

Commercialising regional growth opportunities



Preliminary Results Year Ended 31 March 2017

Mark Payton, CEO
Martin Glanfield, CFO
Matt Mead, CIO

Important Notice



This document has been prepared by and is the sole responsibility of Mercia Technologies (the "Company"), comprises these presentation slides for the sole use at a presentation and any question and answer session and any document or material distributed at or in connection with the presentation (together the "Slides") concerning the Company.

The information in the Slides does not comprise an admission document, listing particulars or a prospectus relating to the Company or any subsidiary of the Company (together the "Group"), does not constitute an offer or invitation to purchase or subscribe for any securities of the Company, does not constitute or form part of a prospectus or admission document and should not be relied on in connection with a decision to purchase or subscribe for any such securities. The Slides and the accompanying verbal presentation do not constitute a recommendation regarding any decision to sell or purchase securities in the Company.

The Slides are confidential and the Slides are being supplied to you solely for your information and may not without the Company's consent be reproduced, distributed or otherwise disclosed to any other person or published, in whole or in part, for any purpose. No reliance may be placed for any purpose whatsoever on the information contained in the Slides or the completeness or accuracy of such information. No representation or warranty, express or implied, is given by or on behalf of the Company or their respective shareholders, directors, members, officers, employees, agents, affiliates representative or advisers or any other person as to the accuracy, completeness or fairness of the information or opinions contained in the slides, and no liability is accepted for any such information or opinions (including in the case of negligence, but excluding any liability for fraud). In addition, no duty of care or otherwise is owed by any such person to recipients of the Slides or any other person in relation to the Slides. The information set out in the Slides is subject to updating, completion, revision, verification and amendment, and such information may change materially.

Nothing in the Presentation is, or should be relied on as, a promise or representation as to the future. The Slides may contain forward-looking statements, which relate, inter alia, to the Group's proposed strategy, plans and objectives. Forward-looking statements are sometimes identified by the use of terminology such as "believes", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positions" or "anticipates" or the negatives thereof, other variations thereon or comparable terminology. By its very nature, such forward looking information requires the Group to make assumptions that may or may not materialise. Such forward-looking statements may be price sensitive and involve known and unknown risks, uncertainties and other important factors beyond the control of the Group that could cause the actual performance or achievements of the Company to be materially different from such forward-looking statements. Past performance of the Group cannot be relied upon as a guide to future performance. Accordingly, you should not rely on any forward-looking statements and the Group accepts no obligation to disseminate any updates or revisions to such forward-looking statements. No representations or warranties of any kind are made by any person as to the accuracy of such statements, estimates or projections, or that any of the events expressed or implied in any such statements, estimates or projections will actually occur. The Company is not under any obligation, and expressly disclaims any intention, to update or revise any such statements, estimates or projections. No statement in the Slides is intended as a profit forecast or a profit estimate and no statement in the Slides or accompanying verbal presentation should be interpreted as a to mean that earnings per share for the current or future financial periods would necessarily match or exceed historical published earnings per share. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

This presentation has not been verified. The tables presented in the Slides have been produced using spreadsheets and may be subject to rounding differences.

The Slides do not constitute or form part of an offer or invitation to issue or sell, or the solicitation of an offer to subscribe or purchase, any securities to any person in any jurisdiction.

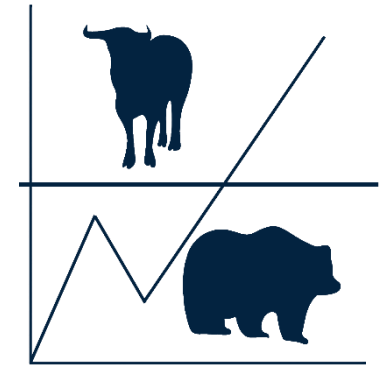
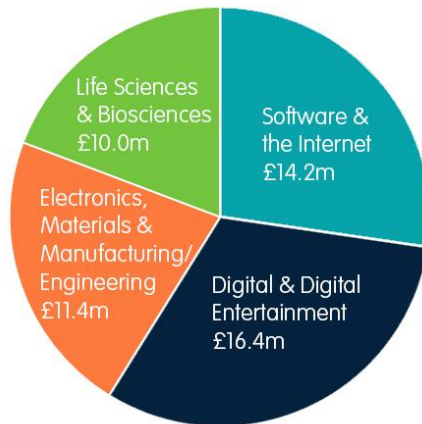
Cenkos Securities plc, who is authorised and regulated by the Financial Conduct Authority, has been appointed the Company's Nominated Adviser and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities plc. Any other person should seek their own independent legal, investment and tax advice as they see fit. Cenkos Securities plc's responsibilities as the Company's Nominated Adviser under the AIM Rules will be owed solely to the London Stock Exchange plc and not to the Company, to any of its directors or any other person in respect of a decision to subscribe for or acquire shares or other securities in the Company. Cenkos Securities plc have not authorised the contents of, or any part of, the Slides and no representation or warranty, express or implied, is made as to any of its contents.

Terms and conditions relating to the Slides and the presentation and any matter or dispute (whether contractual or non-contractual) arising out of them shall be governed by and construed in accordance with English law and the English Courts shall have exclusive jurisdiction in relation to any such matter or dispute.

By attending the presentation of the Slides and/or accepting this document you agree to be bound by the foregoing limitations and restrictions and, in particular, will be taken to have represented, warranted and undertaken that: (i) you have read and agree to comply with the contents of this notice; (ii) you will observe the foregoing provisions, limitations and conditions; and (iii) you will not forward the Slides (including any information given in the verbal presentation of the Slides) to any other person, or reproduce or publish this document, in whole or in part, for any purpose.

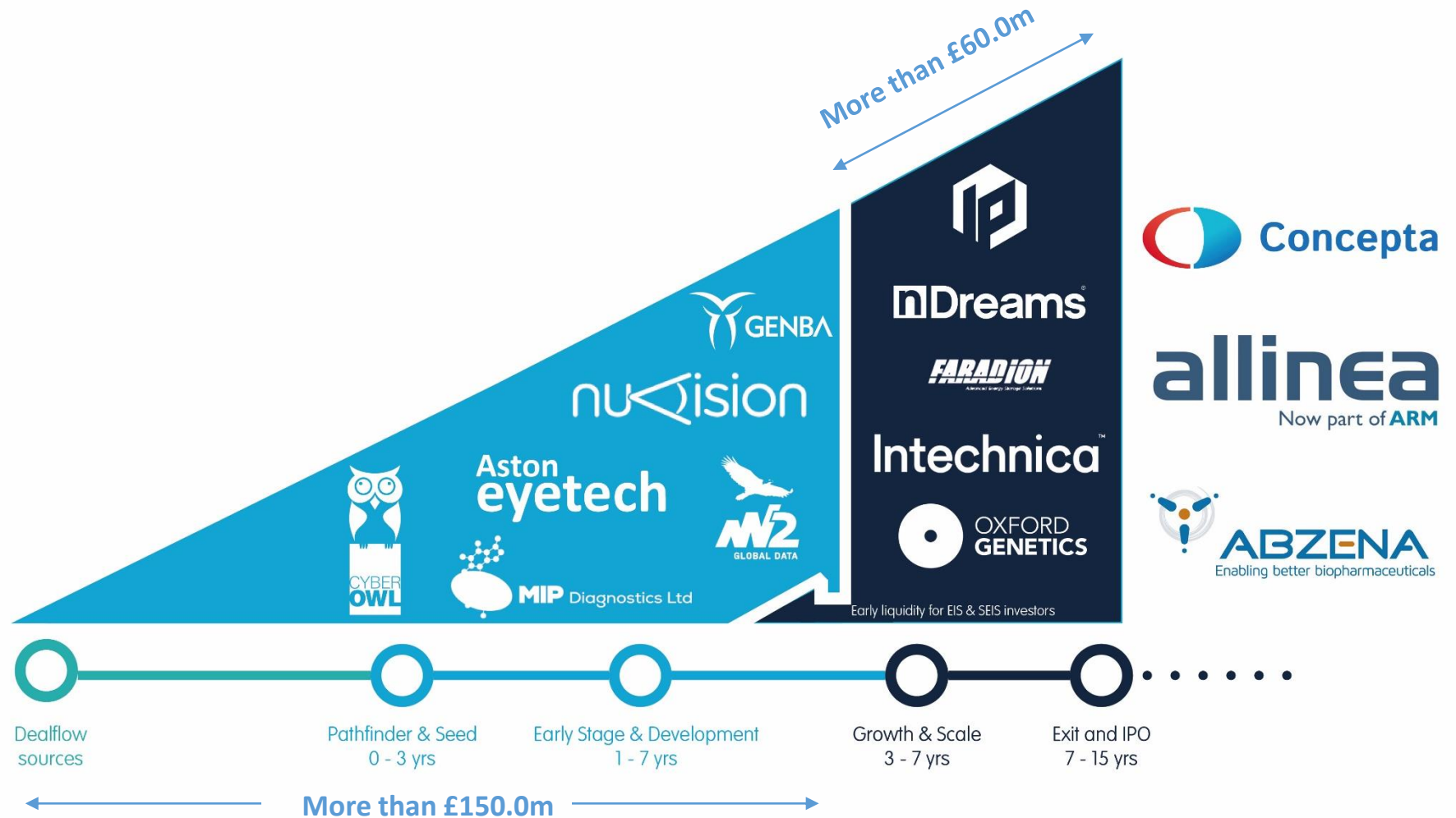
- Positive progress in direct investment portfolio:
 - £11.7million invested in 15 portfolio companies, with four new Emerging Stars
 - Net fair value gains of £4.3million (2016: £0.9million)
 - Sale of Allinea Software to ARM (December 2016)
 - IPO of Concepta (July 2016)
 - Fair value increase in nDreams (set by syndicated investment round)
- Net assets of £121.4million (2016: £80.0million)
- NAV per share 40.4 pence (2016: 37.5 pence)
- Successful Placing which raised £40.0million (February 2017)
- Cash and short-term investments of £63.8million (2016: £30.9million)
- Infrastructure is built with funds under management scaled to circa £336.5million

Infrastructure in place to become a leading national technology investor



- Extensive networks
- 18 university partnerships
- 8 regional offices
- 1,000+ enquiries
- 50+ managed fund investments
- 4.7% enquiries to managed fund investments
- <5% of managed fund portfolio to balance sheet
- Balanced portfolio
- 4 new Emerging Stars
- 13.4% fair value growth on opening book value
- 1 IPO and 2 cash exits
- £336.5million managed funds
- £150.0million in available fund capital
- £63.8million balance sheet cash
- Resourced for 3+ years
- Market sentiment

Complete Capital Solution



Digital & Digital Entertainment

- Virtual reality
- Augmented reality
- Mixed reality
- Serious games



Life Sciences & Biosciences

- Diagnostics
- Digital health
- Medical devices



Electronics, Materials & Manufacturing/Engineering

- Energy
- Communications
- High value electronics
- Manufacturing applications

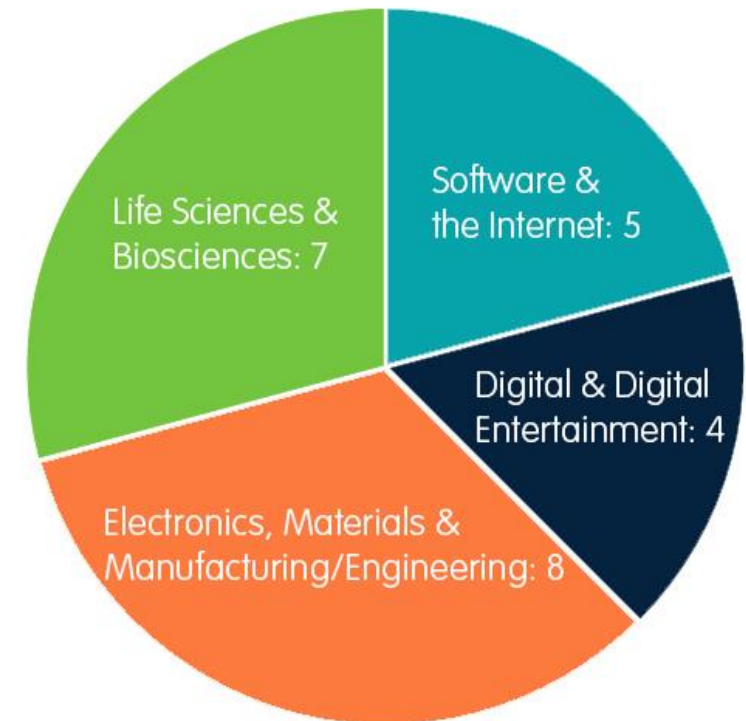


Software & the Internet

- Artificial intelligence
- Cybersecurity
- Software as a service
- Analytical tools
- Adtech



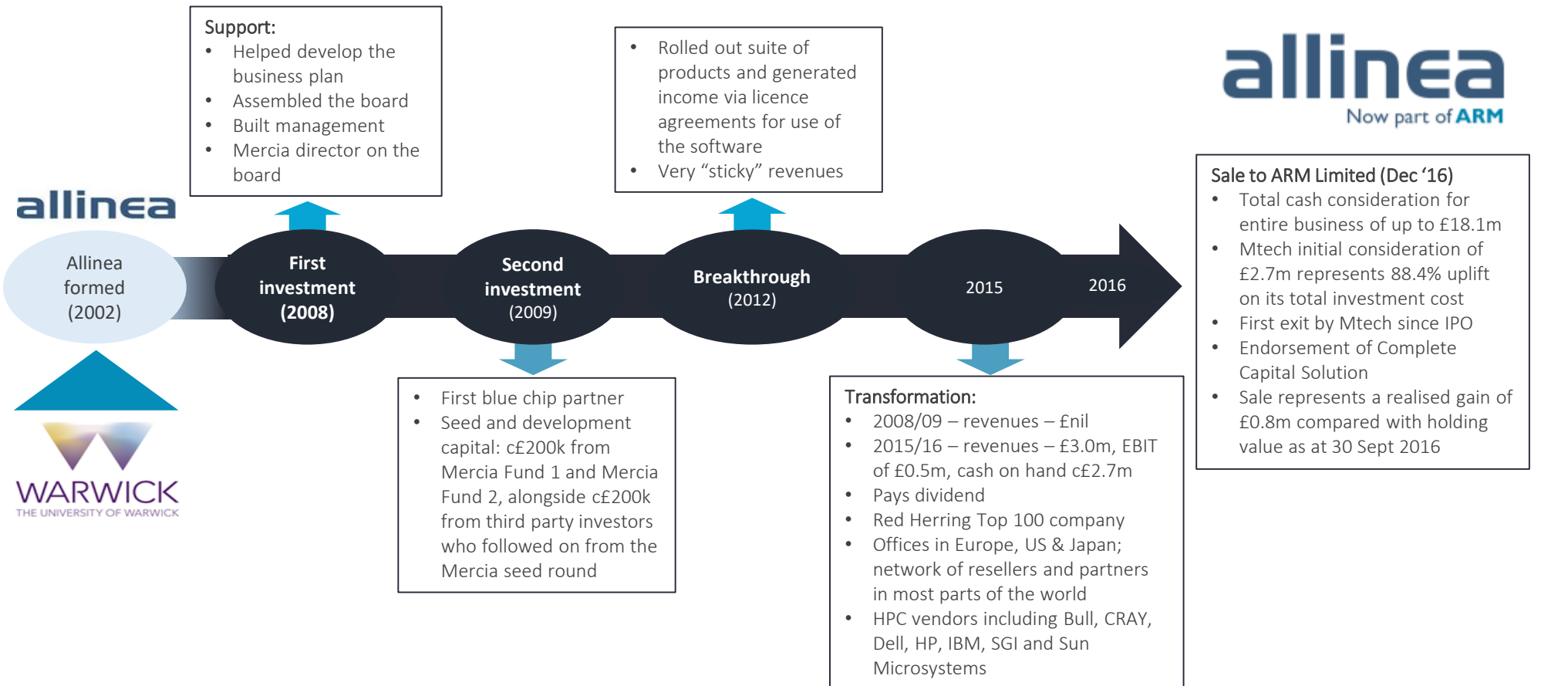
Portfolio Composition



Allinea Software Limited – Cash Exit Case Study



From seed to success...

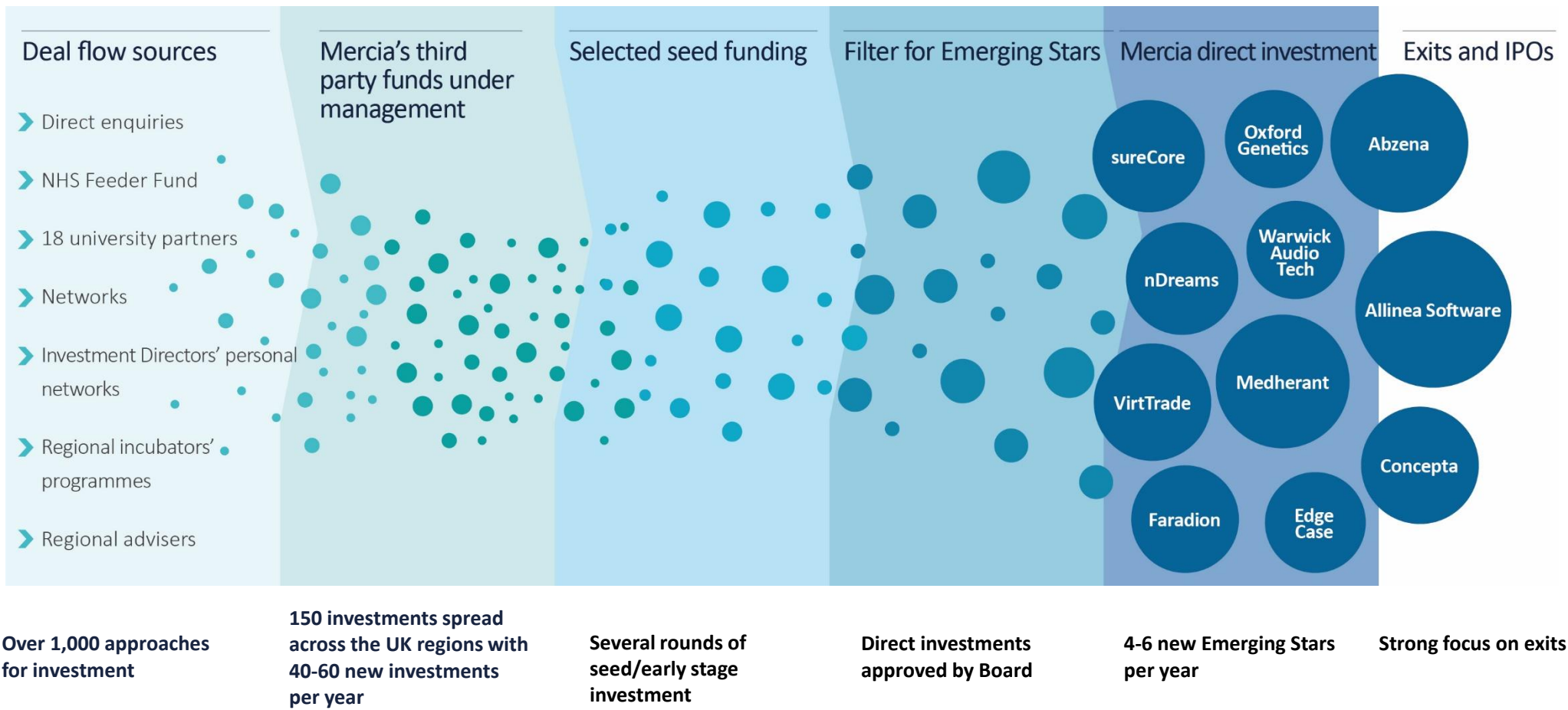


* As at 30 Sept 2016



Portfolio

The Mercia Model





Mike Hayes – Sector Head

30+ years in sector

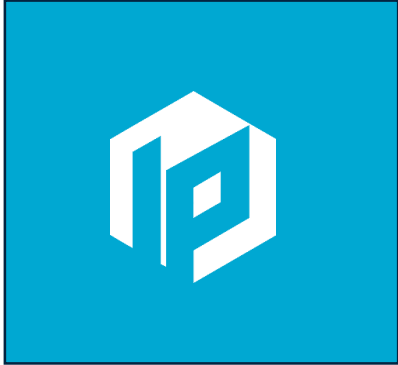
Formerly CEO at SEGA Europe & America, sales & marketing director at Nintendo and marketing director at Codemasters



47.0% equity stake
£11.0million holding value

Background

- Developer and publisher of virtual reality games and content
- Multiple revenue streams – own IP, paid development plus third party co-development
- 200,000 units sold 2016
- Key relationships with Google, Oculus, Sony, HTC
- Strong management team includes:
 - Patrick O'Luanaigh, CEO (formerly EIDOS)
 - Tom Gillo, VP of development (formerly Sony)
 - David Corless, VP of publishing (formerly SEGA)
 - Paul Fitzsimons, chair (formerly Apax Partners)
 - Rob Precious, NED (formerly Geomerics/ARM)
- Third party funding round November 2016 validates current holding value
- Fair value increased by £4.8million during year and the investment carrying value by 133.0%



Rob Johnson – Sector Head

30+ years in sector

Joint MD at Buyagift PLC. Grew turnover from £3.0million to £20.0million+



26.7% equity stake
£2.5million holding value

Background

- Real time search intelligence and analytics platform
- Extensive data analytics provides customers with a leading and powerful software platform
- High profile, blue chip clients including Harrods, Clarks, Tesco, Zoopla, Easyjet Holidays and SkyScanner
- Established management team:
 - CEO, Dan Titterton (formerly ARC Worldwide)
 - CTO, Jon Earnshaw (formerly Brighton MET)
- Offices in Brighton, London, Hyderabad and New York



Investment Director

Mark Volanthen – Sector Head

20+ years in sector

Named on 65 patents

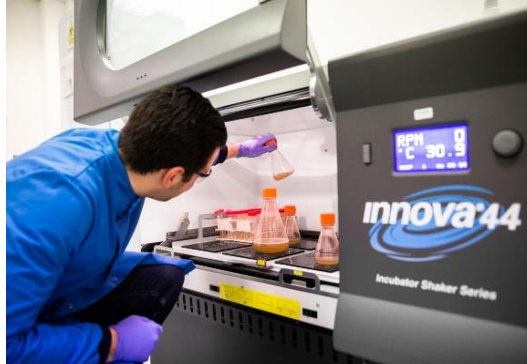
Founding employee at Kymata,
acquired by Alcatel for
\$118.0million



18.2% equity stake
£1.5million holding value

Background

- Develop complex high-strength lightweight components for the transportation industry
- Proprietary Hot Forming Quench technology - HFQ®
- Spinout from Imperial College London
- Technology originally developed at Birmingham University
- Worlds first HFQ® facility launched October 2016
- Experienced management team:
 - Jonathan Watkins, CEO
 - Ian Jenks, chair
 - Professor Jianguo Lin, Imperial College
- Supply Aston Martin and Lotus Cars and growing pipeline across the automotive industry
- Post year end Mercia invested £1.5million as part of a £3.0million round



Peter Dines – Sector Head

20+ years in sector

Former MD of Surgicraft, during which time sales quadrupled. Sold to Living Bridge



47.9% equity stake
£2.2million holding value

Background

- Synthetic biology through to protein production specialists
- Strong management team includes:
 - Dr Ryan Cawood, CEO, experienced genetic engineer
 - Dr Paul Brooker, commercial director
 - Matt Baker, non-executive director
 - Professor Leonard Seymour, co-founder and non-executive director
- Company has received an additional £1.9million of grant funding to accelerate growth in the bioproduction and complex antibody discovery systems product
- Plans to open in US to increase market reach
- Revenues have grown by 100% year on year over the last 3 years

Balance Sheet Portfolio





2016/17 Financials

Summary Financial Information

	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Key revenue and expenditure items		
Revenue	6,660	1,755
Fair value movements in investments	4,268	896
Realised gains on disposal of investments	839	-
Administrative expenses	(9,051)	(4,011)
Exceptional items	(1,125)	(372)
Profit/(loss) for the financial year	1,043	(1,697)
Balance sheet		
Direct investment portfolio value	52,028	38,143
Cash and short-term liquidity investments	63,829	30,932
Net asset value	121,354	80,041
Cash flow		
Investment in portfolio companies	(11,688)	(12,630)

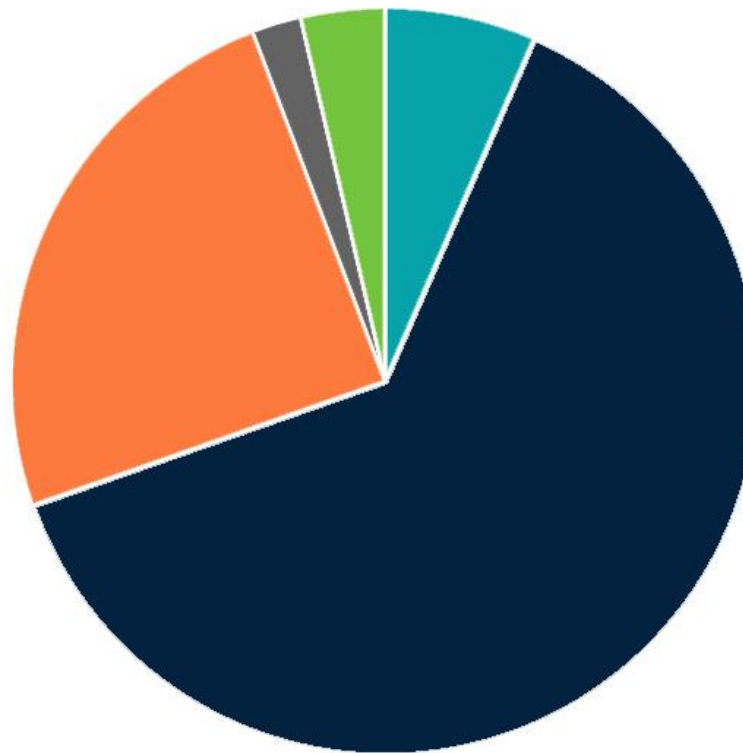
Direct Investment Holdings: Year Ended 31 March 2017



Investment	Net investment value As at 1 April 2016 £'000	Net cash invested Year to 31 March 2017 £'000	Investment realisations Year to 31 March 2017 £'000	Fair value movement Year to 31 March 2017 £'000	Net investment value As at 31 March 2017 £'000	Percentage held As at 31 March 2017 %
nDreams Ltd	4,721	1,500	-	4,758	10,979	47.0
Science Warehouse Ltd	12,650	-	-	(2,737)	9,913	62.6
Concepta PLC	-	1,400	-	2,000	3,400	18.2
Warwick Audio Technologies Ltd	1,348	1,351	-	92	2,791	63.6
Ton UK t/a Intelligent Positioning Ltd	1,000	1,500	-	-	2,500	26.7
PsiOxus Therapeutics Ltd	1,137	-	-	1,240	2,377	1.5
Edge Case Games Ltd	1,810	500	-	-	2,310	21.2
Smart Antenna Technologies Ltd	1,827	250	-	182	2,259	28.2
Oxford Genetics Ltd	1,150	1,046	-	-	2,196	47.9
LM Technologies Ltd	1,392	378	-	-	1,770	41.5
Soccer Manager Ltd	1,599	-	-	-	1,599	29.9
VirtTrade Ltd	2,575	250	-	(1,287)	1,538	28.4
Impression Technologies Ltd	1,500	-	-	-	1,500	18.2
Crowd Reactive Ltd	1,500	-	-	-	1,500	28.3
sureCore Ltd	-	1,500	-	-	1,500	23.0
Faradion Ltd	-	1,299	-	-	1,299	13.6
The Native Antigen Company Ltd	646	-	-	495	1,141	35.6
Medherant Ltd	-	650	-	-	650	11.3
Allinea Software Ltd	1,916	-	(1,916)	-	-	-
Other direct investments	1,372	64	(155)	(475)	806	n/a
Totals	38,143	11,688	(2,071)	4,268	52,028	n/a

**98.5% of
portfolio
value
represented
by top 18
investments**

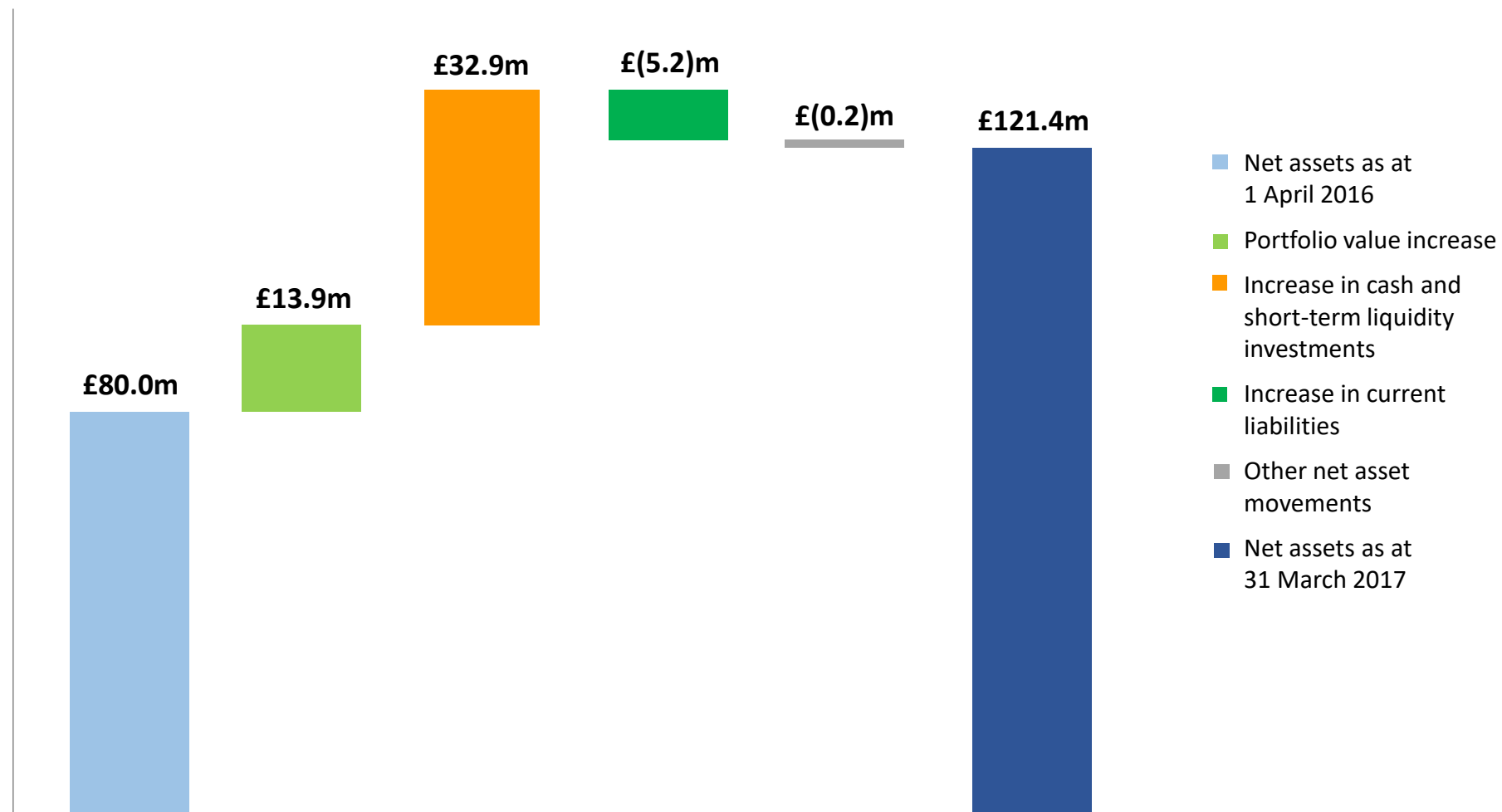
- All £52.0million of investments are held at fair values based on IPEVCV Guidelines
- Early stage companies often have no current/short-term future earnings or positive cash flows
- Consequently, the most appropriate fair value methodology is that based on available market data, being the 'price of recent investment'
- 'Price of recent investment' can be either 'price of recent funding round' or 'cost' in the case of a new direct investment



Valuation Analysis

- Listed bid price: 6%
- Price of recent funding round: 63%
- Cost: 25%
- Enterprise value: 2%
- Cost adjusted for impairment: 4%

Movements in Net Assets: Year Ended 31 March 2017





NAV growth

Strong focus on the accelerated growth in the value of direct investments



Minimisation of NAV erosion

Revenue growth from £1.8million to £6.7million
£0.8million of realised gains



Leverage partnerships

Build and nurture managed funds portfolio companies, university partnerships and deal flow networks



Realise value

Through trade sales and IPOs, leading to the recycling/return of capital

“Mercia is aggressively executing against its strategic plan to build a sustainable platform with the potential to deliver significant value for shareholders. The tangible early signs of success are reflected in these results”



Appendix

The Board



Dr Mark Payton
CEO



Martin Glanfield
CFO



Matthew Mead
CIO



Jonathan Diggines
Third party funds



Susan Searle
Non-executive
Chair



Ian Metcalfe
Snr Independent
Director



Ray Chamberlain
Non-executive
Director



Martin Lamb
Non-executive
Director

- Over 15 years' experience in technology commercialisation and investing
- 30+ venture investments
- Co-founder of Mercia Fund Management ("MFM")
- Isis Innovation (Oxford University TTO)

- Over 20 years' CFO/FD experience of listed and PE backed technology-led businesses
- Former CFO of Forward Group PLC
- KPMG trained Chartered Accountant

- Over 20 years' experience in the investment industry
- Previously directed 3i's pan-European venture portfolio
- Joined Mercia from NESTA where he was CIO, managing its £350m trust assets & venture portfolio

- Over 25 years' experience in VC investing
- Chief Executive of Enterprise Ventures since 2005
- Previously spent 15 years with Aberdeen Murray Johnstone Private Equity
- Regional Council member for the Confederation of British Industry

- Former CEO of Touchstone Innovations Group plc (2002-2013)
- Independent NED of Benchmark Holding plc, Horizon Discovery plc and QinetiQ Group plc
- Chair of Woodford Patient Capital Trust plc

- Former managing partner at Wragge & Co. (2006-2014), corporate partner at the firm for 14 years
- Director and chair of Commonwealth Games England
- NED of TRRG Holdings Ltd

- Successful technology entrepreneur with track record of value creation
- Former executive chairman and principal shareholder of Forward Group PLC
- Former majority shareholder in MFM and first Chair of Mercia

- Former CEO of Midlands-based FTSE 100 IMI plc for 13 years
- Chairman of Rotork plc and Evoqua Water Technologies LLC
- Serves on the European Advisory Board of AEA Investors

University partnerships

Midlands



UNIVERSITY OF
BIRMINGHAM



The North



Scotland



Partnerships delivering innovative opportunities



Progress Since IPO (Dec 2014)

