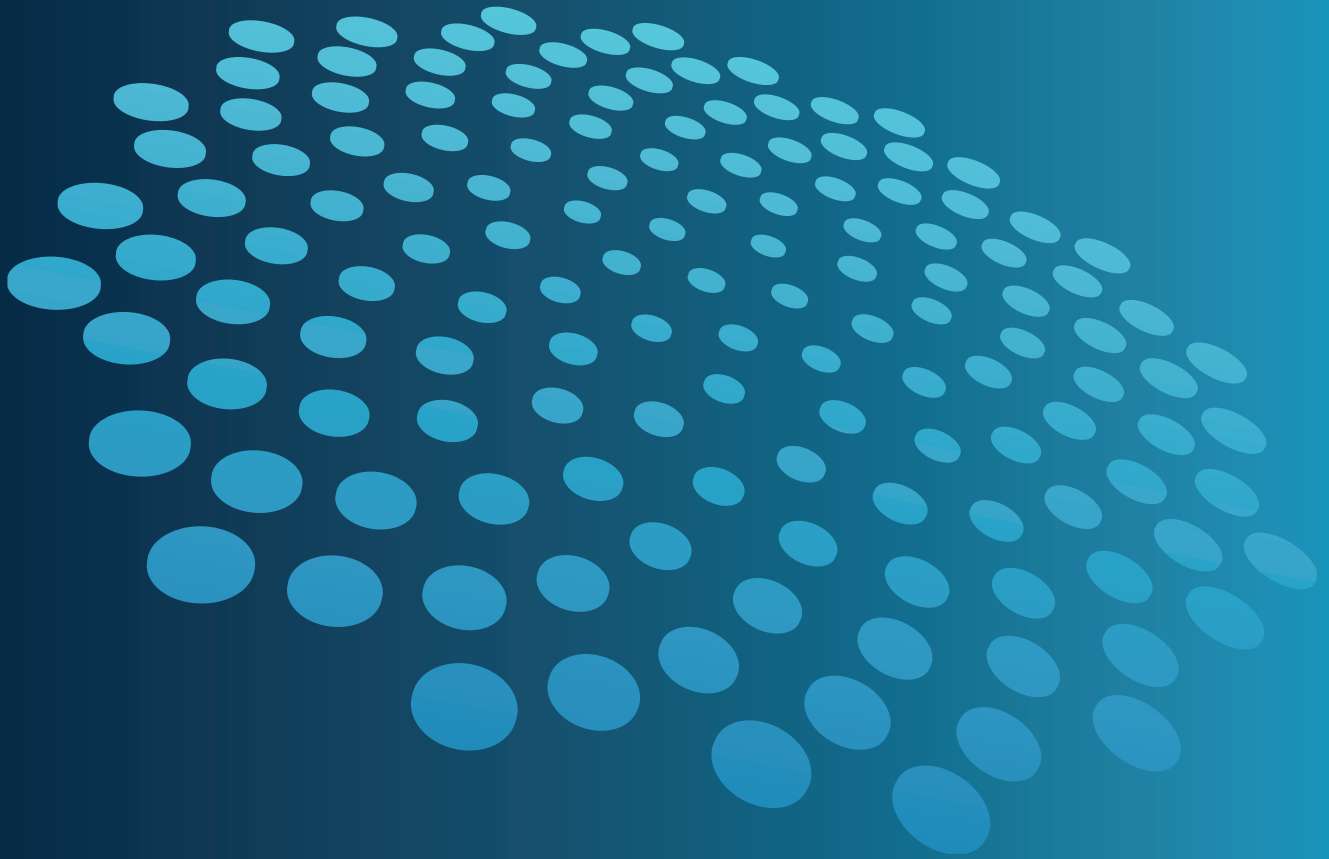


# Investor Relations Update

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April 2018



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 Mercia Technologies PLC

Welcome to Mercia’s latest Investor Relations Update, providing you with insight into the progress of Mercia’s direct portfolio of investments and an update on corporate activities from the wider Mercia Group.

If you have any questions about the portfolio, would like others added to the distribution list, or would simply like to know more about what is happening across the Group, then please get in touch with us by email: [info@merciatech.co.uk](mailto:info@merciatech.co.uk) or call us on **0330 223 1430**.

Visit us online  
For up-to-date information on our investments, please visit [www.merciatech.co.uk](http://www.merciatech.co.uk)

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## Corporate Update



### Welcome - Dr Mark Payton, Chief Executive Officer

Our Complete Capital strategy of delivering venture, debt and private equity investment to the UK regions before selectively scaling Mercia's emerging stars using balance sheet capital, continues to grow with early signs of delivery. The recent cash sale above holding value of the balance sheet asset Science Warehouse is a good example. Progress remains positive with Mercia's broader direct investments which have expanded with the recent additions of Eyoto and Voxpopme.

Since 30 September 2017, we have grown our funds under management as we seek to build the managed funds portfolio to provide the next generation of Mercia's emerging stars. In a little over 12 months we have secured over £200.0million of additional fund capital predominantly focused on the Midlands, the North of England and Scotland, taking our third party funds under management to in excess of £375.0million. Mercia now has over £240.0million of fresh capital to invest over the next circa five years and approximately £50.0million cash on its balance sheet to selectively scale businesses from the managed funds' portfolio.

Mercia's resources are centred on what we are; an Investment Business. Everything we do embraces our focus of making superior returns from our 'investments' whilst ensuring that we run Mercia as an efficient business. Due to the resource-intensive nature of investing and supporting often young high risk enterprises, we believe Mercia's optimised model will ultimately result in a sustainable and capital self-sufficient investment business.

**Dr Mark Payton, Chief Executive Officer**

## Appointments

### Board strengthened with additional Non-executive Director

On 22 December 2017, the Board of Mercia was strengthened with the appointment of Dr Jonathan Pell as a Non-executive Director and Chair of the Audit Committee. Jonathan brings extensive experience in the technology sector, having held positions at Oracle Inc, Convergys Corporation, Geneva Technology Ltd, Thomas Cook Retail Ltd and Semitool Inc; originally in both finance director and chief executive roles and latterly investing in and helping to scale-up technology ventures. He has founded his own early-stage technology investment vehicle, Thorium Technology Investors, and currently sits on the boards of a number of young technology businesses. Jonathan also has a wealth of experience acting as an investment adviser to high-growth technology businesses including Envolve Technology, W2 Global Data Solutions, Linkdex, Cloudfind, makepositive, and eYeka.

### Appointment of Julian Viggars as Chief Investment Officer

On 17 April Julian Viggars was appointed as Chief Investment Officer and Board Director. Julian joined Enterprise Ventures Group Limited (Enterprise Ventures) in 2004 and has over 20 years of venture capital experience, including the successful listings of companies such as Blue Prism Group plc and Xeros Technology Group plc. Julian joined Mercia through the 2016 acquisition of Enterprise Ventures. Alongside his deep knowledge of the technology sector, Julian is Fund Manager for the Northern Powerhouse Investment Fund (NPIF), the RisingStars Growth Funds and the Finance Yorkshire Seedcorn Fund, which together include the successful quoted businesses Blue Prism Group plc, Xeros Technology Group plc, Science in Sport plc and Optibiotix Health plc. Julian takes over from Matt Mead who will pursue a portfolio advisory career whilst remaining associated with Mercia as a Venture Partner.

### Half Year Results 2017

Mercia's Half Year Results were published on Wednesday 6 December 2017. To download the results presentation please visit the Corporate Documents page on our website: [www.merciatech.co.uk](http://www.merciatech.co.uk)

### Annual Gala Dinner: Celebrating Tech 2018

On Thursday 1 February 2018 we brought together our portfolio companies, investors and network community who share a passion for technology at Mercia's annual Gala Dinner 'Celebrating Tech 2018.' Hosted at Edgbaston Cricket Ground in Birmingham, more than 250 guests heard from a variety of speakers including David Lecomber, CEO of Allinea Software, a successful cash exit for Mercia in 2016 which returned circa 21x on the original investment cost, futurist Mike Ryan, the founder of Fusion Futures, and Andy Street, Mayor of the West Midlands Combined Authority, who also hosted a panel discussion with Mercia's sector heads.



## Appointment of Peter Dines as Chief Operating Officer

On 26 March 2018, Peter Dines was appointed as Chief Operating Officer. At the same time, Jonathan Diggines stepped down from both the Executive team and Mercia's Board. This followed the wholly successful integration of Enterprise Ventures, in which Jonathan was its former Chief Executive. Jonathan will continue to work on a reduced time basis with the team at Mercia Fund Managers, the Group's growing and profitable fund management business, by participating in the investment decision-making process as a member of Mercia's funds' Investment Committees. In particular, he will chair the new £45.0million EV Growth II Fund.

Peter joined the Group in 2015 as Head of Life Sciences & Biosciences, with over 20 years' experience in this sector. Peter has a tremendous amount of operational experience, which includes the acquisition, integration and expansion of spinal implant supplier Surgi C where sales quadrupled within three years.

## New Head of Software & the Internet appointed

Mercia appointed Dr Alistair Forbes in December 2017 as head of its Software & the Internet sector to lead its specialist investment team which focuses on areas including artificial intelligence, cyber security, advertising technology and software as a service. Alistair has over 20 years' experience in this sector and brings extensive technical and business leadership knowledge to the Mercia team. He has created, built and sold start-up software businesses, helping them to develop and execute their growth strategies, as well as taking general management roles in large organisations.



## Update - Susan Searle, Chair

The Board measures progress by Mercia's ability to source regional deal flow via its third party managed funds, selectively scale emerging stars onto the balance sheet and then from these assets drive fair value gains and cash realisations, whilst minimising net expenses. Since the last investor update in October 2017 it is pleasing to note the positive progress made on these metrics. Funds under management have grown to over £375.0million and in addition Mercia has circa £50.0million cash on its balance sheet with direct investments as of 30 September 2017 valued at circa £65.0million. Mercia has grown from approximately £20.0million assets under management (AuM) prior to its listing on AIM to having close to £0.5billion in AuM across the Group today.

Two new emerging stars, Eyoto and Voxpopme, have been added to the portfolio of Mercia Technologies' direct investments and in addition Science Warehouse was sold in March, bringing back £10.5million to the balance sheet. This is

Mercia's third full cash exit from its direct investment portfolio since its IPO. Net fair value gains for the six months to September 2017 amounted to £3.0million, which is reflective of Mercia's direct investment portfolio developing to a point where it is able to attract third party syndicated investment. We are also pleased to welcome the University of Edinburgh as a new university partner, which brings our total number to 19.

The recent changes to the Executive team reflect both the successful integration of Enterprise Ventures and the start of the next phase in Mercia's evolution as it looks to increasingly create and realise shareholder value.

The Board and Executives recognise, and are appreciative of, the tremendous work being put in by all Mercia's employees as we begin to see early signs of enhanced returns for Mercia's shareholders and fund clients alike.

**Susan Searle, Chair**

## World-class guidance and funding

As an investor, Mercia is highly active in each business it backs, taking a board position to ensure it maintains a hands-on investment approach, driven by the deep sector experience and expertise of the Investment Team which add significant long-term value to the portfolio.

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## Direct Investment Portfolio



### Update - Julian Viggars, Chief Investment Officer

The investment team has had a busy period. We have closed major rounds in portfolio companies Medherant and Intechnica, and added two new emerging stars, Eyoto, where we invested alongside an Asian investor, and Voxpopme. The pipeline of opportunities from our managed funds continues to grow and we have recruited a new head of our Software & the Internet investment team, Dr Alistair Forbes, to lead our activity in this sector.

In March, we also announced the sale of Science Warehouse which was one of our original assets when we listed in December 2014; details of this transaction are set out below.

**Julian Viggars, Chief Investment Officer**



### Sale of Science Warehouse for £16.9million

Mercia announced on 2 March 2018 the profitable all cash sale of Science Warehouse, one of the Group's leading direct investments, to Advanced Business Software and Solutions Limited (Advanced), for a total cash consideration of £16.9million. Mercia has received proceeds of £10.5million and will recognise an immediate realised gain of £0.6million, compared with the holding value of £9.9million as at 30 September 2017. The sale represents a return to Mercia of 14.2% on its total investment cost of £9.2million.

Advanced is the third largest UK headquartered provider of enterprise software and IT services to both the public and private sectors in the United Kingdom, with clients including Harvey Nichols, NHS Scotland, Sheffield Hallam University and Dart Group Plc.

Established in 2000 and a spinout from the University of Leeds, Science Warehouse is a provider of spend management and eMarketplace systems to commercial, government, higher education, NHS and housing customers. The cash proceeds received will be reinvested over time by Mercia into both its existing and future emerging stars.

### £5.0million syndicated round - Intechnica

Mercia completed a £3.5million direct investment into Intechnica on 13 December 2017, to enable the rapidly growing Manchester-based business to continue developing scalable software solutions for managing high and variable website traffic demand, including the removal of unwanted traffic from bots, crawlers and spiders. Mercia's investment is part of a £5.0million funding round alongside existing private investors and takes the Group's direct shareholding to 24.3%. The round includes a £1.3million convertible loan facility which is also being provided by Mercia. This facility is subject to the achievement of certain future performance milestones by Intechnica.

### £3.8million funding round - Medherant

On 11 December Mercia announced that it has invested an additional £2.5million as part of a £3.8million funding round in University of Warwick spinout, Medherant, a company developing an innovative transdermal drug delivery patch technology. Mercia's investment in this significant funding round is alongside both private investors and other current shareholders. The Group's direct equity shareholding has now risen from 11.3% to 32.4%. This new funding will support Medherant as it moves into clinical development and the commercialisation of its ibuprofen TEPI Patch®, as well as initiating development of its second product, a lidocaine TEPI Patch®.

### New Direct Investment - Eyoto

Eyoto is a spinout from Aston University in Birmingham which has developed a range of proprietary hardware and software products in ocular care. Mercia's direct investment of £1.8million gives the Group a direct equity stake of 19.4% and is part of a £5.0million Series A funding round, alongside an Asian-based investment syndicate. The funding will be used to accelerate product development and launch Eyoto's latest state-of-the-art product range.

Peter Dines, Head of Life Sciences & Biosciences at Mercia, said: "Having worked closely with Eyoto over the past three years, initially investing at seed stage from our managed funds and providing commercial and strategic guidance as a board member, we have seen the business grow rapidly with an impressive team of talented individuals. We are pleased to continue to support the business as it joins our direct investment portfolio. This is another example of the high quality businesses that Mercia's team has sourced both regionally and via our university partners. We firmly believe that Eyoto has significant potential to disrupt a large and growing global market."

Eyoto, previously known as Aston EyeTech, rebranded in 2018.

**Intechnica™**



**EYOTO™**



## New Direct Investment - Voxpopme

The latest addition to join Mercia's emerging stars is Voxpopme, a leading platform that provides innovative video analytics for internationally renowned clients such as Microsoft, Tesco, Verizon and Accenture. Mercia invested £1.0million into the Birmingham-based technology company in March 2018 for an equity stake of 12.3%. Voxpopme has scaled quickly, growing to 38 people with offices in Birmingham, Salt Lake City, Sydney and London, and this funding will support its further ambitious international growth plans, particularly in the US. Voxpopme has developed a video analytics platform which enables companies to gain a much deeper understanding of consumers' attitudes and opinions, including the use of facial expression analysis. By bringing together both qualitative and quantitative data, Voxpopme removes the pain points typically associated with video insight, making video fast, easy and instant for market researchers and customer experience professionals.



## £3.0million co-investment - Impression Technologies

On 18 April, we announced a £1.5million follow-on investment into Coventry-based Impression Technologies Ltd (ITL), a leading developer of advanced aluminium lightweighting technology. The investment is part of a £3.0million funding round with co-investor IP Group plc and will enable ITL to build out its commercial and operations team to support the continued commercial adoption of its Hot Form Quench (HFQ®) technology by a growing pipeline of global automotive original equipment manufacturers and Tier 1 suppliers. In November 2017, we announced that ITL had secured significant grant funding as part of a leading consortium including Gestamp Washington UK Limited (a wholly-owned subsidiary of Gestamp Automoción, one of the world's largest suppliers of automotive components).

## Third Party Managed Funds

In a little over 12 months, there has been a succession of contract wins for Mercia amounting to in excess of £200.0million, increasing our funds under management by over 50% to more than £375.0million. Recent fund mandate wins include the £27.0million venture fund in the North East, a £23.0million Proof of Concept and Early Stage Equity Fund as part of the Midlands Engine Investment Fund, £108.0million of the British Business Bank's Northern Powerhouse Investment Fund, the first closing of EV Growth II with initial commitments totalling £45.1million and £11.8million in Enterprise Investment Scheme (EIS) capital.

The success of companies like Blue Prism shows how Mercia is succeeding in finding, supporting and building value in companies in the UK regions outside of London.

For more details visit [www.merciatech.co.uk/our-business/](http://www.merciatech.co.uk/our-business/)

### Mercia awarded North East Venture Fund

Mercia has announced that it has secured the £27.0million North East Venture Fund targeted at innovative disruptive businesses in Durham, Northumberland and Tyne and Wear. The fund is part of the £120.0million North East Fund, an initiative led by the North East Local Enterprise Partnership (LEP). Mercia is already active in the North East region with recent investments including Newcastle-based digital VR specialists Luminous Group and AI software sales company Refract.



### Mercia awarded Midlands Engine Investment Fund

In early 2018 Mercia announced that it has been awarded the mandate to manage the £23.0million Proof of Concept and Early Stage Equity Fund, part of the Midlands Engine Investment Fund, a collaboration between the British Business Bank and 10 LEPs in the West Midlands and East and South East Midlands. The Fund is to be invested across Mercia's Midlands heartland where it has already invested circa £50.0million into a portfolio of over 36 active equity investments in the region.



## EIS Funds

Important changes were announced within the Autumn Budget in 2017 in respect of the EIS market. The Government has made it clear that it seeks to provide EIS tax relief exclusively to those that embrace risk with an intent of creating and scaling knowledge-intensive businesses in the UK. Mercia has always invested its EIS capital within the spirit of the legislation and is recognised as one of the leading managers in this space, having been

recently awarded Best EIS Manager at the 2017 Growth Investor Awards. In the last 12 months, Mercia has raised and successfully invested £12.0million of EIS capital.

For more information about EIS and to get in touch with the EIS team, please email: [enquiries@merciatech.co.uk](mailto:enquiries@merciatech.co.uk)



### Emergence of new UK unicorn: Blue Prism

The creation of a new UK ‘unicorn’ in the shape of leading global robotic process automation provider Blue Prism Group plc highlights the value of patience on the part of investors.

Mercia first invested in Blue Prism as a start-up in 2004 through the RisingStars Growth Fund and supported the company right up until March 2016, when it floated on AIM with an initial market capitalisation of £49.0million. Mercia has since realised 75x the fund’s investment cost, based on an original investment of £0.9million and continues to hold a circa 2.5% stake in the business.

Speaking at Mercia’s annual Gala Dinner in Birmingham, Dr Mark Payton said: “Mercia was the first investor in Blue Prism and has supported the company throughout its gestation. It was 12 years before it floated on AIM and a further two years before we started materially realising our position. During the 14 year hold period the company has gone through good times and bad times, but persistence has paid off. Calculated patience is at the heart of what we do at Mercia.”





## University Partners



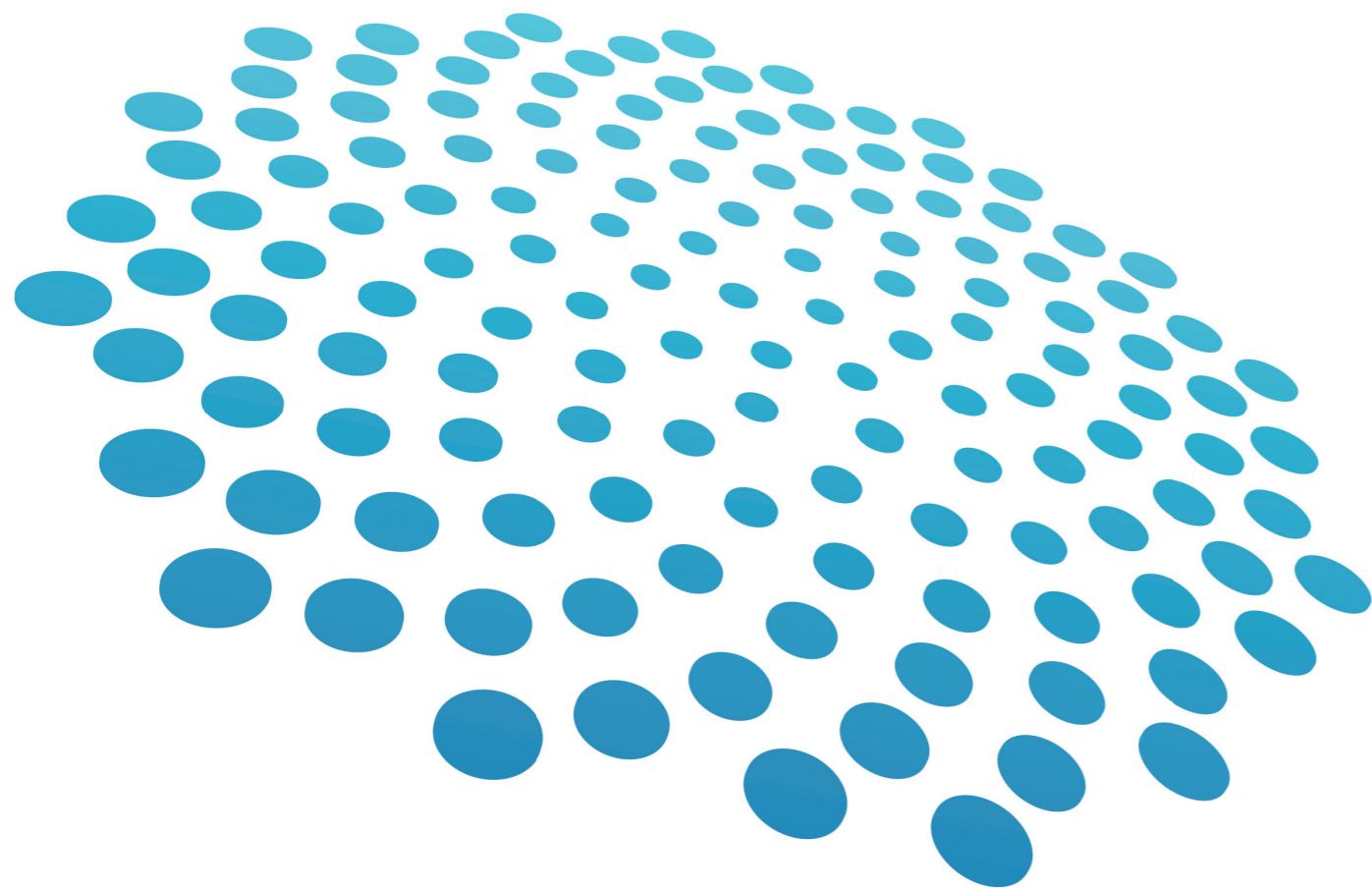
### Update - Dr Nicola Broughton, Head of Universities

Towards the end of 2017 Mercia was delighted to announce the signing of a partnership agreement with the University of Edinburgh, one of the world’s Top 25 Universities (according to the Quacquarelli Symonds ‘QS’ World University Rankings). The non-exclusive partnership with the University of Edinburgh provides access to Edinburgh Innovations, which has established 189 new spinout or start-up businesses in the past five years. Mercia anticipates a significant number of new Scottish investment opportunities as part of the partnership, over the medium term, as Mercia continues to expand its model of patiently supporting globally relevant opportunities with Mercia’s managed funds before swiftly scaling via its balance sheet capital. Mercia looks forward to building its presence in Scotland and, in parallel, continuing to support the 18 other key university partnerships across the UK.

Dr Nicola Broughton, Head of Universities

University Partner Deals - Managed Funds	
 <div>Manchester Imaging DENTAL DIAGNOSTIC SOFTWARE</div>	
<b>Manchester: Dental imaging software</b>	<b>Nottingham: Regenerative medicine</b>
£300,000 as part of a £600,000 round to support the development and commercial launch of its first suite of software products that use machine learning and computer vision processes to automatically detect the very early signs of tooth decay.	A £500,000 funding round to further develop its product range, strengthen its management team and increase sales in both the UK and internationally.

University Partner Deals - Direct Portfolio	
	
<b>Warwick: Innovative transdermal drug delivery patch technology</b>	<b>Birmingham: Ocular care</b>
£2.5million as part of a £3.8million round to support with developing its product pipeline as it moves into clinical development. Further details can be found on page 9.	New direct investment in a £5.0million syndicated round to accelerate product development and launch new products. Find out more on page 9.



## Our vision

Mercia's vision is to become the leading national player in the funding and scaling of high growth businesses operating through local offices with an emphasis on the Midlands, the North of England and Scotland. Through its managed funds and its own balance sheet Mercia is able to provide the 'Complete Capital Solution', offering a range of debt, venture and growth capital to UK companies.

The Group believes there is a significant opportunity in the UK regions to develop leading businesses through the efficient and targeted provision of capital and support, creating substantial value for shareholders via Mercia's highly scalable and patient approach.

Get in touch with Mercia to find out more about our operations and investment opportunities.

### Mercia Technologies PLC

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