

Mercia EIS Fund

Presentation

- Venture
- Private equity
- Debt

Dr Paul Mattick

September 2021

mercias.co.uk



Disclaimer

- Investing in early-stage businesses involves risks, including illiquidity, lack of dividends, loss of investment and dilution, and it should be done only as part of a diversified portfolio
 - Past performance is not a reliable indicator of future performance. You should not rely on any past performance as a guarantee of future investment performance
 - Tax relief depends on an individual's circumstances and may change in the future. In addition, the availability of tax relief depends on the company invested in maintaining its qualifying status
 - You may lose all the money that you invested; the investments are highly illiquid and have no ready market for disposal; there is a risk from future dilution of your share holding
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- **The valuations in this presentation relates to either March 2021 or June 2021 valuations, as indicated in the specific slides. There will be no company level data discussed subsequent to March 2021, as this information will not be published until December 2021, when Mercia Asset Management PLC announces its interim results.**

Dr Paul Mattick

Director



What we do for great regional businesses



Find value

2826 enquiries
173 deals completed
£95m invested



Add value

2020/21

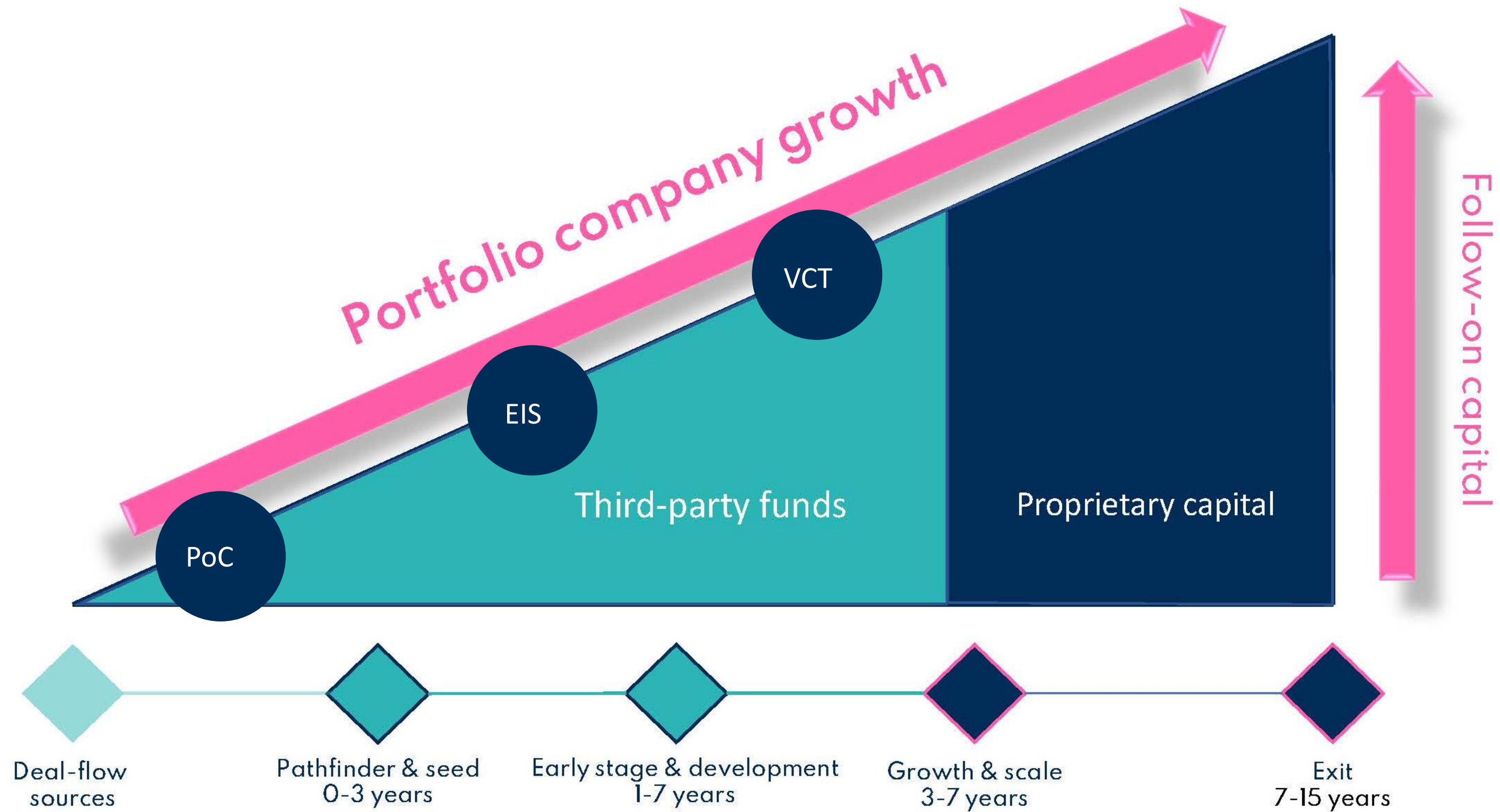
145 syndicated deals
29 NEDs placed
467 job created



Extract value

10 profitable exits
EIS returned more than it raised

Complete Connected Capital



“

Experienced fund manager

- Part of the wider Mercia group (c.£940m AuM), with £400m of tax-efficient funds
- Most active venture capital firm in Europe (Pitchbook, September 2019)
- c.120 investment professionals and support staff across eight regional offices
- Pride ourselves on being a **Responsible Investor**

“

Investment objective

- The fund will be deployed within 12 months in approx. 12 companies
- Investing in the UK's regions where valuations are less inflated, to provide superior returns to investors
- **Triple invested capital over five to seven years**, including tax reliefs
- **Last year, the EIS exit proceeds exceeded our new funds raised!**

“

Current offers

- **Mercia EIS Fund is always open**, with a series of closed end funds (August)
- Acquired Northern VCTs in Dec 2019
- Independently identified as a leading EIS managers, scoring 87 from Churchill and 86 from Allenbridge

Mercia is a responsible investor

- Codify our existing ESG processes
- Regional investor, working with the government to stimulate regional development
- We are a value-add investors, focused on the Governance in ESG
- Leverage, via our portfolio of 420 companies

“Companies that pay attention to environmental; social and governance concerns do not experience a drag on value creation – in fact, quite the opposite.”

<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value>



Track record

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EIS fund track record

- EIS funds before April 2015 average **3.2x including tax**, with 1.9x realised
- EIS funds before April 2018 average **2.4x including tax**, with 1.1x realized
- **Last year, the EIS sale proceeds exceeded our new EIS funds raised**

These valuations exclude SEIS, as it represents under 5% of the funds that we raise and deploy, however this means that the OxGene exit (20x) is not included, nor do they include the valuation uplifts in the SEIS investments (four between 5x and 10x).

These valuations exclude the impact of fees, which are reported on an individual basis, subject to the specific terms of the fund agreement.

Valuations as of March 2021

Past performance is not a reliable indicator of future performance

Mercia track record

Mercia EIS Fund	Mercia Growth Fund 2 (EIS)	Northern VCTs	Rising Stars Growth Fund
Pre-2015 EIS vintages	Small early-stage regional tech fund	c.£300m venture/MBO trusts	£19million tech focused fund
Returned 1.9x cost	Returned 2.3x cost	Exited £183million	Returned £109million
Valued at 3.2x cost, inc tax & cash returned*	Valued at 4.7x cost, inc tax & cash returned*		5.5x returned

Portfolio company exits:

- April 2020 – Sold Woodall Nicholson for **9.6x** cost of investment (PE fund)
- July 2020 – Mercia sold Native Antigen Company for up to **13x cost** (PoC, EIS, PLC)
- October 2020 – Mercia sells Clear Review for **8x cost**, 122% IRR (EIS and PLC)
- November 2020 – Mercia sells Agilitas for **8.4x cost** (VCT)
- December 2020 – Mercia sells Refract for **1.8x cost** (EIS)
- December 2020 - Abingdon Health PLC listed at **8x cost** (regional fund)
- March 2021 – OXGENE sold at **up to 20x** (EIS and PLC)
- April 2021 - Music Magpie listed and partially exited **at 12.1x** (VCT)
- May 2021 – Completed an EIS exit in process, at **up to 8.8x**
- July 2021 – Another EIS exit **at 8x** and 218% IRR (not included in the EIS performance figures yet)

Past performance is not a reliable indicator of future performance;

**June 2021 valuations, with additional updates*

We are delivering strong returns for EIS investors

We sold The Native Antigen Company to LGC in July 2020

Leading supplier of native and recombinant viral and bacterial antigens, antibodies and immunoassays. We first invested in 2013 via MGF1 (EIS Fund). Delivered a **circa 8.6 times return** for the EIS Fund.



We sold Clear Review to Advanced in October 2020

SaaS tool providing organisations with data and systems to improve performance management. We first invested in 2018 via MGF8 (EIS Fund). Acquired for up to £26m in October 2020 which delivered a **circa 8 times return** for the EIS Fund.



We sold Refract to Allego in December 2020

Helps organisations improve the performance of their sales teams giving managers insight into team members' conversations. We first invested in 2016 via MGF5 (EIS Fund). Delivered a profitable return for our investors.



We sold Oxgene to WuXi AppTec in March 2021

Specialises in advanced technologies for cell and gene therapy. SEIS/EIS invested between 2013 and 2016, followed by Mercia PLC, and delivered a return of **up to 20 times cost**.

There have been two additional c8x returns after 31st March 2021, which have not been disclosed and are not included in the track record.



Past performance is not a good indicator of future performance

Case Study



8.4x

”

The support from Mercia as our key investor from the outset has been fundamental to the success of Native Antigen Company.

That support has always included sound advice and guidance from Mercia’s Board representatives, who have always shown a real interest in developing the company to make a real impact our sector.”

Nick Roesen

founder and COO



Investment strategy

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EIS investment strategy



Diverse, early-stage tech portfolio

- Investing across a range of sectors



Focus on regional investment

- Investing in the Midlands, North and Scotland
- Superior entry prices



Leveraging our funds under management

- Our funds co-invest
- Network provides dealflow and scale up capital



Adding value once we have invested

- 850 strong NED network
- Sector expertise
- Responsible investor



<Peter Dines>
COO, Fund Principal

He is responsible for a number of the life science portfolio investments including Locate Bio, Concepta plc, Sense Biodetection, Axis Spine Technologies and Medovate and in July 2020 he oversaw the successful exit of The Native Antigen Company.

Peter is the champion of several of our key initiatives and working groups as well as heading up the retail investor divisions of Mercia.

Peter has been involved with a number of turnarounds and exits within the sector, including the acquisition of Surgicraft's loss-making business where, as managing director, sales quadrupled within three years and the business was subsequently sold to a private equity backed business and Diagnostic World, a fast-growing diagnostic provider to the NHS.



<Julian Viggars>
CIO

He has over 20 years of venture capital experience, including the successful listings of companies such as Blue Prism Group plc and OptiBiotix Health plc. Through the subsequent sell down of its holding in Blue Prism, Mercia's RisingStars Growth Fund realised c£95m, 105x the cost of its investment. Julian leads the equity investment team as well as managing the pipeline of Mercia's direct investments.

Alongside his wide experience of investing across many sectors, Julian played a leading role in securing the managed funds contracts awarded by the British Business Bank.

Julian has a geology with chemistry degree from the University of Southampton and qualified as a chartered accountant with accountants Smith & Williamson. He is also responsible for investments in nDreams and Soccer Manager.



<Dr Mark Payton>
CEO

Mark has extensive private investment and scale-up experience. Since co-founding Mercia he has led the sales of Hybrid Systems (to Myotec) to create PsiOxus Therapeutics Ltd, Warwick Effect Polymers Ltd (to Polytherics Ltd) to create Abzena plc and led the founding investment in Allinea Software Ltd (sold to ARM).

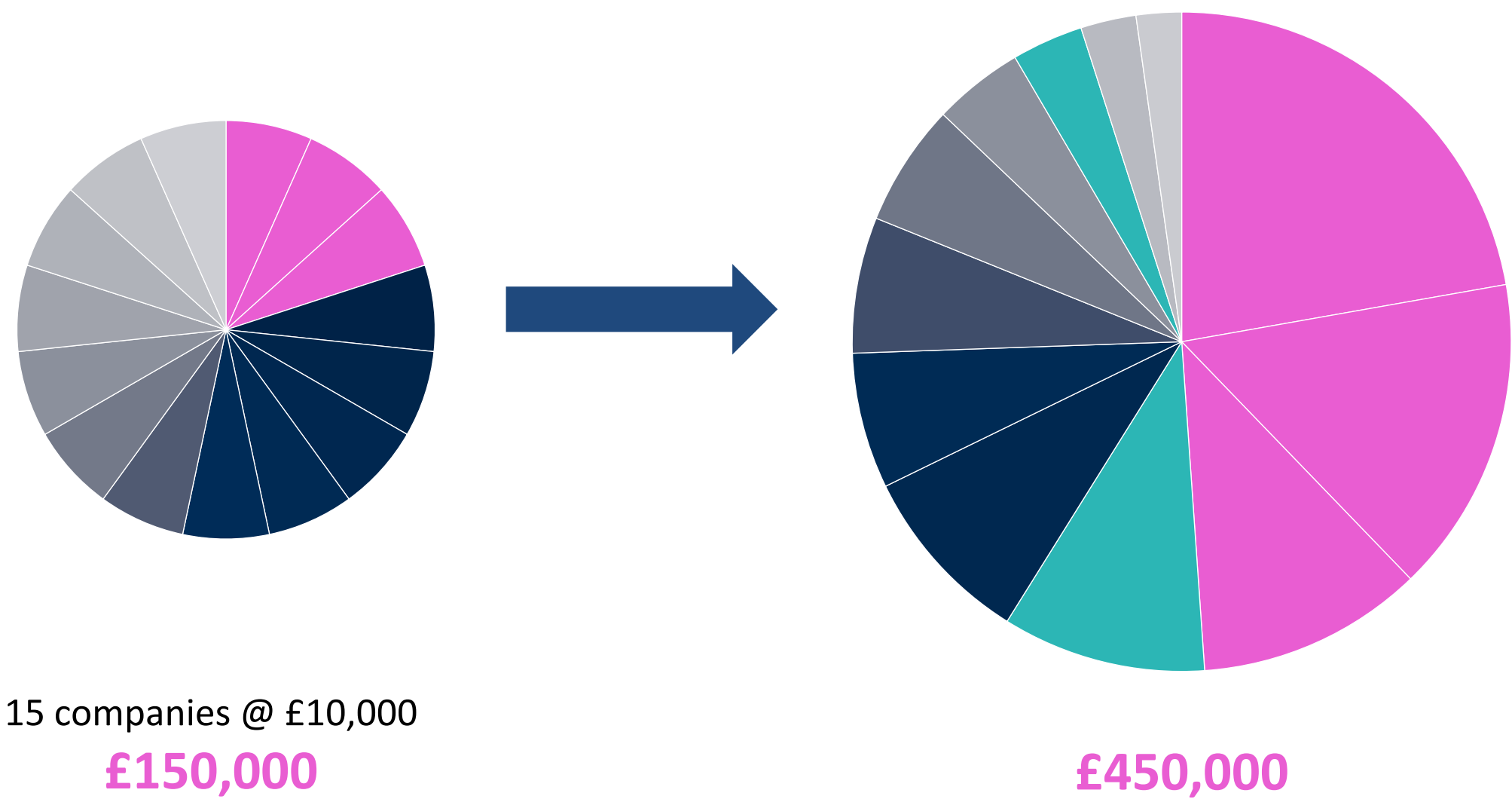
Prior to Mercia, Mark played a leading role within Oxford University Innovation, spinning out BioAnalab (sold to Millipore), Oxford Immunotec (listed on NASDAQ), Oxitec (sold to Intrexon) and Natural Motion (sold to Zynga).

In addition to this CEO role Mark is also responsible for the following investments – OXGENE, Psioxus and Medherant.

Part of our 65-strong Investment Team

Targeting venture capital returns, with downside protection

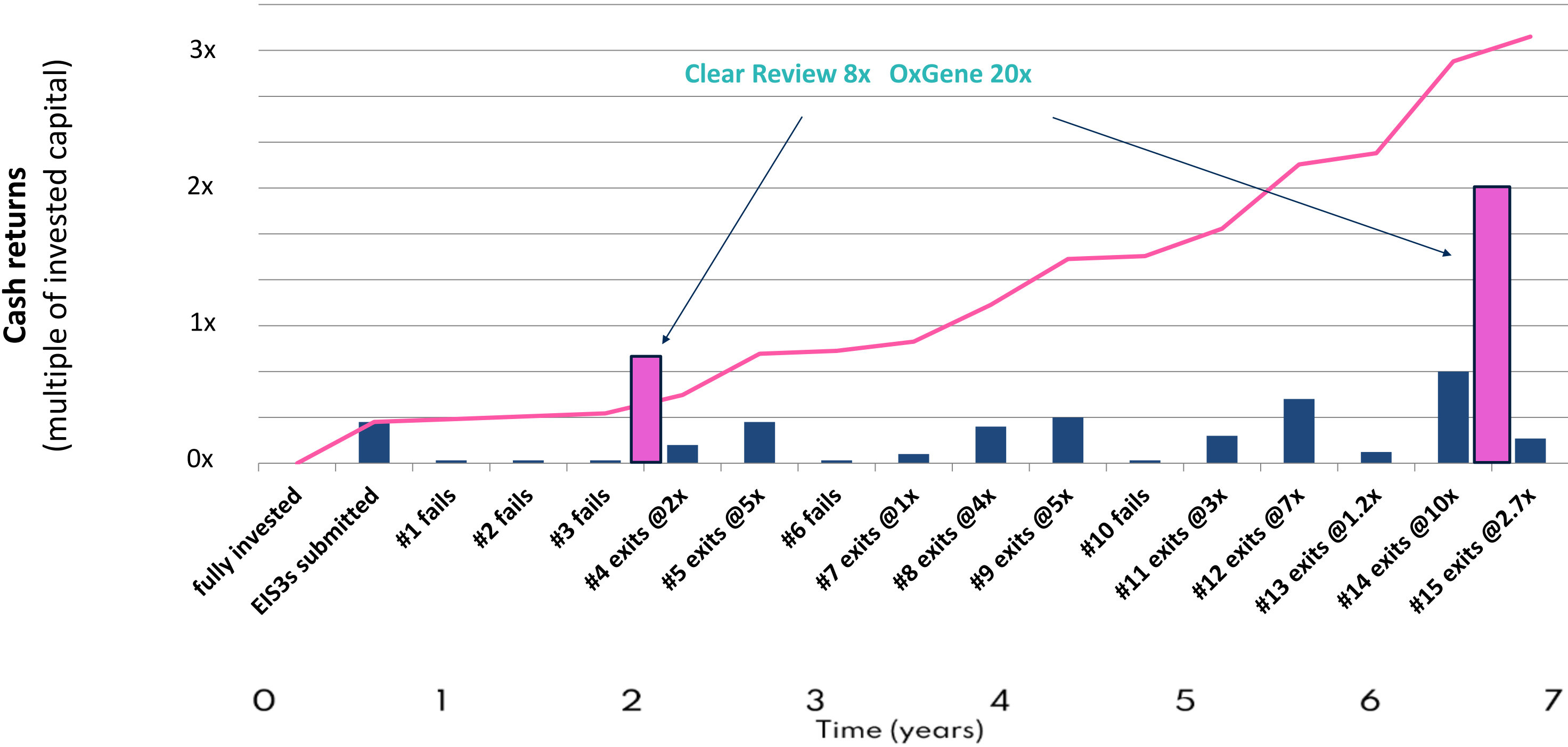
This is a model portfolio, a simplified illustration of our portfolio strategy, and investments will not be equally weighted.



The BIG Winner #15 (10x)	£100,000
Winner #14 (7x)	£70,000
Winner #13 (5x)	£50,000
Income tax relief	£45,000
Company 12	£40,000
Company 11	£30,000
Company 9	£30,000
Company 8	£27,000
Company 7	£20,000
Loss relief, for 1-3, 6 & 10	£15,750
Company 5	£12,250
Company 4	£10,000

Between 40%-60% of each fund will be follow-on investment

Cash flow timing model (with exceptions)



This is a representation of the expected exit time scales, however we provide no guarantees, and some exits may take considerably longer.

Increasing exposure to our winners

We have a track record of providing follow-on capital to companies that deliver against their milestone:

- OxGene, **sold** at up to 20x, across **5 funds**
- Genba Digital, **sold** at up to 8.8x, across **4 funds**
- Sense Bio, up to 9.8x, invested across **6 funds** (too big for EIS)
- Axis Spine, up to 6.6x in **8 funds** (we will be investing again)
- Medherant, up to 5.9x in **3 funds**
- MyHealthChecked PLC, up to 5.5x in **4 funds**
- MIP Diagnostics, up to 2.7x in **7 funds** (we will be investing again)
- Cyan Forensics, up to 2.0x in **10 funds** (we will be investing again)

OXGENE™

GENBA
DIGITAL



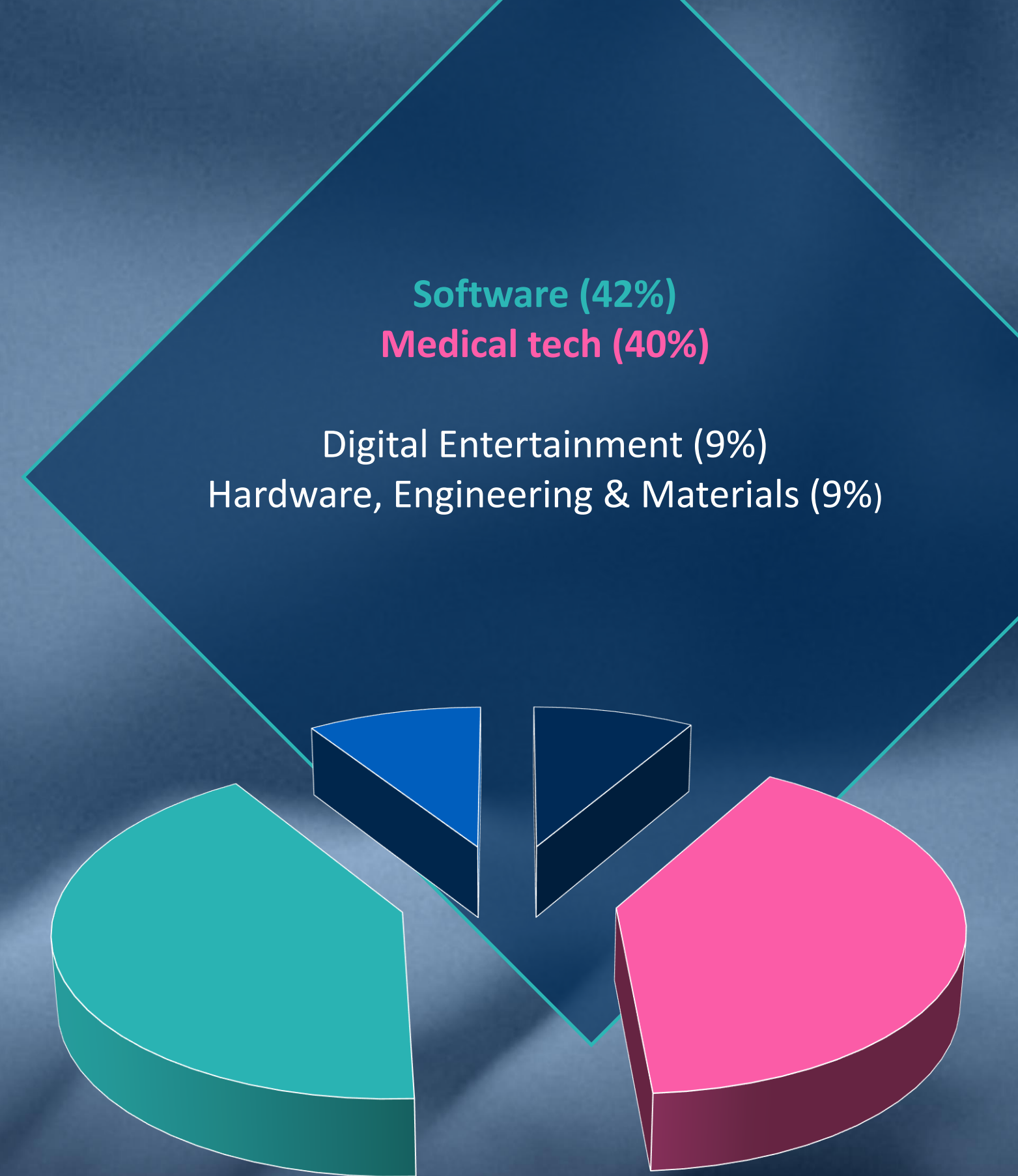
March 2021 valuations

Past performance is not a good indicator of future performance

Sector and stage allocation

Portfolio of 12 high-growth regional tech companies across sectors and stages:

- Focused on optimal entry pricing
- Investing from Seed to Series A, with near equal weighting.
- Theoretically sector agnostic, but primarily investing in software and medical tech, for which Mercia is most well known
- Invest in these sectors due to our dealflow, our in-house expertise, and the value that we add when we join the board.



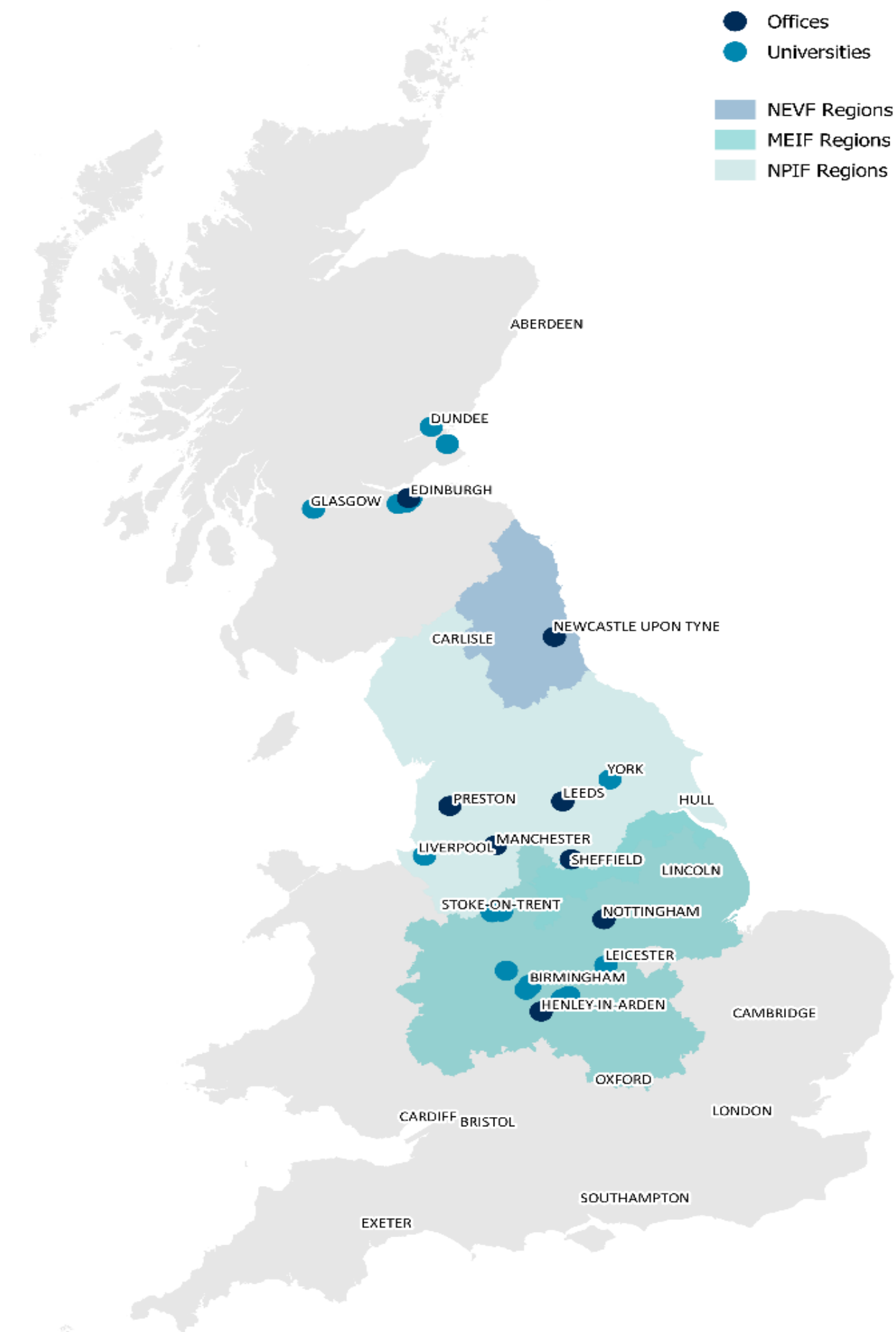
Leveraging our regional network

Mercia EIS Fund and the Northern VCTs invest nationally with a focus on the UK regions.

The governmental regional funds (BBB) including **Midlands Engine**, **Northern Powerhouse**, **North East** have a specific regional focus.

Our EIS and VCT provide investors access to the regional growth story, providing an opportunity to deliver superior returns.

Good track record of identifying opportunities in the regions and delivering returns for investors.



Case Study



105x

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Mercia made its first investment in Blue Prism through the RisingStars Growth Fund in 2004 and remained a supportive investor for many years whilst the business scaled to the size it is today.

We have been grateful to Mercia for both the investment and the significant expertise of the investment team, in particular Julian Viggars, who has played an important role in our success.

Alistair Bathgate

CEO Blue Prism 2002- 2020

Portfolio examples

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We will continue to deliver strong returns

Locate Bio

Specialist regenerative medicine company focused on bringing best in class orthobiologic products to market.



SnapDragon

Helping brands identify and flag online product listings that are infringing their intellectual property.



SnapDragon

Cyan Forensics

Helping law enforcement and social media platforms block harmful content from paedophiles and terrorists.



Snappy Shopper

Providing groceries delivery to the customers door in under 30 minutes.



nDreams – 5.9x cost

Virtual reality (VR) content developer and publisher.

The VR software market is growing rapidly and nDreams is well positioned.

Secured major partnerships with Google, HTC Vive, Oculus and Sony PlayStation.

“Phantom: Covert Ops” voted the Best VR Game at the world’s biggest gaming event (E3).

Mercia Asset Management PLC has provided follow-on capital.



March 2021 valuations.

Past performance is not a good indicator of future performance

Sense Bio – up to 9.8x cost

Next-generation clinical diagnostic test.

Launched the gold standard PCR test for COVID-19. Provides ultra-rapid precise, powerful, molecular diagnostics in a matter of minutes.

Scaling manufacturing is the key to success, and there is significant inbound interest, but also headwinds from extreme scaling.

The Mercia EIS Fund seeded the company in 2016 and participated in a £12.3m Series A in 2019/20. Mercia Asset Management PLC participated in a \$50m investment recently completed.



March 2021 valuations.

Past performance is not a good indicator of future performance

EIS operations

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Charges

Our fees are in line with the industry leaders:

Initial Charge*	1.5%
Annual Management Charge**	1.75%
Custodian Charge**	0.25%
Performance fee***	20%

*The custodians' dealing fee of 0.35% is included in our initial charge. If we achieve our target return, the dealing fee is over 1.2% of cost (as it is charged on investment and exit).

Our annual fees are charged for six years. The first three years fees are charged up front, with **91% of the capital being deployed in EIS qualifying companies. The remaining annual fees are subtracted from sale proceeds.

***The performance fee is due when we have returned more than the net investment in that fund.

Execution

Via our [Webform](#)

contact: enquiries@merciamanagement.co.uk

Net/gross
investment
calculation

Acceptance &
transfer request


Custodian's letter



Webform

Or

Scanned Hard
copy or DocuSign



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Application[?]

I'm an

First Name

Last Name

Email Address

Verify Email

Reporting via our Investor Centre

Making EIS admin simple:

- Oversee portfolio formation
- Extensive details of portfolio companies
- All investment documentation
- Digital tax certificates and loss relief letters
- Clear illustrations of performance, fees and tax

Updated with company level information in July for March data, and December for September data, due to our PLC's reporting.



Mercia EIS Fund

Summary

- Aim to triple invested capital in 5-7 years, including tax reliefs.
- Track record of exceeding performance target for our EIS investors
- Create diverse portfolios of regional businesses, including both new deals and successful portfolio companies
- Failures are expected within our strategy, but so are big returns*
- We are responsible investor

Next EIS fund closes at the end of August

[Take me the next steps \(application form\)](#)



* Past performance is not a reliable indicator of future performance. Tax relief depends on an individual's circumstances and may change in the future.