

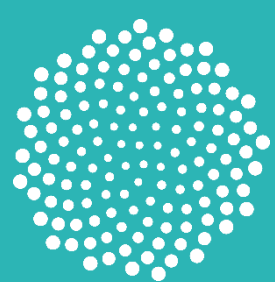


# Mercia Asset Management PLC

Interim Results Presentation  
30 September 2020

venture • private equity • debt





# Important notice

- 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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# A track record of value creation

## Dr Mark Payton

Chief Executive  
Officer



Over 20 years' experience  
in technology  
commercialisation and  
venture investing

Co-founder of Mercia

Oxford University  
Innovation

OXXON  
THERAPEUTICS™



## 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

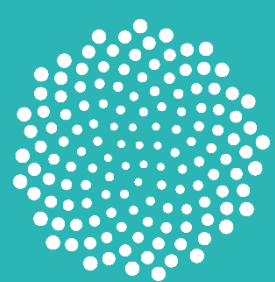
Chief Investment  
Officer



Over 20 years' venture  
capital experience  
including Blue Prism

Oversees the investment  
activity of the Group across  
proprietary capital, venture  
and private equity





# Strong growth in adjusted operating profit and fair value movements (“FVM”); *maiden dividend*

**Assets under management (“AuM”)**  
c.£872m, +c.78%

**Revenue**  
£8.4m, +c.51%

**Adjusted operating profit**  
£1.1m, (£0.6m)

**Strong progress with direct investments**  
£6.7m FVM

**Unrestricted cash**  
c.£25m, +40%

## Strategic highlights

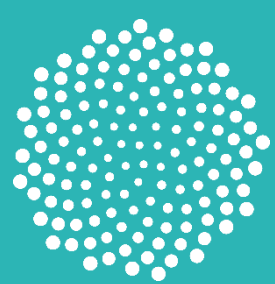
- Resilient, scalable business model
- No use of Government support schemes
- Strong progress against three-year objectives
- Robust recurring fee model at a blended c.2%
- ESG principles, core to our investment philosophy
- Maiden dividend, 0.1p per share

## Third-party FuM highlights

- £722m in FuM (+100%)
- Strong liquidity, c.£255m
- 81 new investments despite remote working

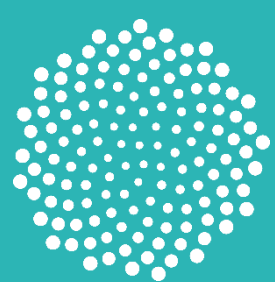
## Proprietary capital

- 16.2% increase in portfolio valuation
- Two full cash exits in H1 2021, one more post period end
- Resilient portfolio, no further COVID-19 related impact



## Shareholder value creation through predictable fee income and capital growth

- **Fee income visibility** via closed end and long duration funds
- **Growing profits** from recurring fund management related fees underpins progressive dividend policy
- **Growth in NAV** as direct investments mature
- **Sustainable competitive advantage** in the UK regions
- **Scalable infrastructure** and talented investment team
- **Well capitalised** with substantial dry powder



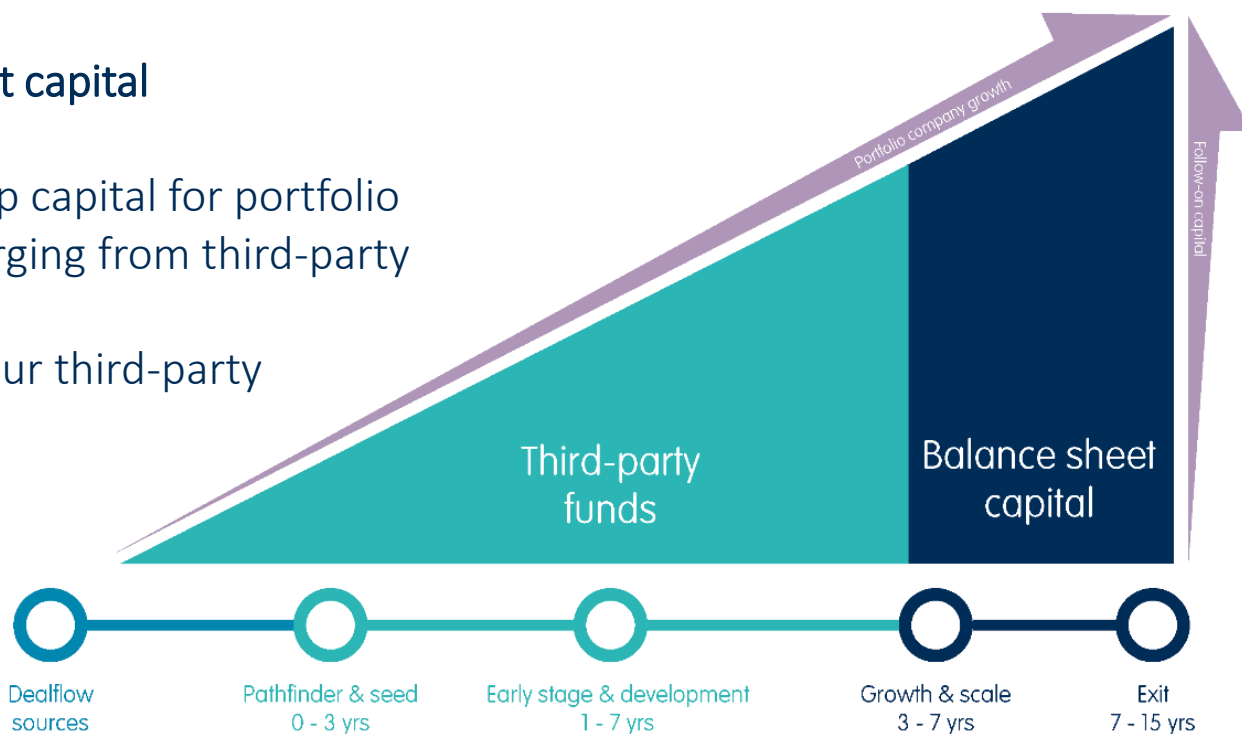
# Business model

Proactive, regionally focused, specialist asset manager

## Proprietary balance sheet capital

Selectively:

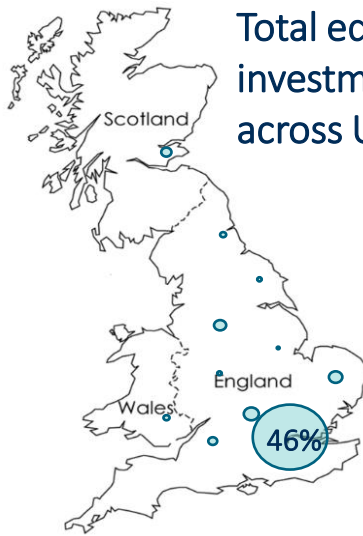
- Provides scale-up capital for portfolio companies emerging from third-party managed funds
- Minority LP in four third-party managed funds



Venture	Private equity	Debt	Proprietary capital
Total portfolio: 243	Total portfolio: 9	Total portfolio: 124	Total portfolio: 22
Total FuM: £552m	Total FuM: £56m	Total FuM: £114m	NAV: £150m
Liquidity: £131m	Liquidity: £24m	Liquidity: £75m	Liquidity: £25m

## Target market and market trends

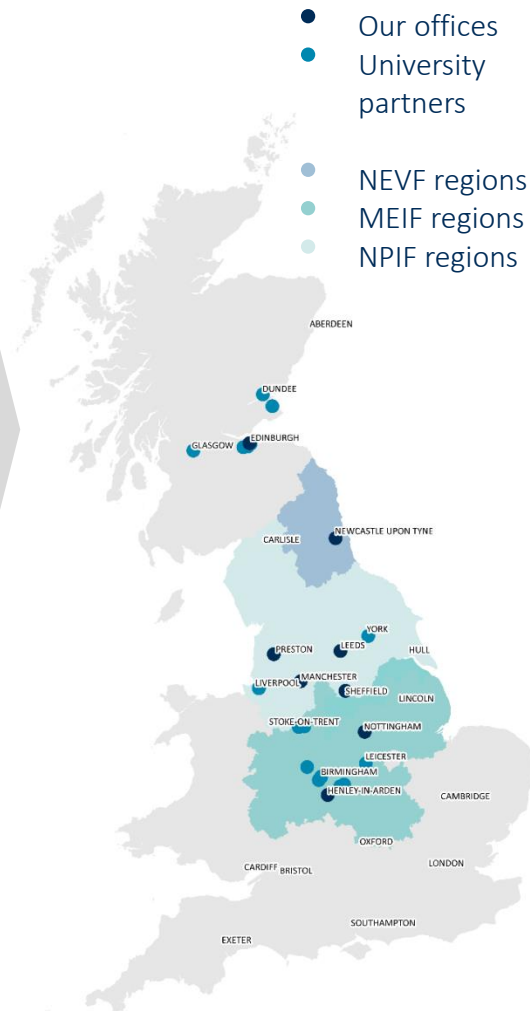
Total equity investment across UK



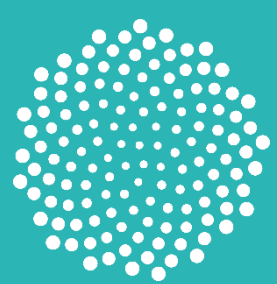
Distribution of high-growth firms



Our regional coverage



- We seek businesses typically requiring <£20m investment with exit expectations of c.£20m - £200m
- Mercia per annum investment of c.£80m in a c.£1bn addressable market
- Robust SME venture, PE and debt markets
- Active secondary, IPO and trade sale market for Mercia portfolio

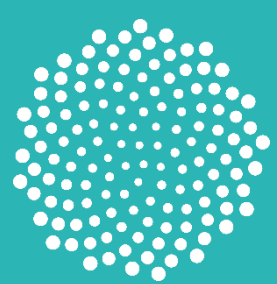


## Strategic objectives

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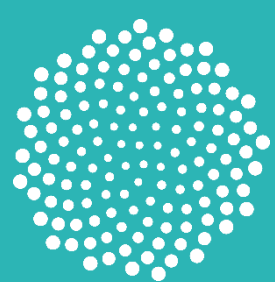
1. Continued growth in adjusted operating profit
2. Grow AuM to  $\geq$ £1bn
3. 'Evergreen' the balance sheet
4. Progressive dividend policy
5. Become No.1 provider of capital in our target markets





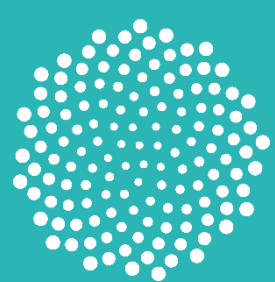
# Financial review





## Summarised results – H1 2021

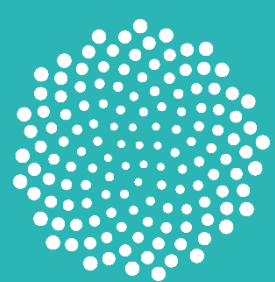
- Revenue increased 51.0% to £8.4m (H1 2020: £5.5m)
- Adjusted operating profit £1.1m (H1 2020: £0.6m loss)
- Realised gain £1.7m (H1 2020: nil) from NAC disposal
- Net fair value increase £6.7m (H1 2020: £3.2m)
- Net assets £149.9m (H1 2020: £128.4m)
- Net assets per share 34.1 pence (H1 2020: 42.3 pence; FY 2020: 32.1 pence)
- Unrestricted cash and short-term liquidity investments £24.9m (H1 2020: £17.8m)
- No debt
- Maiden dividend declared 0.1p per share c.£440,000



# AuM movements in H1 2021

Asset class	AuM 1 April 2020 £'m	Net fund flows £'m	Performance £'m	AuM 30 September 2020 £'m	AuM 30 September 2019 £'m
Venture	476	4	72	552	210
Private equity	60	(4)	-	56	60
Debt	122	(8)	-	114	91
Proprietary capital	142	-	8	150	128
<b>Total</b>	<b>800</b>	<b>(8)</b>	<b>80</b>	<b>872</b>	<b>489</b>

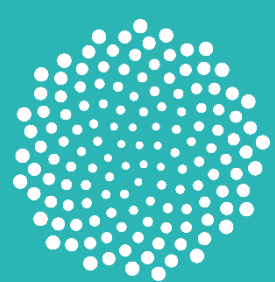
- Performance driven by VCT and direct investment portfolio fair value recoveries
- New venture EIS fund
- PE distribution to LP investors
- Existing debt fund moved into realisation phase, new debt fund launched



# Consolidated statement of comprehensive income

## for the six months ended 30 September 2020

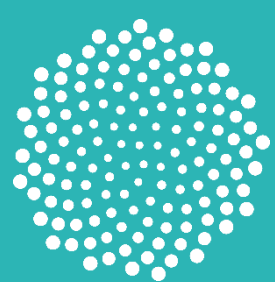
	Unaudited Six months ended 30 September 2020 £'000	Unaudited Six months ended 30 September 2019 £'000	Audited Year ended 31 March 2020 £'000
Revenue	8,362	5,537	12,747
Other administrative expenses	(7,323)	(6,288)	(12,449)
Net finance income	9	122	220
<b>Adjusted operating profit/(loss)</b>	<b>1,048</b>	<b>(629)</b>	<b>518</b>
Realised gains on disposal of investments	1,704	-	-
Fair value movements in investments	6,730	3,237	(15,844)
Share-based payments charge	(182)	(281)	(528)
Depreciation	(106)	(113)	(212)
Amortisation of intangible assets	(1,167)	(150)	(852)
<b>Operating profit/(loss) before exceptional items</b>	<b>8,027</b>	<b>2,064</b>	<b>(16,918)</b>
Exceptional items	-	-	(695)
<b>Profit/(loss) before taxation</b>	<b>8,027</b>	<b>2,064</b>	<b>(17,613)</b>
Taxation	220	27	159
<b>Profit/(loss) after taxation</b>	<b>8,247</b>	<b>2,091</b>	<b>(17,454)</b>
<b>Basic and diluted earnings/(loss) per Ordinary share (pence)</b>	<b>1.87</b>	<b>0.69</b>	<b>(5.11)</b>



# Summarised consolidated balance sheet

## as at 30 September 2020

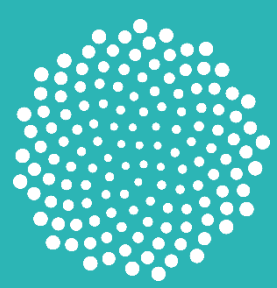
	Unaudited As at 30 September 2020 £'000	Unaudited As at 30 September 2019 £'000	Audited As at 31 March 2020 £'000
Goodwill and intangible assets	35,538	10,762	36,705
Property, plant, equipment and right-of-use assets	642	801	723
Investments	101,618	102,021	87,471
<b>Total non-current assets</b>	<b>137,798</b>	<b>113,584</b>	<b>124,899</b>
Trade and other receivables	1,451	707	1,298
Cash, cash equivalents and short-term liquidity investments	25,171	18,186	30,653
<b>Total current assets</b>	<b>26,622</b>	<b>18,893</b>	<b>31,951</b>
<b>Total assets</b>	<b>164,420</b>	<b>132,477</b>	<b>156,850</b>
Trade, other payables and lease liabilities	(4,348)	(3,303)	(4,923)
Deferred consideration	(1,736)	-	(1,736)
<b>Total current liabilities</b>	<b>(6,084)</b>	<b>(3,303)</b>	<b>(6,659)</b>
<b>Non-current liabilities</b>			
Lease liabilities	(409)	(656)	(473)
Deferred consideration	(4,446)	-	(4,446)
Deferred taxation	(3,592)	(81)	(3,812)
<b>Total non-current liabilities</b>	<b>(8,447)</b>	<b>(737)</b>	<b>(8,731)</b>
<b>Total liabilities</b>	<b>(14,531)</b>	<b>(4,040)</b>	<b>(15,390)</b>
<b>Net assets</b>	<b>149,899</b>	<b>128,437</b>	<b>141,460</b>
<b>Equity</b>			
Issued share capital	4	3	4
Share premium	81,644	49,324	81,644
Other distributable reserve	70,000	70,000	70,000
Retained earnings	(3,806)	7,492	(12,053)
Share-based payments reserve	2,047	1,618	1,865
<b>Total equity</b>	<b>149,899</b>	<b>128,437</b>	<b>141,460</b>



# Summarised cash flow statement

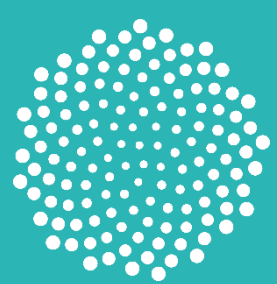
## for the six months ended 30 September 2020

	Unaudited Six months ended 30 September 2020 £'000	Unaudited Six months ended 30 September 2019 £'000	Audited Year ended 31 March 2020 £'000
<b>Net cash generated from/(used in) operating activities</b>	<b>2,002</b>	<b>(1,121)</b>	<b>136</b>
Purchase of direct investments	(11,160)	(11,461)	(17,449)
Investee company loan repayments	250	336	-
Proceeds from the sale of direct investments	3,493	-	1,793
<b>Net cash flows from direct investment activities</b>	<b>(7,417)</b>	<b>(11,125)</b>	<b>(15,656)</b>
Purchase of property, plant and equipment	(25)	(24)	(45)
Investee company loan redemption premiums and interest received	18	139	245
Purchase of fund management contracts	-	-	(12,400)
Decrease/(increase) in short-term liquidity investments	5,981	4,981	(1,027)
<b>Net cash generated from/(used in) other investing activities</b>	<b>5,974</b>	<b>5,096</b>	<b>(13,227)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from the issue of Ordinary shares	-	-	30,000
Transaction costs relating to the issue of Ordinary shares	-	-	(1,879)
Payment of lease liabilities	(51)	(81)	(120)
Interest paid	(9)	-	(26)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(60)</b>	<b>(81)</b>	<b>27,975</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>499</b>	<b>(7,231)</b>	<b>(772)</b>
Cash and cash equivalents at the beginning of the period	24,438	25,210	25,210
<b>Cash and cash equivalents at the end of the period</b>	<b>24,937</b>	<b>17,979</b>	<b>24,438</b>



# Investment review





## Proactive regional deal origination

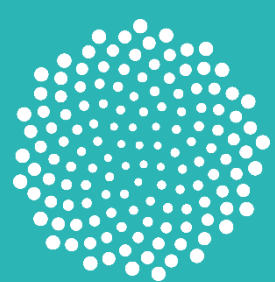
Across all asset classes in H1 2021

- 1,163 investment enquiries
- c.£42m invested in existing and new portfolio companies:
  - into 81 companies
  - of which 26 are new
  - 398 portfolio companies

	Venture	Private equity	Debt	Balance sheet	Total
Total portfolio size	243	9	124	22	398
No. of portfolio invested in H1 FY21	52	0	15	14	81
Of which - new to portfolio	16	0	10	1*	26

\* Not included in total as sourced from FuM portfolio





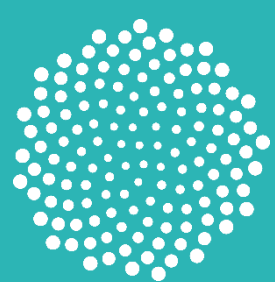
## Third-party funds under management (“FuM”)

### FuM:

- Rapid, decisive COVID-19 response
  - o Long term outlook, providing shorter term help
- Meeting or exceeding fund client expectations
- Institutional:
  - o CBILS accredited (BBB\*\* NPIF debt fund)
  - o New debt fund (GMPF\* as investor) launched in period
- Private investors:
  - o Good recovery in VCT NAVs
  - o Strong exit pipeline building in EIS:
    - NAC and Clear Review (12x and 8x return on investment cost)
    - Strong returns in EIS is driving larger new fund raising

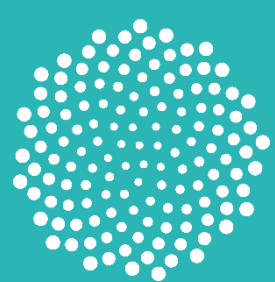
\* Greater Manchester Pension Fund

\*\* British Business Bank



## Proprietary capital

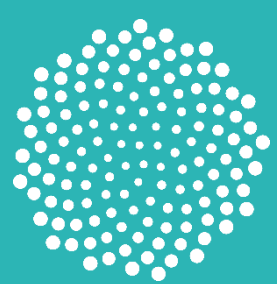
- Effort concentrated on larger investments, top 10 represent c.80% of portfolio value
- 15 of top 20 (75%) companies funded through FY 2021 and beyond
- £10.9m net invested in 14 companies (6 alongside FuM)
- MIP Diagnostics added in the period, Sense Biodetection post period end
- Two exits during the period and one post period end:
  - NAC fully exited (c.8x return on cost and c.65% IRR, £1.7m realised gain) and Crowd Reactive
  - Clear Review exit post period end (c.2x return on cost and c.72% IRR)
- £6.7m positive FVM in the period
- No additional COVID-19 impact felt on portfolio








# Direct investment portfolio

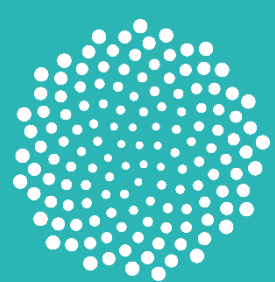
## as at 30 September 2020

	Investment value As at 1 April 2020 £'000	Net cash invested Six months to 30 September 2020 £'000	Investment realisations Six months to 30 September 2020 £'000	Fair value movement Six months to 30 September 2020 £'000	Investment value As at 30 September 2020 £'000	Percentage held As at 30 September 2020 %
nDreams Ltd	16,120	1,000	-	606	17,726	36.4
Oxford Genetics Ltd t/a OXGENE	11,743	1,000	-	3,351	16,094	30.2
Intechnica Ltd	7,177	1,250	-	1,568	9,995	27.5
Medherant Ltd	6,705	1,400	-	-	8,105	30.1
Voxpopme Ltd	6,030	-	-	1,012	7,042	17.1
Impression Technologies Ltd	4,294	1,750	-	-	6,044	25.9
Ton UK Ltd t/a Intelligent Positioning	4,354	750	-	(203)	4,901	29.9
Faradion Ltd	4,025	500	-	(2)	4,523	15.6
Warwick Acoustics Ltd	3,656	500	-	-	4,156	48.3
Locate Bio Ltd	2,250	750	-	6	3,006	16.7
VirtTrade Ltd t/a Avid Games	2,200	615	-	(3)	2,812	20.3
Soccer Manager Ltd	2,534	-	-	-	2,534	34.8
Edge Case Games Ltd	2,300	-	-	-	2,300	21.2
W2 Global Data Solutions Ltd	2,000	300	-	-	2,300	16.3
Eyoto Group Ltd	1,752	500	-	-	2,252	15.7
PsiOxus Therapeutics Ltd	2,193	-	-	(4)	2,189	1.4
sureCore Ltd	2,167	-	-	-	2,167	22.0
Clear Review Ltd	500	-	-	530	1,030	4.0
Concepta PLC	475	200	-	-	675	14.6
MIP Diagnostics Ltd	-	300	-	2	302	3.3
The Native Antigen Company Ltd	3,493	-	(3,493)	-	-	0.0
Other direct investments	1,503	95	-	(133)	1,465	n/a
<b>Totals</b>	<b>87,471</b>	<b>10,910</b>	<b>(3,493)</b>	<b>6,730</b>	<b>101,618</b>	<b>n/a</b>








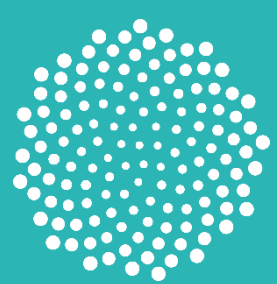
## Top 10 holdings by value (1-5)

	 <b>nDreams</b>	 <b>OXGENE</b>	 <b>int Technica</b>	 <b>MEDHERANT</b>	 <b>Voxpopme</b>
Investment value	£17.7m	£16.1m	£10.0m	£8.1m	£7.0m
% direct holding (excludes FuM)	36.4%	30.2%	27.5%	30.1%	17.1%
Initial investment date	2014	2016	2017	2017	2018
Description	VR developer	Biotech gene therapy	Ecommerce security/AI	Patch delivery	Video analytics
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Revenue, partnerships	Revenue, licences	Revenue, ARR	Regulatory, clinical, partnerships	Revenue, ARR
Highlights H1 FY21	+ Growth, Phantom	+ Growth, new product launch	+ Growth Forrester report	Multiple Pharma collaborations	+ Revenue growth
Valuation change	↑	↑	↑	=	↑



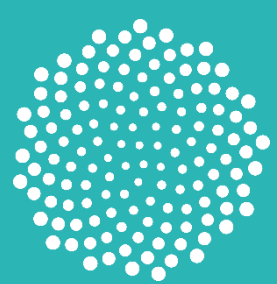
## Top 10 holdings by value (6-10)

					
Investment value	£6.0m	£4.9m	£4.5m	£4.2m	£3.0m
% direct holding (excludes FuM)	25.9%	29.9%	15.6%	48.3%	16.7%
Initial investment date	2015	2015	2018	2014	2018
Description	Aluminium pressing	SEO platform	Sodium-ion battery tech	Flat speaker tech	Orthobiologics developer
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Licences, partnerships	Revenue, ARR	Licences, partnerships	Revenue, partnerships	Product development, partnerships
Highlights H1 FY21	OEM re-engagement	Churn seen-stabilised	First order in Australia	JLR, OEM re-engagement	Additional products acquired
Valuation change	=	↓	=	=	=



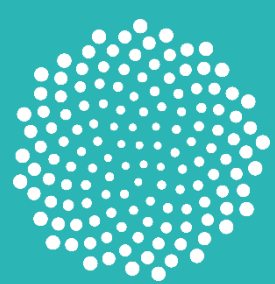
## Strongly positioned for long term sustainable growth and shareholder value creation

- ✓ Continued fee income growth with c.87% contracted recurring (fund and monitoring fees)
- ✓ Broad range of closed end, third-party funds under management, some 'evergreen'
- ✓ Scale: c.£872m AuM and growing
- ✓ Well capitalised with substantial dry powder in both funds and balance sheet
- ✓ Diversified, maturing portfolio of direct investments, many making significant progress
- ✓ Positive outlook for H2 2021 with maiden dividend and progressive dividend policy



# Appendices

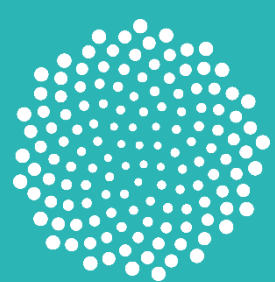




## Environmental, Social and Governance ("ESG")

- Mercia is a responsible employer and investor
- We incorporate ESG factors while building and managing our portfolios and our Group
- We are guided in our approach by the UN Principles of Responsible Investment
- Our in-house ESG team represents all parts of the Group and reports to the Senior Leadership Team
- We are now codifying our guiding principles into policies, so that the ethos of responsible investing becomes part of our day-to-day strategy and practice





# Mercia: *share register – c.69% free float (H1 2020: c.28%)*

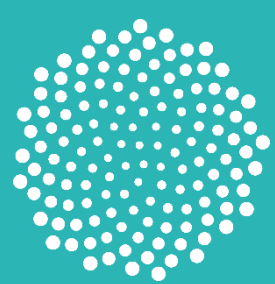
## As at 30 September 2020

- Board, management and employees (c.17%)
- Invesco (c.14%)
- Retail (c.12%)
- Librae Holdings (c.6%)
- Ruffer (c.6%)
- Ninety One (Investec Asset Management) (c.4%)
- NVM Private Equity (c.4%)
- Chelverton Asset Management (c.3%)
- The Hargreaves No.11 settlement (c.3%)
- NFU Mutual (c.3%)

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## Others of note:

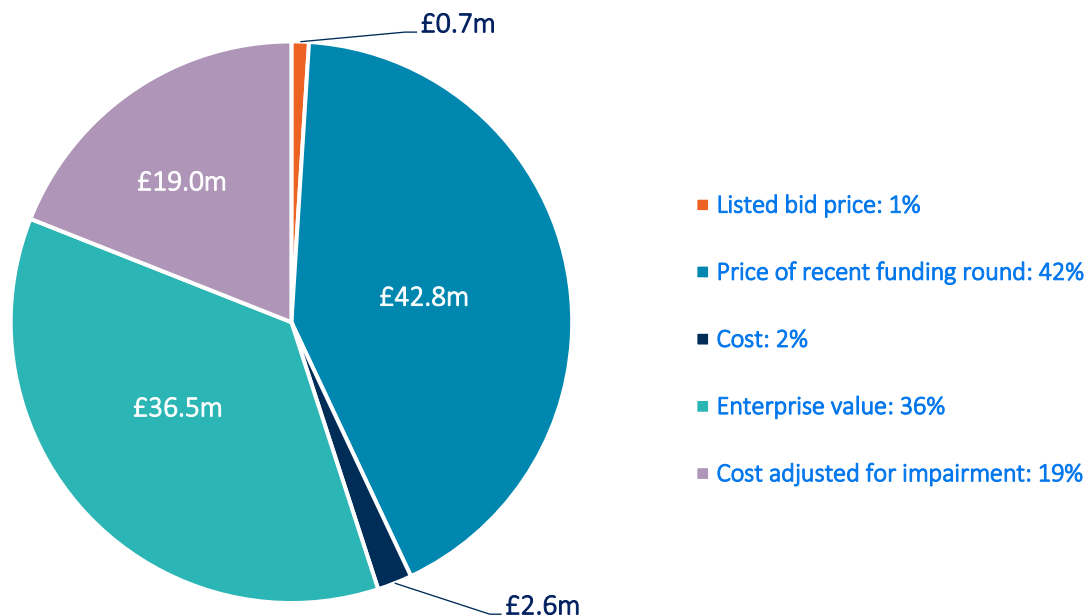
- |                   |                   |                               |
|-------------------|-------------------|-------------------------------|
| • Allianz         | • Liontrust       | • Schroders                   |
| • Baillie Gifford | • Quilter Cheviot | • Unicorn                     |
| • Black Rock      | • Raymond James   | • West Yorkshire Pension Fund |
| • Hargreave Hale  | • Sapia Partners  |                               |

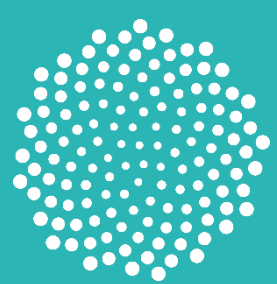


# Valuation methodology

- Calibration of valuation approaches under IPEVCVG
- Some use of DCF due to updated valuation guidelines
- COVID-19 discounts still applied where appropriate
- But, still adopt a 'hand on heart' final sense check

Direct investment portfolio by primary valuation methodology





# Strong corporate governance combined with deep investment and capital management experience



Ian Metcalfe  
Chair



Ray  
Chamberlain



Dr Jonathan  
Pell

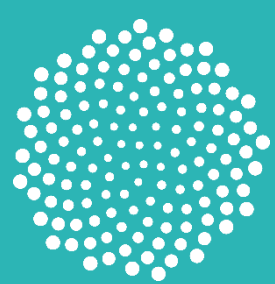


Caroline  
Plumb OBE



Diane  
Seymour-  
Williams





# COVID-19 update and learnings

## Our Company

- Wellbeing of our team remains the key priority
- Remote working successful
- No use of Government furlough or CBILS
- Accelerated switch to digital operations, efficiency gains
- ESG principles central to Mercia's investment philosophy

## Fund management

- Structural changes in deal origination
- Regular dialogue with clients
- Positive fund raising environment with positive reviews and full cash exits in the period
- Robust uninvested cash position of c.£230m
- Recovery in valuations beginning

## Direct investment portfolio

- Prompt review, support and financing
- c.75% of top 20 portfolio financed or with additional capital allocated for >12 months' trading
- c.£25m unrestricted cash
- c.65% by value of portfolio (11 companies) benefitted from Future Fund support
- Two balance sheet cash exits, NAC and Crowd Reactive



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