

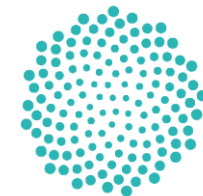


Mercia Asset Management

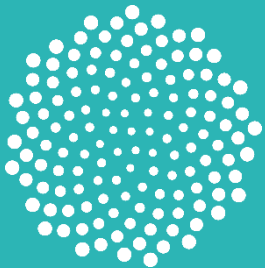
Interim results presentation

3 December 2019

venture • private equity • debt



mercia
asset management



A track record of value creation

Dr Mark Payton

Chief Executive
Officer



Over 15 years' experience
in technology
commercialisation and
venture investing

Co-founder of Mercia

Oxford University
Innovation



Martin Glanfield

Chief Financial
Officer



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

Former CFO of Forward
Group PLC

KPMG trained Chartered
Accountant

Also oversees debt team



Julian Viggars

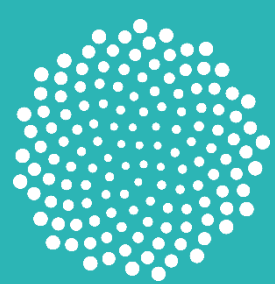
Chief Investment
Officer



Over 20 years of venture
capital experience
including Blue Prism

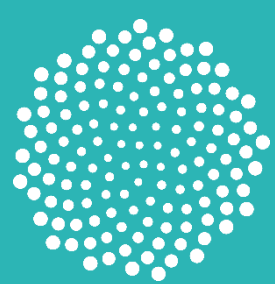
Oversees the investment
activity of the Group across
venture and growth equity





Highlights

- 1 **Reaching scale, platform to leverage AuM:** post acquisition, assets under management (AuM) grow by c.50% from c.£500m to c.£760m
- 2 **Earnings enhancing acquisition:** moves the Group to profitable trading in FY 2021
- 3 **Strengthened liquidity:** c.£250m across asset classes to invest over next 2-3 years
- 4 **Strong recurring revenue growth:** c.80% recurring revenue across the Group
- 5 **Maturing balance sheet portfolio:** 23 direct investments valued at £102.0m, £3.2m fair value movements (FVM) in H1 2020
- 6 **Strengthened balance sheet:** post placing, debt-free c.£31m cash on hand to evergreen balance



Strategic priorities

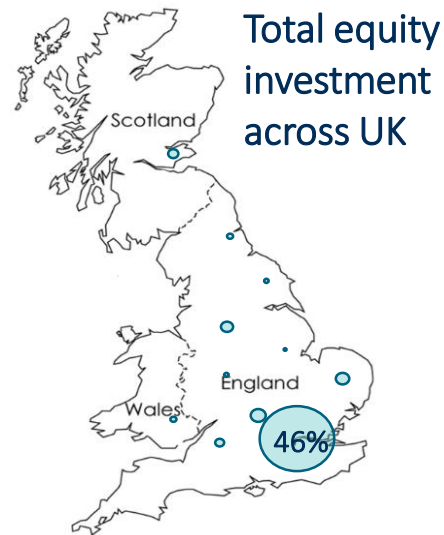
FY20 – FY22

First choice for investees, investors & employees

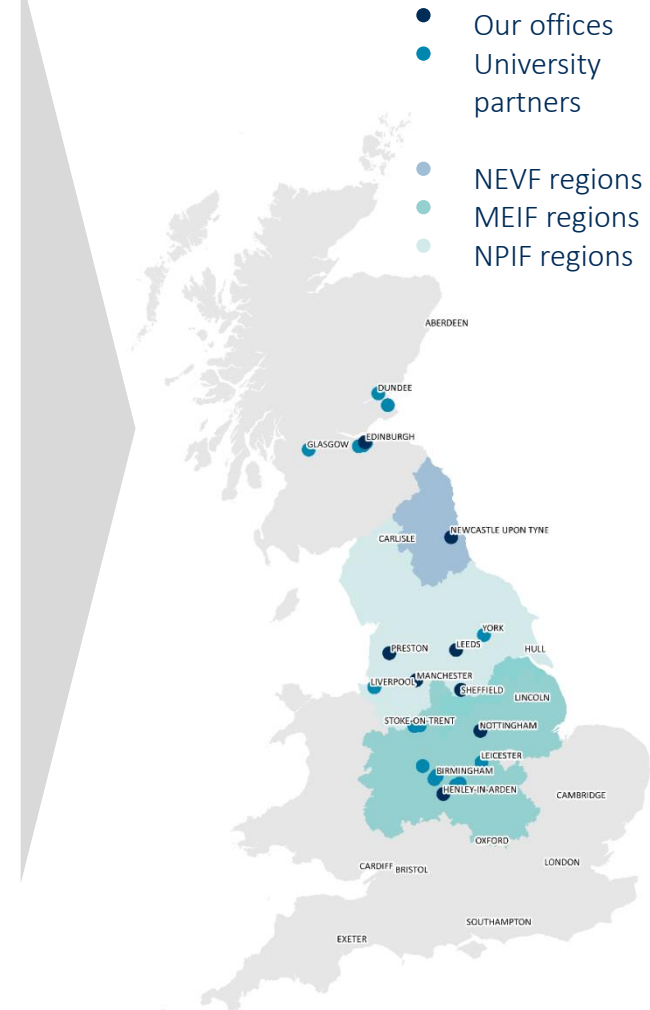
- Target market is annual c.£1bn invested in regional SMEs seeking modest capital in areas of Mercia's technical and operational expertise
 - Become the most active investor in our target market
 - Target up to 20% market share
- Achieve trading profitability before balance sheet FVM and cash realisations
- Grow AuM to \geq £1bn
- Target 15% IRR in third-party and balance sheet equity investments
- Evergreen balance sheet supported by cash realisations

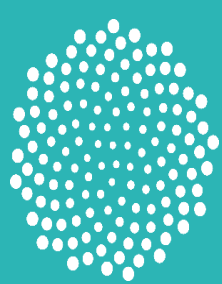
FY 2022 target

Why does Mercia focus on the UK regions?

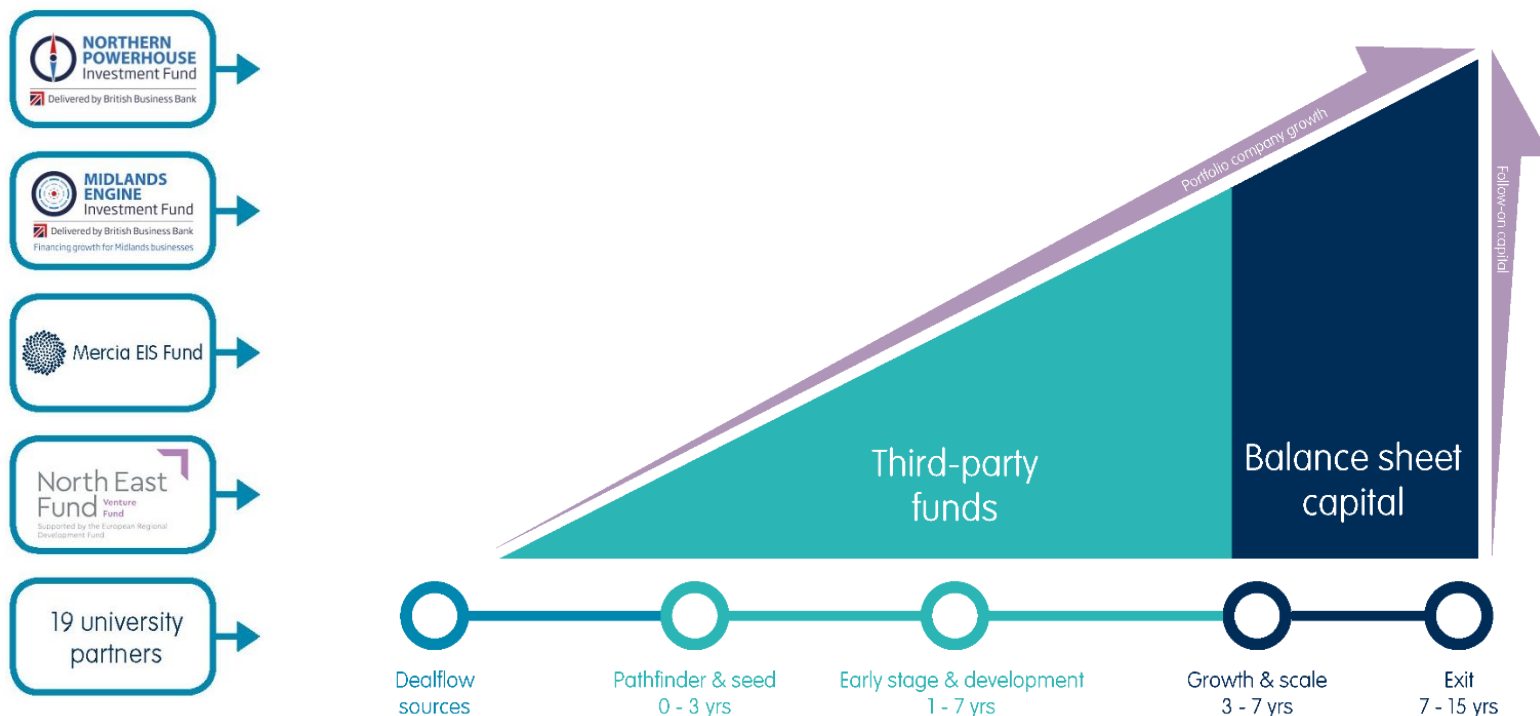


Our regional coverage





Our business model

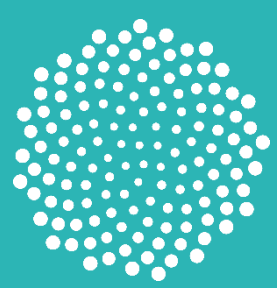


Our regional focus: highly experienced investment teams with a local presence

Mercia platform: supporting our portfolio as they grow

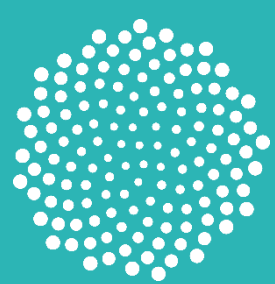
High-quality recurring revenues: c.2%, typically 10-year funds, c.68% annual contracted

Complete connected capital: strong liquidity across venture, private equity and debt



NVM VCT Contract Acquisition and Financial Review





Delivering scale and profitability

Proposed transaction:

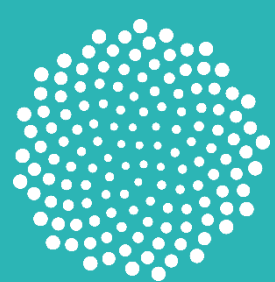
- Acquisition of three VCT management contracts from NVM for a maximum consideration of £25m
 - Initial £16.6m (£12.4m cash; £4.2m Mercia shares) with three year £8.4m deferred contingent consideration (£6.3m cash; £2.1m shares)
- Conditional placing £30m
 - £15m to fund initial cash consideration and transaction costs
 - £15m to fund balance sheet investments

Transaction rationale:

- Significantly increases AuM by c.50% to c.£760m
- Immediately earnings enhancing and achieves trading profitability (Net Income¹)
- Increases the Group's liquidity to deploy into pre-qualified high-growth SMEs via its third-party FuM
- Mercia becomes the No.1 regional provider of capital in target market²
- Expands universe of direct investment opportunities for Mercia
- Accelerated scale; complementary deal origination, sales distribution and investment team

¹ Net Income/(Expenses) represents profit before realisations, fair value movements, share-based payments, intangibles, exceptional items, interest and taxation

² <https://about.beauhurst.com/blog/most-active-uk-venture-capital-firms-by-stage-of-evolution/>



NVM VCT: a transformational acquisition

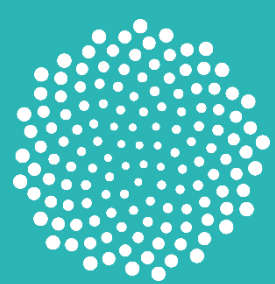
Achieves trading profitability (Net Income before realisations, FVM, share-based payments & amortisation) in first year post completion. **Immediately earnings enhancing:**

- Total VCT related revenue of £7.2m, with £6.3m recurring revenue (overall c.80% recurring revenue for enlarged Group)
- c.£4m proforma Net Income/EBITDA contribution
- Blended recurring fund management revenues across the Group continues to be c.2% of AuM

	Mercia Asset Management	NVM VCT	Proforma Group Combined 2019	% uplift
Turnover	£10.7m	£7.2m	£17.9m	c.70%
Net Income/(Expenses) ^{1,2}	£(1.4)m	£4.0m	£2.6m	n/a
AuM	£487m	£270m	£757m	>50%

¹ Proforma Combined 2019 includes March 2019 audited results for Mercia and March 2019 proforma NVM VCT contracts representing the profit from the 3 acquired management contracts

² Net Income/(Expenses) represents profit before realisations, fair value movements, share-based payments, intangibles, exceptionals, interest and tax



Integration planning and execution

- **Integration Plan**

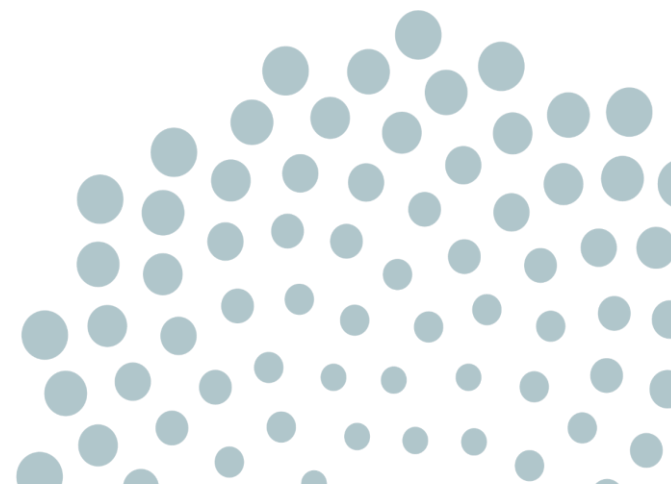
- Mutually-agreed detailed pre and post completion integration plan
 - 158 workstreams
- Completed within first 100 days
- No communication vacuums
- Aligned with original transaction value drivers

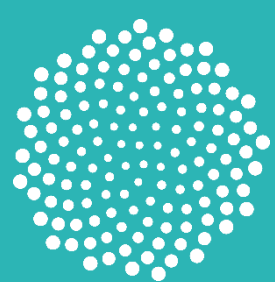
- **Investment Team**

- TUPE process to begin shortly
- Retain investment team and bring into #OneMercia family
- Career and personal development plan will be implemented
- Mercia office allocated

- **Back Office Team**

- 21-month Transition Services Agreement in place
- IT access to ensure communication continuity

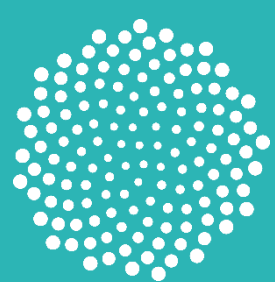




Interim results

Condensed consolidated statement of comprehensive income for the six months ended 30 September 2019

	Unaudited Six months ended 30 September 2019 £'000	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Revenue	5,537	5,270	10,675
Other administrative expenses	(6,401)	(5,956)	(12,115)
Net expenses	(864)	(686)	(1,440)
Fair value movements in investments	3,237	2,601	3,916
Share-based payments (charge)/credit	(281)	32	(171)
Amortisation of intangible assets	(150)	(150)	(301)
Operating profit	1,942	1,797	2,004
Finance income	122	106	562
Profit before taxation	2,064	1,903	2,566
Taxation	27	27	54
Profit and total comprehensive income for the financial period	2,091	1,930	2,620
Basic and diluted earnings per Ordinary share (pence)	0.69	0.64	0.86

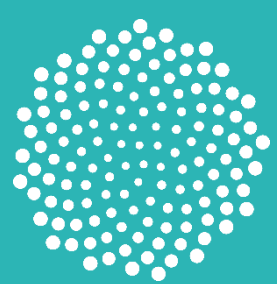


Interim results

Condensed consolidated balance sheet

as at 30 September 2019

	Unaudited As at 30 September 2019 £'000	Unaudited As at 30 September 2018 £'000	Audited As at 31 March 2019 £'000
Goodwill	10,328	10,328	10,328
Intangible assets	434	735	584
Property, plant and equipment	141	123	153
Right-of-use assets	660	-	-
Investments	102,021	77,827	87,659
Total non-current assets	113,584	89,013	98,724
Trade and other receivables	707	578	782
Short-term liquidity investments	207	10,149	5,188
Cash and cash equivalents	17,979	28,900	25,210
Total current assets	18,893	39,627	31,180
Total assets	132,477	128,640	129,904
Trade and other payables	(3,303)	(3,332)	(3,730)
Non-current liabilities			
Lease liabilities	(656)	-	-
Deferred taxation	(81)	(136)	(109)
Total liabilities	(4,040)	(3,468)	(3,839)
Net assets	128,437	125,172	126,065
Equity			
Issued share capital	3	3	3
Share premium	49,324	49,324	49,324
Other distributable reserve	70,000	70,000	70,000
Retained earnings	7,492	4,711	5,401
Share-based payments reserve	1,618	1,134	1,337
Total equity	128,437	125,172	126,065



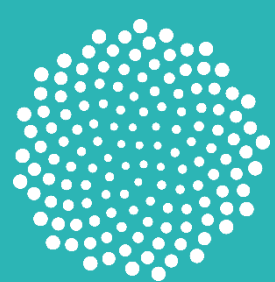
Assets under Management



NVM Private Equity LLP (“NVM”) VCT contracts

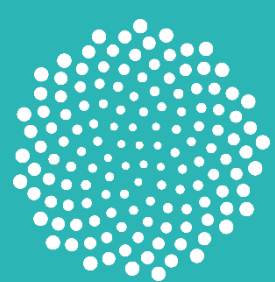
- Three NVM VCT management contracts with c.£270m in AuM¹
 - 60 portfolio companies; 17 are listed, 27 are private venture, 16 are private equity
 - Strong fundraising track record
 - High barrier to entry into VCT market for new entrants





Proforma AuM post acquisition as at 30 September 2019

Venture	NVM VCTs	Private equity	Debt	Balance sheet
Total portfolio 194	Total portfolio 60	Total portfolio 17	Total portfolio 120	Total portfolio 23
Total FuM £210m	Total FuM £270m	Total FuM £60m	Total FuM £91m	NAV £128m
Total invested 2002-2019 £182m	Total venture invested 2016-2019 £92m	Total invested 2004-2019 £48m	Total invested 2002- 2019 £82m	Total invested 2014-2019 £95m
Returns 'to date' £120m	NAV total return (10 yrs) 2.2x	Returns 'to date' £27m	Returns 'to date' £62m	Returns 'to date' £14m
Liquidity £69m	Liquidity £83m	Liquidity £26m	Liquidity £53m	Liquidity £18m

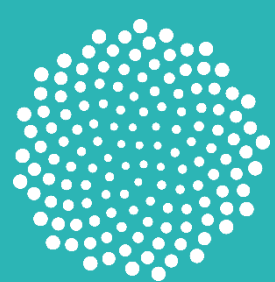


Direct investment holdings as at 30 September 2019

VALUATION BASIS BY HOLDING VALUE

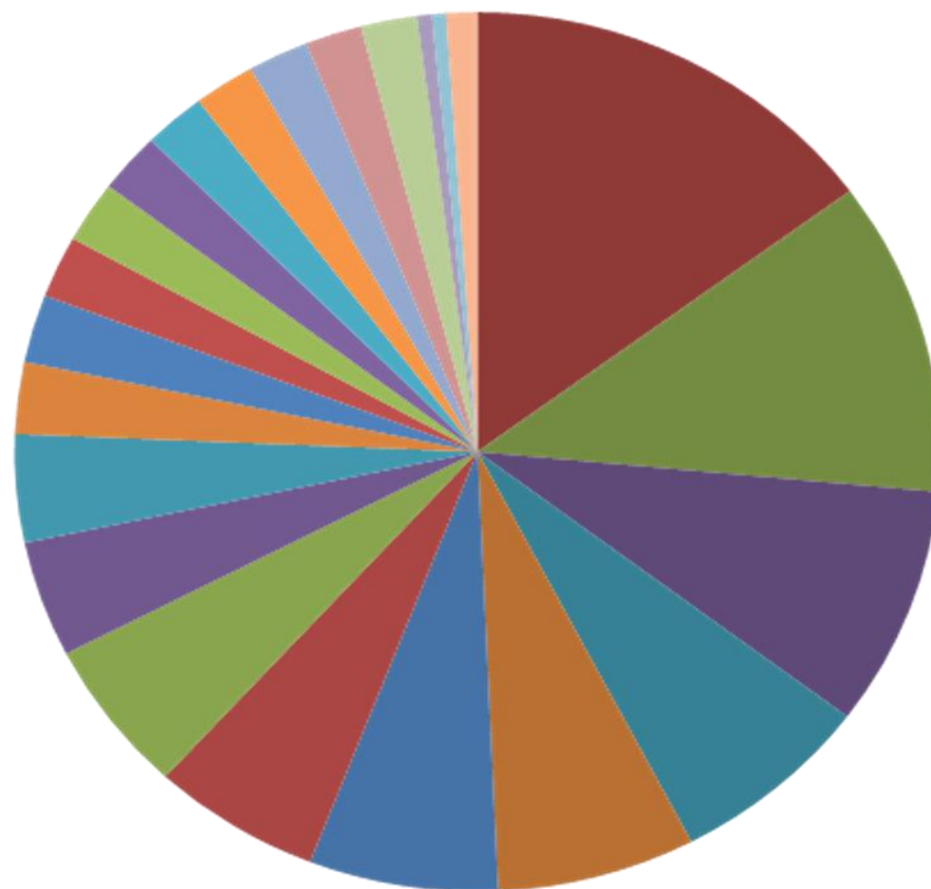
Held at cost	1%
Price of last round	59%
Enterprise valuation	33%
Bid price, listed	1%
Impaired / below cost	6%

	Investment value As at 1 April 2019 £'000	Net cash invested Six months to 30 September 2019 £'000	Fair value movement Six months to 30 September 2019 £'000	Investment value As at 30 September 2019 £'000	Percentage held As at 30 September 2019 %
nDreams Ltd	15,120	-	-	15,120	37.1
Oxford Genetics Ltd t/a Oxgene	10,161	-	1,582	11,743	30.2
Warwick Acoustics Ltd	7,904	1,065	-	8,969	52.9
Intechnica Ltd	6,677	-	509	7,186	27.5
Voxpopme Ltd	3,026	2,000	2,015	7,041	17.1
Medherant Ltd	5,205	1,500	-	6,705	31.1
Impression Technologies Ltd	5,381	600	-	5,981	31.5
Ton UK Ltd t/a Intelligent Positioning	5,473	250	-	5,723	28.2
VirtTrade Ltd t/a Avid Games	3,938	400	-	4,338	28.1
Faradion Ltd	3,525	500	-	4,025	16.4
The Native Antigen Company Ltd	2,863	-	(184)	2,679	30.6
Soccer Manager Ltd	2,099	300	135	2,534	34.8
Crowd Reactive Ltd	1,589	214	517	2,320	22.6
Edge Case Games Ltd	2,300	-	-	2,300	21.2
Locate Bio Ltd	500	1,750	-	2,250	17.4
PsiOxus Therapeutics Ltd	2,377	160	(344)	2,193	1.5
sureCore Ltd	1,834	333	-	2,167	22.0
LM Technologies Ltd	1,913	250	-	2,163	39.4
Eyoto Group Ltd	1,755	250	-	2,005	15.7
W2 Global Data Solutions Ltd	2,000	-	-	2,000	15.2
Other direct investments	2,019	1,553	(993)	2,579	n/a
Totals	87,659	11,125	3,237	102,021	n/a



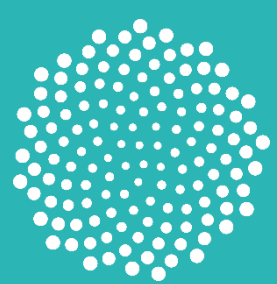
Holding proportions

Direct investment portfolio



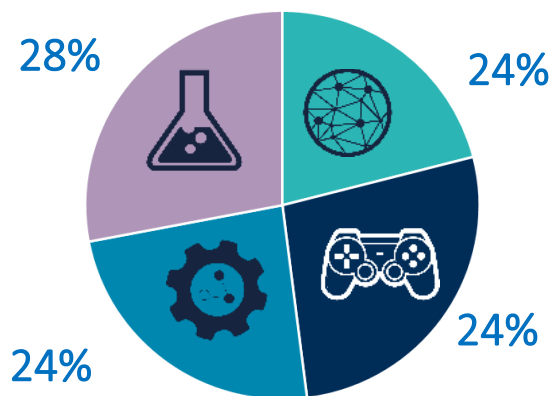
- nDreams Ltd
- Oxford Genetics Ltd t/a Oxgene
- Warwick Acoustics Ltd
- Intechnica Ltd
- Voxpopme Ltd
- Medherant Ltd
- Impression Technologies Ltd
- Ton UK Ltd t/a Intelligent Positioning
- VirtTrade Ltd t/a Avid Games
- Faradion Ltd
- The Native Antigen Company Ltd
- Soccer Manager Ltd
- Crowd Reactive Ltd
- Edge Case Games Ltd
- Locate Bio Ltd
- PsiOxus Therapeutics Ltd
- sureCore Ltd
- LM Technologies Ltd
- Eyoto Group Ltd
- W2 Global Data Solutions Ltd
- Concepta PLC
- Clear Review Ltd
- Other direct investments

As at 30 September 2019

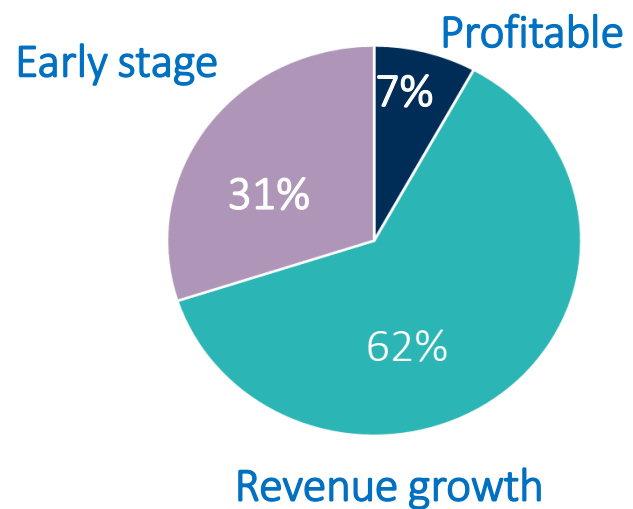


Diversified balance sheet portfolio

Portfolio value by sector



Portfolio value by stage of development



Strong commercial progress with direct investments



Sodium ion battery technology



- 2018: c.£3m revenue
- c.700% 3-year growth



HALDOR TOPSØE



SHARP

abcam



- 2018: c.£2m revenue
- c.1,000% 3-year growth



Voxpopme®

- 2018: c.£5m revenue
- c.1,000% 3-year growth



Further potential deal flow from managed funds

50+ businesses looking for c.£125m in next 18 months



Electronics, Materials, Manufacturing & Engineering



Life Sciences & Biosciences

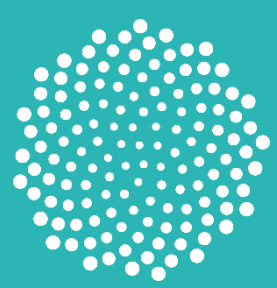


Digital & Digital Entertainment



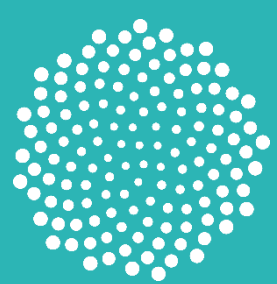
Software & the Internet





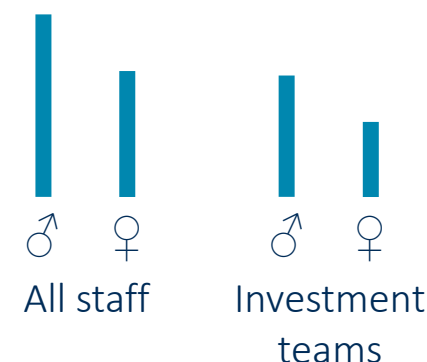
Investing in Talent; *the best place to do your best work*

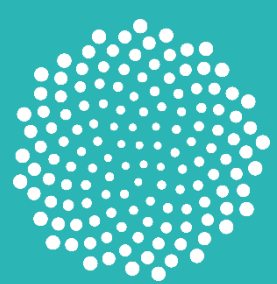




Where employees do their best work

- In the regions, from the regions, to the regions
- c.100 employees post transaction in 8 regional offices, with 19 regional university partnerships
- c.41% of staff, c.38% of the investment team are female
- Mercia Spirit
- Mercia Academy
- Mercia Knowledge
- Mercia Platform

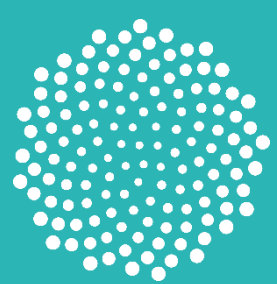




Differentiated, scalable specialist asset manager

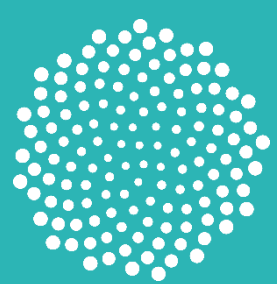
Conclusion

- ✓ Acquisition expands potential balance sheet deal flow and moves Group to profitability
- ✓ Complementary acquisition moves Mercia significantly closer to £1bn AuM target
- ✓ Placing fully funds existing direct investments and pipeline, evergreening balance sheet
- ✓ Marked increase in liquidity in managed FuM through acquisition
- ✓ Positive results in first half in line with expectations, momentum into H2
- ✓ Positive outlook and well placed to capitalise on the growing regional markets



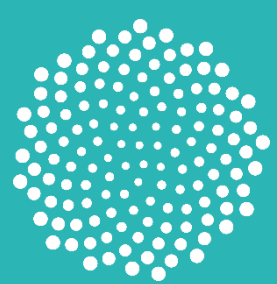
Q & A



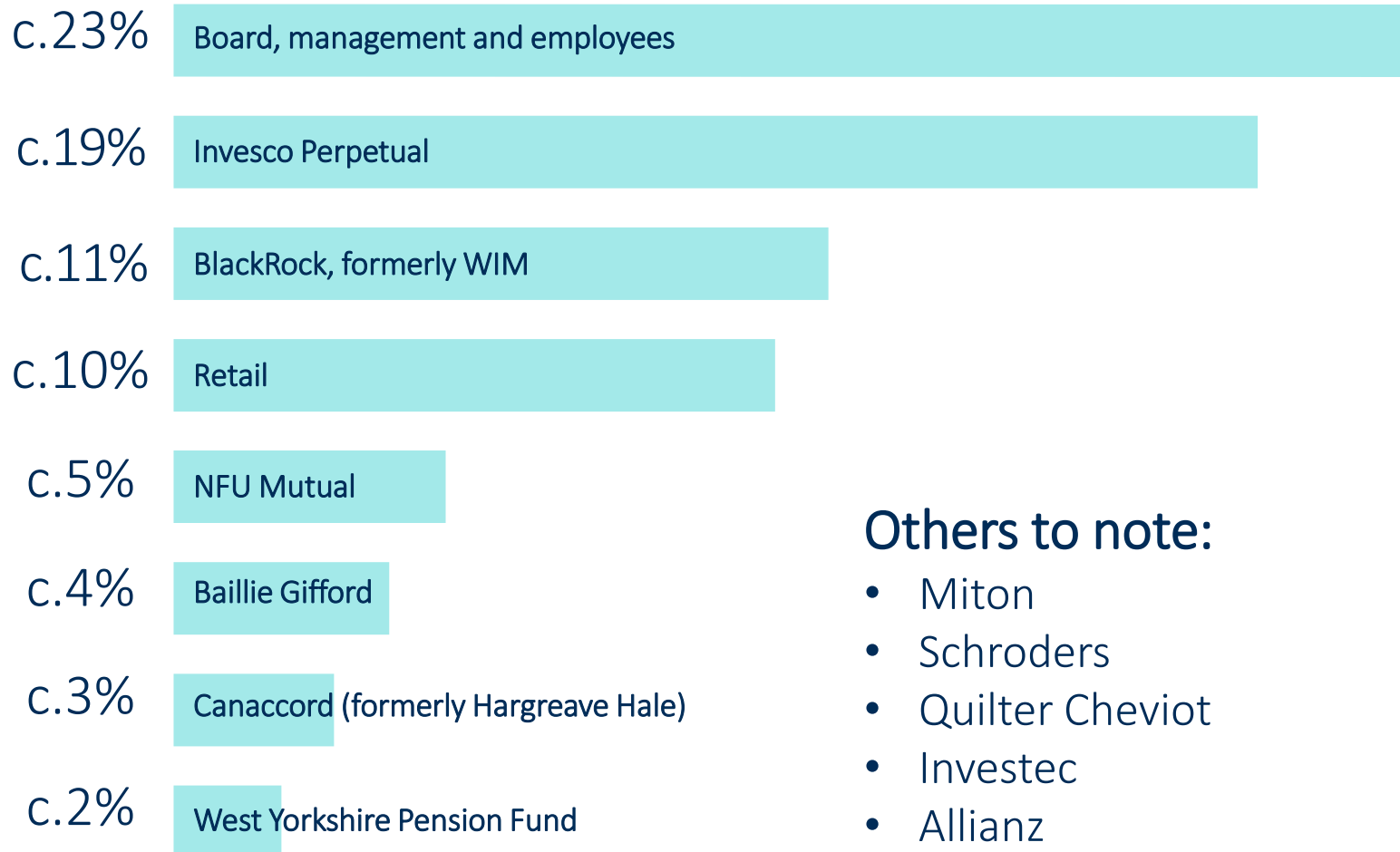


Appendices





Share register



Others to note:

- Miton
- Schroders
- Quilter Cheviot
- Investec
- Allianz
- Free float c.47%

Strong corporate governance combined with deep, patient investment experience



Ian Metcalfe
Chair



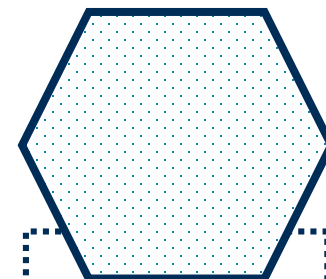
Ray Chamberlain



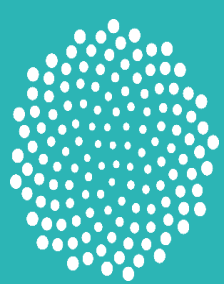
Caroline Plumb OBE



Dr Jonathan Pell



New NED
with strong
asset
management
background



The Senior Management Team (post acquisition)

Confidential



Ceri
Group Financial
Controller



Rosie
Compliance



Will
North/Yorks



Julian
Midlands



Peter
COO



Michelle
People & Talent



Alison
Head of
Marketing &
Comms.



John
FD, funds



Charlie
Head of VCT



Paul
Head of
Debt



Sarah
Head of
Legal



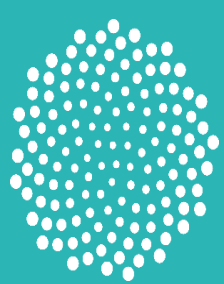
Wayne
Head of PE



Angela
Head of Platform



Ian
North East



Managed fund support

Finance



Ceri
Group Financial
Controller



Compliance



Rosie
Compliance
Director



Fund: admin., investor relations & reporting



John
Finance Director



NVM's VCTs' investment portfolio summary

Northern Venture Trust PLC (NVT.L)

INVESTMENT PORTFOLIO SUMMARY

as at 30 September 2019

	Cost £000	Valuation £000	% of net assets by value
Lineup Systems	974	4,504	5
Agilitas IT Holdings	1,302	4,380	4.6
Sorted Holdings	3,022	4,033	4.2
Currentbody.com	1,413	2,350	2.5
SHE Software Group	2,058	2,317	2
Volumatic Holdings	906	2,040	2.1
Knowledgemotion	1,903	2,038	2
No 1 Lounges	2,006	1,933	2
Biological Preparations Group	2,366	1,861	2
Entertainment Magpie Group	1,610	1,853	1.9
AVID Technology Group	1,352	1,776	1.9
It's All Good	1,205	1,741	1.9
Weldex (International) Offshore Holdings	3,262	1,670	1.8
Intelling Group	1,223	1,649	1.7
Medovate	1,593	1,593	1.7
Fifteen largest VC investments:	26,195	35,738	37.4
Rest of portfolio	41,266	36,671	38.3
Total	67,461	72,409	75.7
Total portfolio containing listed equity	8,939	9,845	10.3

Northern 2 PLC VCT (NTV.L)

INVESTMENT PORTFOLIO SUMMARY

as at 30 September 2019

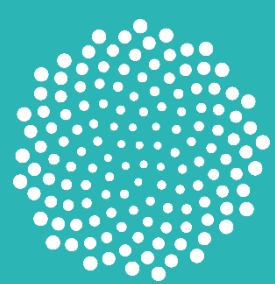
	Cost £000	Valuation £000	% of net assets by value
Lineup Systems	975	4,504	5
Agilitas IT Holdings	1,284	4,317	4.9
Sorted Holdings	2,715	3,625	4.1
Currentbody.com	1,286	2,140	2.4
SHE Software Group	1,873	2,109	2
Volumatic Holdings	906	2,038	2.3
No 1 Lounges	1,977	1,906	2
Knowledgemotion	1,778	1,905	2.2
Entertainment Magpie Group	1,503	1,730	2
Biological Preparations Group	2,166	1,698	1.9
It's All Good	1,145	1,648	1.9
AVID Technology Group	1,287	1,647	1.9
Intelling Group	1,142	1,541	1.8
Soda Software Labs	1,499	1,499	1.7
Medovate	1,450	1,450	1.6
Fifteen largest VC investments	22,986	33,757	38.4
Rest of portfolio	35,025	31,283	35.5
Total	58,011	65,040	73.9
Total portfolio containing listed equity	6,392	6,683	7.6

Northern 3 PLC VCT (NTN.L)

INVESTMENT PORTFOLIO SUMMARY

as at 30 September 2019

	Cost £000	Valuation £000	% of net assets by value
Lineup Systems	974	4,502	5
Agilitas IT Holdings	1,135	3,817	4.4
Sorted Holdings	2,542	3,392	3.9
Ideagen	541	2,190	2.5
Currentbody.com	1,270	2,113	2
SHE Software Group	1,850	2,083	2.4
Volumatic Holdings	906	2,038	2
Knowledgemotion	1,740	1,864	2.2
No 1 Lounges	1,748	1,685	2
It's All Good	1,131	1,636	1.9
Entertainment Magpie Group	1,360	1,565	1.8
AVID Technology Group	1,210	1,548	1.8
Intelling Group	1,118	1,508	1.8
Biological Preparations Group	1,915	1,496	1.7
Soda Software Labs	1,464	1,464	1.7
Fifteen largest VC investments	20,904	32,901	38
Rest of portfolio	41,598	37,829	43.6
Total	62,502	70,730	81.6
Total portfolio containing listed equity	10,186	10,948	12.6



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- This document contains statements about Mercia Asset Management PLC that are or may be forward-looking statements. Forward-looking statements include statements relating to (i) future revenues, expenses, earnings, financial condition, and future prospects; and (ii) business and management strategies and the expansion and growth of Mercia Asset Management PLC's operations.
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