017)	(1,167)	(2,317)	
Movement in fair value of deferred consideration	-	-	(365)	
<b>Operating profit</b>	<b>10,732</b>	<b>8,018</b>	<b>33,970</b>	• Operating profit +33.8%
Finance income	238	18	68	
Finance expense	(8)	(9)	(20)	
<b>Profit before taxation</b>	<b>10,962</b>	<b>8,027</b>	<b>34,018</b>	
Taxation	192	220	440	
<b>Profit and total comprehensive income for the period</b>	<b>11,154</b>	<b>8,247</b>	<b>34,458</b>	• Profit after tax +35.2%
<b>Basic earnings per Ordinary share (pence)</b>	<b>2.53</b>	<b>1.87</b>	<b>7.83</b>	• Basic EPS +35.2%
<b>Diluted earnings per Ordinary share (pence)</b>	<b>2.50</b>	<b>1.87</b>	<b>7.83</b>	



# Consolidated statement of financial position

As at 30 September 2021

	Unaudited As at 30 September 2021 £'000	Unaudited As at 30 September 2020 £'000	Audited As at 31 March 2021 £'000
Goodwill and intangible assets	33,371	35,538	34,388
Property, plant and equipment and right-of use assets	526	642	563
Investments	110,298	101,618	96,220
<b>Total non-current assets</b>	<b>144,195</b>	<b>137,798</b>	<b>131,171</b>
Trade and other receivables	4,551	1,451	4,060
Restricted cash	-	305	2,484
Cash, cash equivalents and short-term liquidity investments	52,114	24,866	54,725
<b>Total current assets</b>	<b>56,665</b>	<b>26,622</b>	<b>61,269</b>
<b>Total assets</b>	<b>200,860</b>	<b>164,420</b>	<b>192,440</b>
Trade, other payables and lease liabilities	(6,486)	(4,348)	(8,249)
Deferred consideration	(1,578)	(1,736)	(1,578)
<b>Total current liabilities</b>	<b>(8,064)</b>	<b>(6,084)</b>	<b>(9,827)</b>
Lease liabilities	(319)	(409)	(351)
Deferred consideration	(2,869)	(4,446)	(2,869)
Deferred taxation	(3,180)	(3,592)	(3,372)
<b>Total non-current liabilities</b>	<b>(6,368)</b>	<b>(8,447)</b>	<b>(6,592)</b>
<b>Total liabilities</b>	<b>(14,432)</b>	<b>(14,531)</b>	<b>(16,419)</b>
<b>Net assets</b>	<b>186,428</b>	<b>149,889</b>	<b>176,021</b>
<b>Equity</b>			
Issued share capital	4	4	4
Share premium	81,644	81,644	81,644
Other distributable reserve	68,240	70,000	69,560
Retained earnings	33,559	(3,806)	22,405
Share-based payments reserve	2,981	2,047	2,408
<b>Total equity</b>	<b>186,428</b>	<b>149,889</b>	<b>176,021</b>

- Direct portfolio:
  - Capital deployed £5.4m
  - FVM +£8.7m
  - +14.6% vs. March 2021
- Cash £52.1m. No debt
- NAV per share 42.4p +c.6% vs. March 2021
- Interim dividend 0.3p/share

# Consolidated cash flow statement

For the six months ended 30 September 2021

	Unaudited Six months ended 30 September 2021 £'000	Unaudited Six months ended 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
<b>Net cash generated from operating activities</b>	<b>2,625</b>	<b>2,164</b>	<b>5,611</b>
Sale of direct investments	-	3,493	36,987
Purchase of direct investments	(5,370)	(11,160)	(15,647)
Investee company loan repayments	-	250	250
Investee company loan interest received	238	18	68
<b>Net cash (used in)/generated from direct investment activities</b>	<b>(5,132)</b>	<b>(7,399)</b>	<b>21,658</b>
Purchase of property, plant and equipment	(34)	(25)	(52)
Purchase of fund management contracts	-	-	(2,100)
Decrease in short-term liquidity investments	-	5,981	5,981
<b>Net cash (used in)/generated from other investing activities</b>	<b>(34)</b>	<b>5,956</b>	<b>3,829</b>
<b>Net cash (used in)/generated from total investing activities</b>	<b>(5,166)</b>	<b>(1,443)</b>	<b>25,487</b>
Dividends paid	-	-	(440)
Interest paid	(8)	(9)	(20)
Payment of lease liabilities	(62)	(51)	(118)
<b>Net cash used in financing activities</b>	<b>(70)</b>	<b>(60)</b>	<b>(578)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,611)</b>	<b>661</b>	<b>30,520</b>
Cash and cash equivalents at the beginning of the period	54,491	23,971	23,971
<b>Cash and cash equivalents at the end of the period</b>	<b>51,880</b>	<b>24,632</b>	<b>54,491</b>

- Strong operating cash inflow £2.6m
- Net £5.4m of proprietary capital deployed



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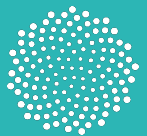
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# Investment review

Third-party fund management

## Experienced investment teams with a strong track record

65 investment professionals

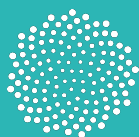


	National VCT/EIS	Regional venture	Private equity	Debt	Proprietary capital
MD – asset classes:					
Investment team size:	18	21	5	16	5
Highlights:	    	     	 	<p>c.£5m of CBILS deployed</p> <p>RLS accredited August 2021</p> 	 



# Proactive regional deal origination

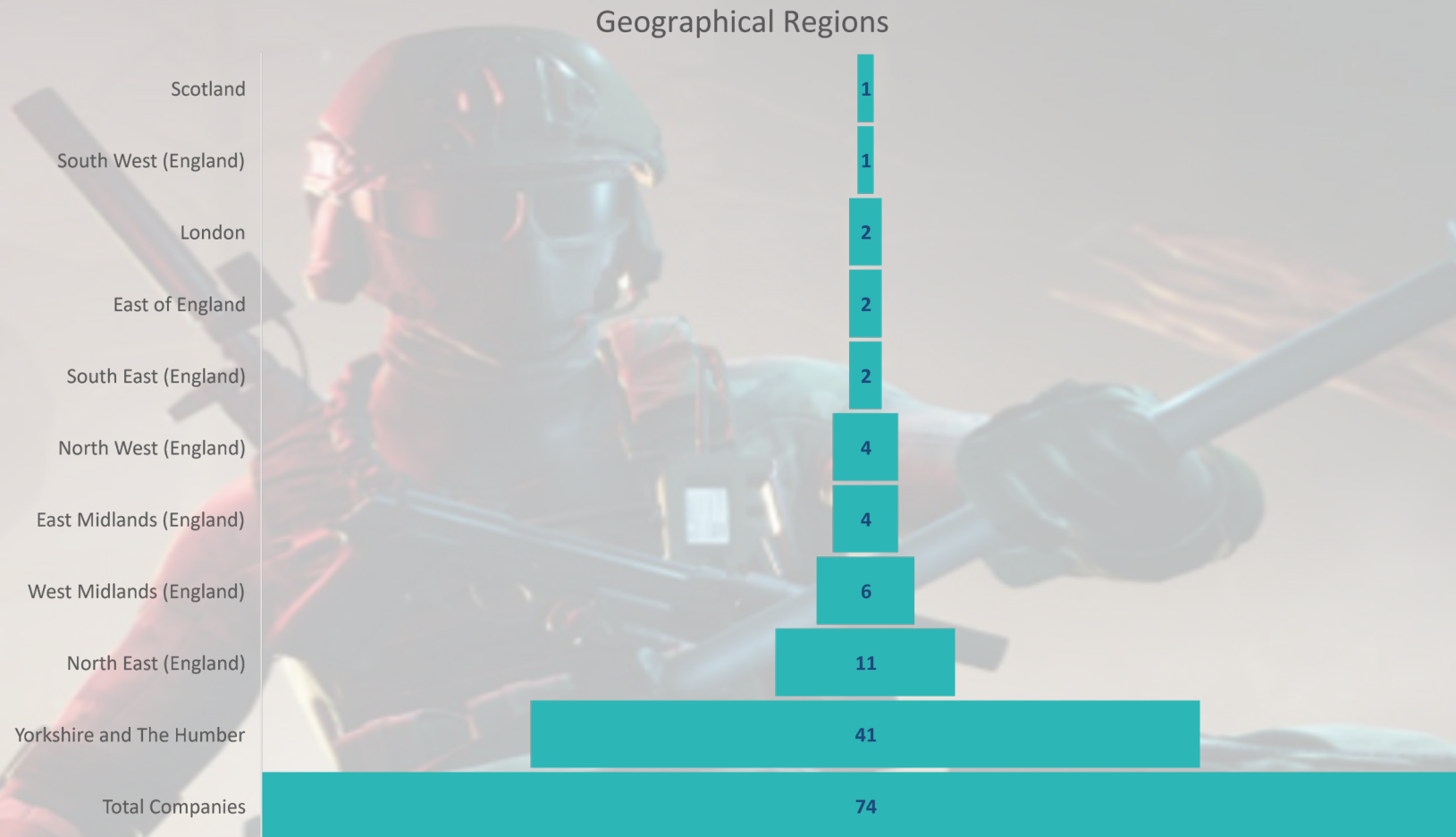
## Key regional investor



Origination across asset classes enhanced by digital platform established pre-pandemic  
£55.1m invested in 74 companies, of which 38 are new

	National VCT/EIS	Regional venture	Private equity	Debt	Proprietary capital
Investment criteria:	Early stage, series A, up to £5m	Early stage, up to £2m	Profitable, up to £5m	Profitable, up to £1m	Series A, up to £5m
Total portfolio size:	128	125	9	164	23
Investments made this period:	£24m	£14m	£5m	£7m	£5m
New to portfolio:	5	6	1	26	-
AuM:	£420m	£181m	£53m	£108m	£186m
Cash:	£121m	£38m	£19m	£54m	£52m

# Regional investment activity



# H1 2022 managed funds' performance

## Venture

**snappyshopper**  
Local store to door

5.9x

**GENBA**  
DIGITAL

2.7x

**COLLABCO**

1.8x

## VCT

**Mojo**  
**musicMagpie**

1.7x

6.0x

**HELLOSODA**

1.1x

**ODDBOX**

10.9x

**AVID**  
technology

0.4x

## Mercia

2<sup>nd</sup> most active venture capital funds in the UK (excluding London)  
June 2021

4<sup>th</sup> most active UK venture capital firm -  
The Deal 2020

**Beauhurst**

# H1 2022 asset class performance

TVPI *	Venture	PE
<b><u>Institutional Funds</u></b>		
Legacy	137%	133%
Current	102%	101%
<b><u>Retail EIS Funds</u></b>		
Legacy	140%	n/a
Current	97%	n/a

\* TVPI % Distributions + total value + cash/paid in

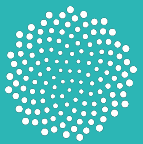
VCTs	NAV**	Total return
Northern Venture Trust	74.1	256.6
Northern 2 VCT	69.2	199.6
Northern 3 VCT	106.1	212.5

\*\* Total return growth over 12 months based on 30 September 2020 cumulative total return of 19.3%-23.0%



# Northern VCTs acquisition update

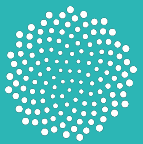
## Strategy in action



- Second successful acquisition since Mercia's 2014 IPO
- Delivering on value drivers
- Successful integration of investment team and support functions
- 8 investments from cross referrals
- 13 exits to 30 September 2021
- £38.2m raised in new capital, new £40.0m target raise announced
- £6.1m entitlement to performance fees

# Proprietary capital

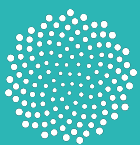
## Balance sheet performance



- 25 direct investments (including two new added post period end)
- £8.7m in fair value movements across direct investments
- IRR c.14%
- Areas of focus:
  - Enabling technologies within Life Sciences, Software, Digital Entertainment and Deep Tech
  - Seed new 10-year funds to expand FuM
  - Corporate activity

# Continuing to build a balanced portfolio

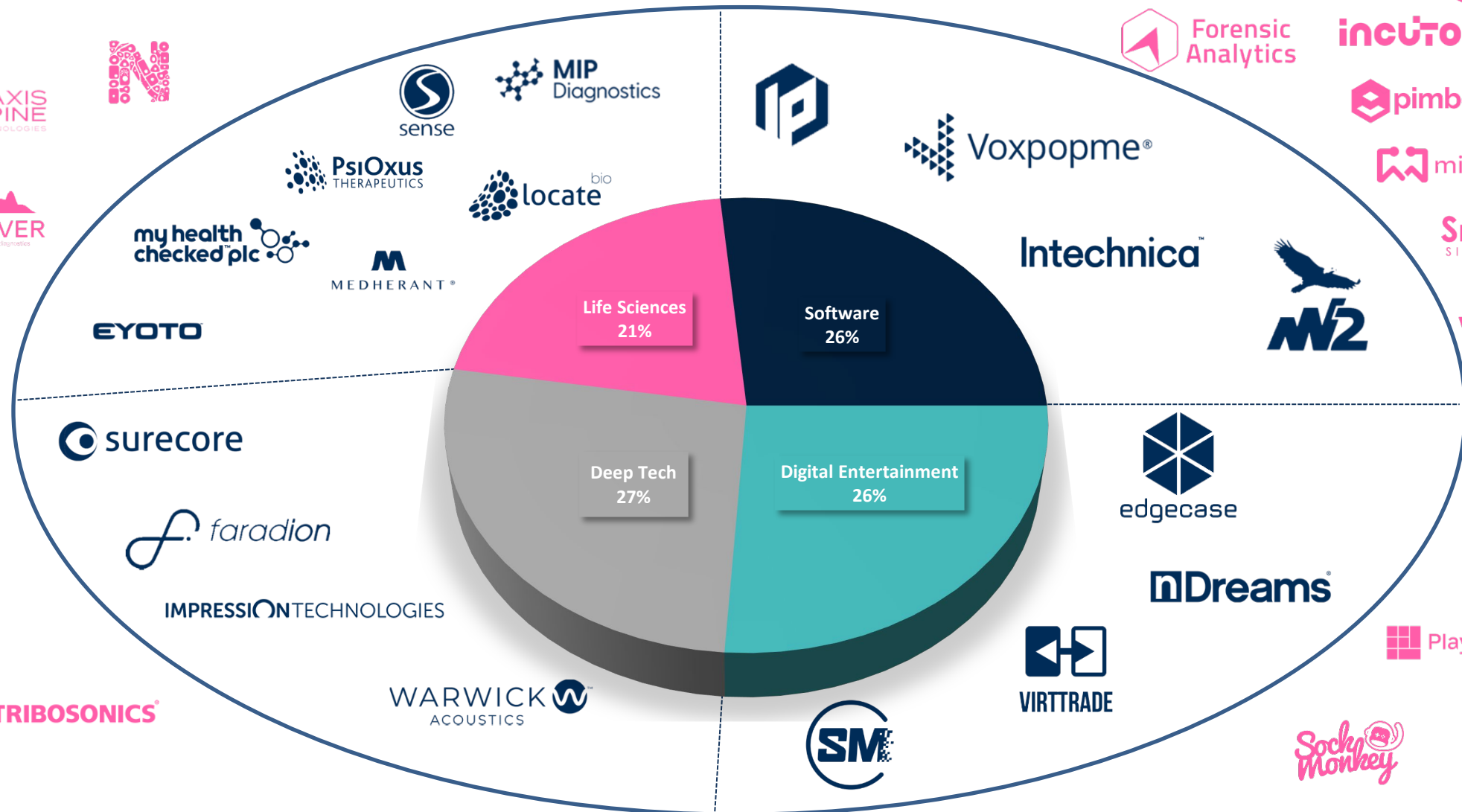
## Balance sheet strategy



- Clear balance sheet strategy:
  - Focus on enabling technologies within key sectors to reflect regional strengths
  - Optimal portfolio size of 30
  - Typical holding period of 3-7 years
  - Typically holding 10-30% equity stakes
  - Acquire smaller stakes in later-stage investments
  - Utilising balance sheet capital for secondary transactions alongside VCTs
- Internal portfolio resource provides significant value add
- 12 companies in managed fund shadow portfolio

# Portfolio overview

Well diversified



# Direct investment holdings

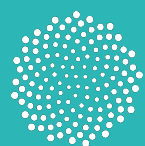
as at 30 September 2021






	Year of first direct investment	Investment value As at 1 April 2021 £ '000	Net cash invested Six months to 30 September 2021 £ '000	Fair value movement Six months to 30 September 2021 £ '000	Investment value As at 30 September 2021 £ '000	Percentage held As at 30 September 2021 %
nDreams Ltd	2014	17,726	-	-	<b>17,726</b>	35.4%
Faradion Ltd	2017	5,693	1,500	5,756	<b>12,949</b>	15.0%
Intechnica Group Ltd	2017	9,996	-	2,824	<b>12,820</b>	27.5%
Medherant Ltd	2016	8,105	534	349	<b>8,988</b>	33.1%
Voxpopme Ltd	2018	8,845	-	-	<b>8,845</b>	17.6%
Impression Technologies Ltd	2015	8,622	-	-	<b>8,622</b>	67.3%
Ton UK Ltd t/a Intelligent Positioning	2015	4,913	-	-	<b>4,913</b>	29.9%
Locate Bio Ltd	2018	3,006	1,664	188	<b>4,858</b>	18.1%
Warwick Acoustics Ltd	2014	4,255	-	407	<b>4,662</b>	35.8%
Soccer Manager Ltd	2015	3,553	-	1,047	<b>4,600</b>	39.0%
VirtTrade Ltd t/a Avid Games	2015	2,812	796	148	<b>3,756</b>	40.0%
Eyoto Group Ltd	2017	1,813	750	-	<b>2,563</b>	15.7%
sureCore Ltd	2016	2,417	-	-	<b>2,417</b>	22.0%
PsiOxus Therapeutics Ltd	2015	2,407	-	-	<b>2,407</b>	1.4%
Edge Case Games Ltd	2015	2,300	-	-	<b>2,300</b>	18.7%
W2 Global Data Solutions Ltd	2018	2,300	-	-	<b>2,300</b>	16.3%
MyHealthChecked PLC	2016	4,488	-	(2,448)	<b>2,040</b>	13.5%
Sense Biodetection Ltd	2020	945	-	625	<b>1,570</b>	1.2%
MIP Diagnostics Ltd	2020	302	-	-	<b>302</b>	3.3%
LM Technologies Ltd	2015	250	-	(250)	-	48.3%
Other direct investments	n/a	1,472	126	62	<b>1,660</b>	n/a
<b>Total</b>		<b>96,220</b>	<b>5,370</b>	<b>8,708</b>	<b>110,298</b>	n/a



# Top 10 holdings, by value (1-5)






## Direct investments



					
Investment value	£17.7m	£12.9m	£12.8m	£9.0m	£8.8m
% direct holding (excludes FuM)	35.4%	15.0%	27.5%	33.1%	17.6%
Initial year of investment	2014	2017	2017	2016	2018
Description	VR developer	Sodium-ion battery tech	E-commerce/web security	Patch delivery	Video analytics
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Revenue, partnerships	Licences, partnerships	Revenue, ARR	Regulatory, clinical, partnerships	Revenue, ARR
Highlights H1 2022	Fracked released, TPP deal signed	Revenue, packs shipped to new OEMs	Netacea year-on-year growth 170%	3 pharma deal progress	40% growth
Valuation change	=	↑	↑	↑	=

## Top 10 holdings, by value (6-10)

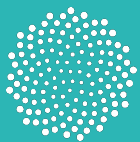
### Direct investments

					
Investment value	£ 8 . 6 m	£ 4 . 9 m	£ 4 . 9 m	£ 4 . 7 m	£ 4 . 6 m
% direct holding (excludes FuM)	67.3%	29.9%	18.1%	35.8%	39.0%
Initial year of investment	2015	2015	2018	2014	2015
Description	Aluminum pressings	Business intelligence	Orthobiologics	Flat speaker tech	Mobile soccer management game
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Licences, partnerships	Revenue, ARR	Clinical milestones, partnerships	Revenue, partnerships	Revenue
Highlights H1 2022	China + German licences pull through, Aerospace	Sustaining growth	£10m Series A closed	OEM milestones passed	Licences signed, SM22 growth
Valuation change	=	=	↑	↑	↑



# Purpose-led, proven business model, strategy for growth and shareholder returns

## Summary



- ✓ VCT operation fully integrated and delivering
- ✓ Growing fee income - 88% contracted and recurring
- ✓ Scale: c.£948m AuM with strong growth prospects
- ✓ Well capitalised with substantial dry powder in both funds and balance sheet
- ✓ Direct investment portfolio – increasing, maturing and diversified
- ✓ H1 2022 interim dividend of 0.3 pence per share (H1 2021: 0.1 pence)





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# Appendices



# NEDs - strong corporate governance combined with deep business and asset management experience



**Ian Metcalfe**  
Chair



**Diane Seymour-Williams**  
SID



**Ray Chamberlain**



**Dr Jonathan Pell**



**Caroline Plumb OBE**

## Mercia share register: 69% free float (31 March 2021: 69%)

- Board, management and employees (c.17%)
- Invesco (c.14%)
- Retail (c.10%)
- Ruffer (c.7%)
- Librae Holdings (c.6%)
- Chelverton Asset Management (c.4%)
- BMO (c.4%)
- BlackRock (c.3%)
- The Hargreaves No.11 settlement (c.3%)
- NFU Mutual (c.3%)
- Ninety One (Investec Asset Management) (c.3%)

### Others of note:

- Allianz
- Baillie Gifford
- Hargreave Hale
- GPIM
- Liontrust
- NVM Private Equity
- Schroders
- West Yorkshire Pension Fund
- Unicorn

# Valuation methodology

- Followed IPEV CV Guidelines
- Calibration of valuation approaches
- Some use of DCF due to valuation guidelines
- COVID-19 discounts beginning to unwind
- But still adopt a 'hand-on-heart' final review
- BDO undertook interim review

