

The background image shows a canal scene at dusk or dawn. Several narrowboats are moored along the canal, their colorful hulls (red, yellow, and black) reflecting in the water. In the background, there are traditional brick buildings and a prominent modern building with a glass facade and a blue roof. A bridge is visible in the distance. A large white circular overlay is on the left side of the image, containing text and a logo.

4 July 2023
Preliminary Results





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An entrepreneurial leadership team with a track record of value creation



Dr Mark Payton
Chief Executive Officer

Co-founder of Mercia, with a PhD in Life Sciences and over 20 years' experience in tech, commercialisation and investing.



Martin Glanfield
Chief Financial Officer

KPMG trained chartered accountant and former CFO of Forward Group PLC, with over 20 years' CFO experience of multiple listed and PE-backed technology-led businesses.



Julian Viggars
Chief Investment Officer

Chartered accountant who oversees the Group's equity investment activity, with over 20 years' venture capital experience including Blue Prism IPO.



FY23 Annual Results and our focus for FY24

Dr Mark Payton



Highlights

Operating



£1.4bn
Group AuM
(FY22: c. £959m)



c.£71m
Cash realised
(FY22: c. £155m)



c.£165m
Capital deployed
(FY22: c. £124m)



c.£378m
Total liquidity
(FY22: c. £297m)

Financials

£25.9m
Group revenue
(FY22: £23.2m)

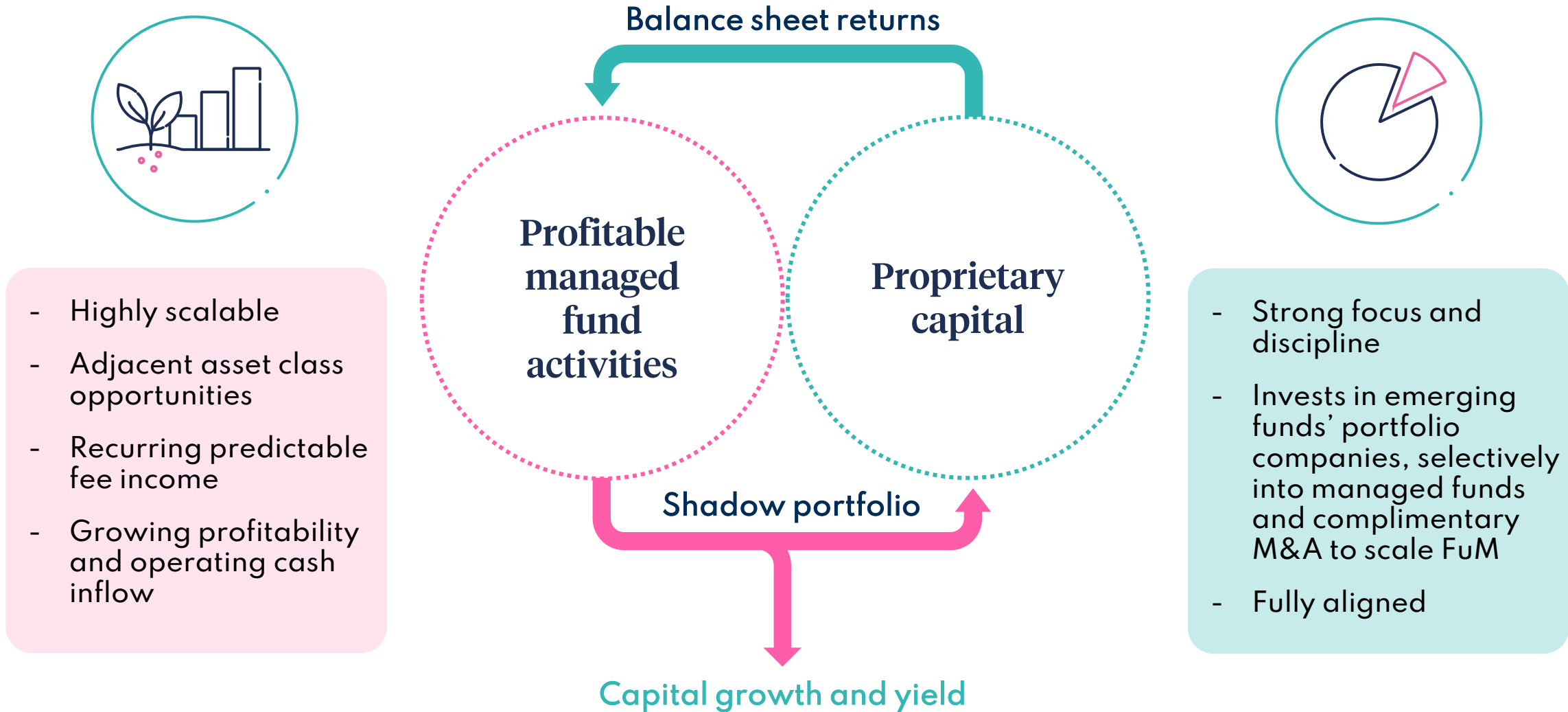
£37.8m
Unrestricted cash
(FY22: £61.3m)

£7.6m
Adjusted operating profit
(FY22: £8.4m)

45.4p
NAV/share
(FY22: 45.6p)

0.53p
Proposed final dividend
Full year dividend of 0.86p
(FY22: Full year dividend of 0.80p)

The model - a debt-free group consistently delivering



The market opportunity

UK domestic impact market segment	Fund management market opportunity	Current national market share
Retail tax efficient SME equity investing Typically, 1-50 employees, investments of £1m to £10m	£19.5bn (c. £3bn EIS, £5.3bn VCT, £11.2bn BPR)	c.2.5%
Public sector (e.g. British Business Bank) regional debt and venture funds Typically, 1-50 employees, investments of £0.2m to £1m	Existing market of c.£920m An additional £1.6bn in next generation funds	c.22% of existing regional funds
Institutional SME PE 1.4m profitable SMEs, typically less than 50 employees. New to PE deals looking for MBO/succession planning	Limited competition and data availability	North West only (aim is to go national) <5%
Institutional debt and property Regional SMEs and regeneration property developers, investments are typically £2m to £10m	Limited competition and data availability	West Mids only (aim is to go national) <10%

Mercia 20:20

Two years into a
three-year strategy



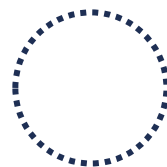
	AuM	PBT	Progressive Dividend
FY22:	£959m	£27.4m	0.80p / share (c.2% yield*)
FY23:	£1.4bn	£2.4m	0.86p / share (c.3% yield*)
FY24:	-	-	-
Progress:	£1.4bn	£29.8m	-
Three-year cumulative target:	c.£1.6bn	c.£60m	-

* Against year-end share price

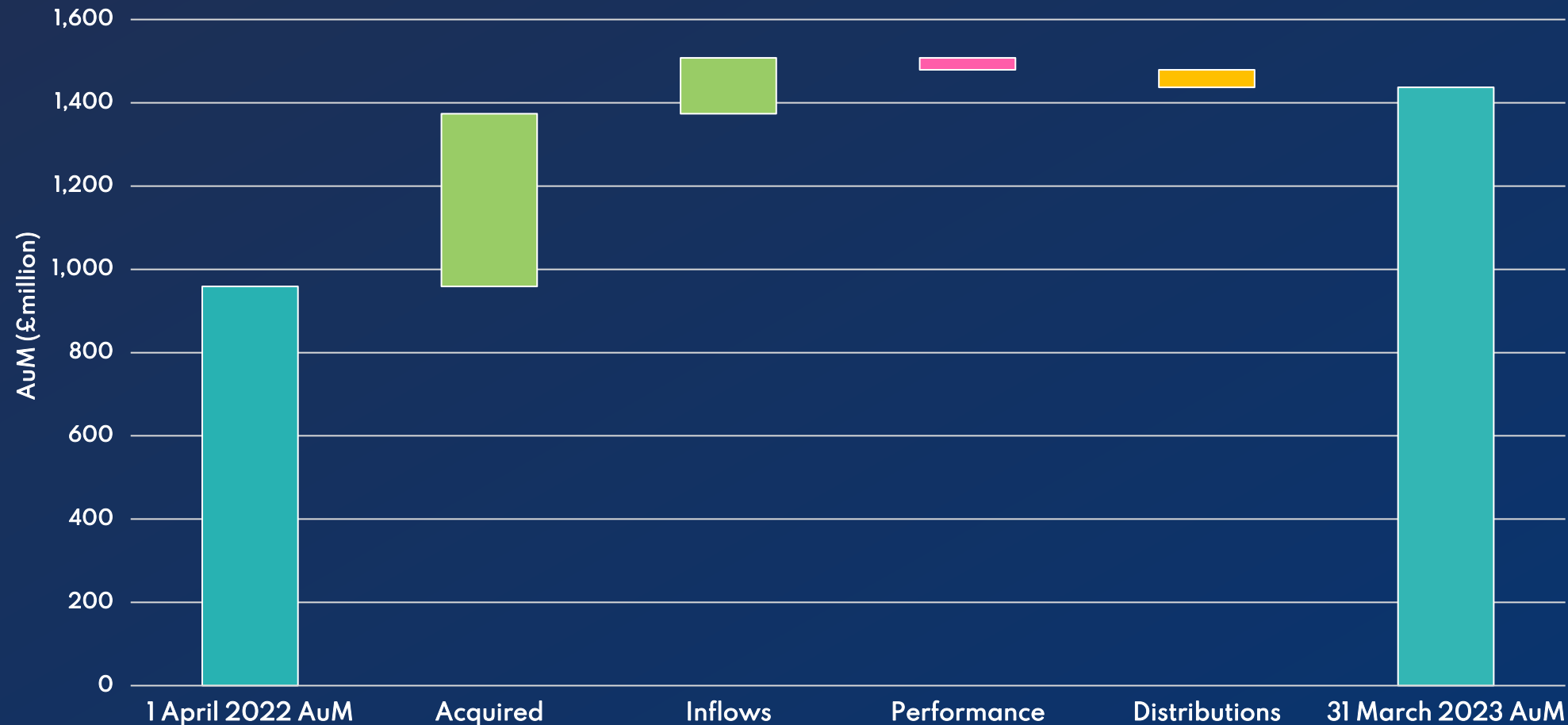


FY23 Annual Results

Martin Glanfield



FY23 AuM growth: Continued momentum

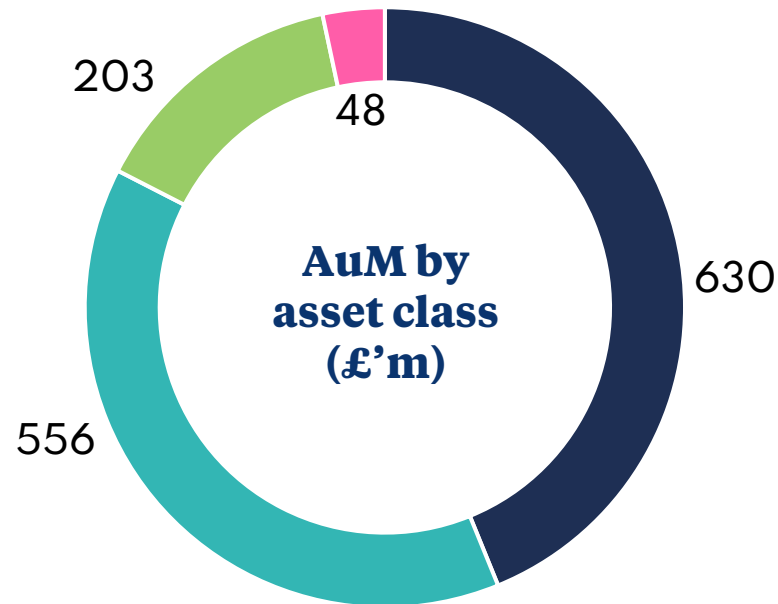


- Acquisition of Frontier Development Capital:
 - c.£415m FuM inflow
- Funds raised across asset classes:
 - Retail: c.£74m (EIS and VCT)
 - British Business Bank: c.£30m
 - Institutional: c.£30m (FDC)
- Post-year end inflows:
 - c.£23m (VCT and NEVF)
- FY24 opportunities identified for further FuM growth

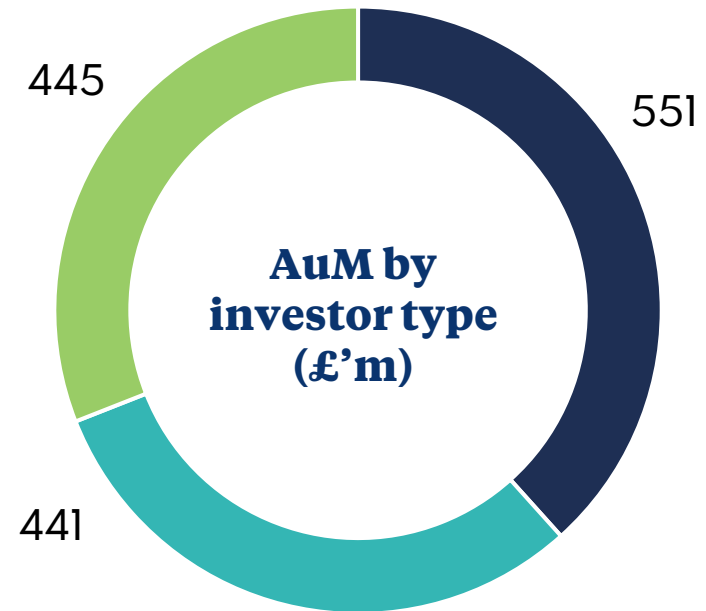
Total profitable AuM growth in the year of c.£478m (+c.50%); no redemptions

Long-dated, diversified AuM

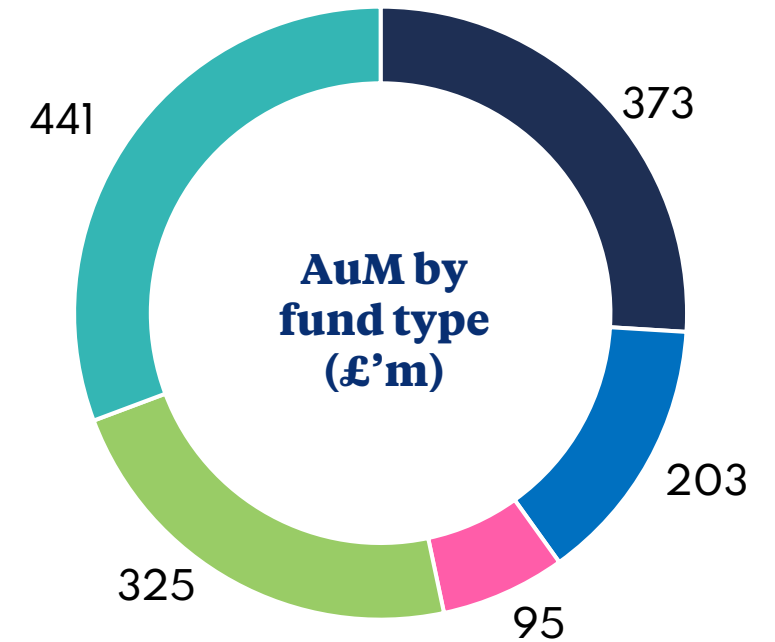
- Regional specialist in SME capital provision across the UK, delivered through a physical presence in key regional cities
- Enables strong margins, with blended fee rate of c.2%
- Long-dated funds comprising evergreen or 10-year LP structures – all closed end



● Venture ● Debt
● Balance sheet ● Private equity



● Public sector ● Retail ● Institutional



● LP ● Balance sheet
● EIS ● VCT
● FDC

Consolidated statement of comprehensive income

For the year ended 31 March 2023

	Year ended 31 March '23 £'000	Year ended 31 March '22 £'000
Revenue	25,881	23,183
Administrative expenses	(21,001)	(17,857)
Realised (loss)/gains on sale of direct investments	(849)	9,878
Fair value movements in direct investments	1,201	11,385
Share-based payments charge	(1,049)	(1,109)
Amortisation of intangible assets	(2,337)	(2,033)
Movement in fair value of deferred consideration	(1,462)	(522)
Operating profit before exceptional item	384	22,925
Exceptional item	(372)	-
Operating profit	12	22,925
Finance income	2,428	4,452
Finance expense	(31)	(15)
Profit before taxation	2,409	27,362
Taxation	427	(1,262)
Profit and total comprehensive income for the year	2,836	26,100
Basic earnings per Ordinary share (pence)	0.64	5.93
Diluted earnings per Ordinary share (pence)	0.63	5.82

- Revenue increase c.12%

- Fair value increase despite sector/economic headwinds

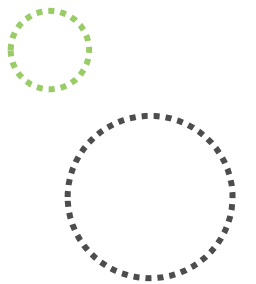
- Professional fees incurred in respect of the acquisition of FDC

Consolidated statement of financial position

As at 31 March 2023

	As at 31 March '23 £'000	As at 31 March '22 £'000
Goodwill and intangible assets	39,051	32,355
Property, plant and equipment, and right-of use assets	964	530
Investments	136,550	119,558
Total non-current assets	176,565	152,443
Trade and other receivables	3,787	1,074
Cash and short-term liquidity investments	37,834	61,284
Total current assets	41,621	62,358
Total assets	218,186	214,801
Trade, other payables and lease liabilities	(7,146)	(7,120)
Deferred consideration	(1,227)	(2,869)
Total current liabilities	(8,373)	(9,989)
Lease liabilities	(574)	(295)
Deferred consideration	(1,778)	-
Deferred taxation	(4,540)	(3,928)
Total non-current liabilities	(6,892)	(4,223)
Total liabilities	(15,265)	(14,212)
Net assets	202,921	200,589
Equity		
Issued share capital	4	4
Share premium	83,744	81,644
Other distributable reserve	63,266	66,919
Retained earnings	51,341	48,505
Share-based payments reserve	4,566	3,517
Total equity	202,921	200,589

- Direct portfolio:
 - Net capital deployed £20.7m
- Significant liquidity with no debt



Consolidated statement of cash flows

For the year ended 31 March 2023

	Year ended 31 March '23 £'000	Year ended 31 March '22 £'000
Net cash generated from operating activities	1,200	9,150
Sale of direct investments	3,744	16,309
Purchase of direct investments	(20,778)	(19,884)
Investee company loan repayments	125	1,500
Investee company loan redemption premiums & interest received	1,979	4,438
Net cash (used in)/generated from direct investment activities	(14,930)	2,363
Interest received from cash deposits	404	14
Purchase of property, plant and equipment	(77)	(76)
Acquisition of FDC	(6,951)	-
Cash acquired with the acquisition of FDC	2,882	-
Purchase of fund management contracts	(2,100)	(2,100)
Decrease/(increase) in short-term liquidity investments	5,000	(5,000)
Net cash used in other investing activities	(842)	(7,163)
Dividends paid	(3,653)	(2,641)
Interest paid	(31)	(15)
Payment of lease liabilities	(238)	(136)
Net cash used in financing activities	(3,922)	(2,792)
Net (decrease)/ increase in cash and cash equivalents	(18,494)	1,558
Cash and cash equivalents at the beginning of the year	56,049	54,491
Cash and cash equivalents at the end of the year	37,555	56,049

- Cash generative, profitable fund management operations

- Acquisition of FDC funded from existing liquidity

- Continued adoption of a progressive dividend policy

- +£0.3m of short-term liquidity investments

Mercia share register: 69% free float (2022: 69%)

- Board, management and employees (c.17%)
- Invesco (c.14%)
- Retail (c.10%)
- Ruffer (c.7%)
- BlackRock (c.5%)
- Chelverton Asset Management (c.4%)
- Columbia Threadneedle Investments (c.4%)
- Fidelity (c.4%)
- GPIM (c.3%)
- The Hargreaves No.11 Settlement (c.3%)
- NFU Mutual (c.3%)
- Librae Holdings (c.3%)
- Allianz (c.3%)

Others of note:

- Hargreave Hale
- Liontrust
- Ninety One
- West Yorkshire Pension Fund
- Unicorn



Group investment performance

Julian Viggars

Assets under Management

Mercia Ventures

Early-stage venture
£305m: £0.5m - £5m

National / scale up venture
£325m: £3m - £10m

PE
£48m: £2m - £5m

Regional debt
£93m: £0.2m - £1m

National debt
£463m: £1m - £10m



Mercia Ventures

FuM Unrestricted cash

£630m £160m



Mercia Private Equity

£48m £14m



Mercia Debt

£556m £166m



Proprietary Capital

£203m £38m

£1,437m £378m

FY23 - Key investment figures for the Group

Group investment

2,639
Investment requests
(FY22: 2,604)

c.£165m
Capital deployed
(FY22: c.£124m)

176
Business invested
(FY22: 148)

85
New to portfolio
(FY22: 95)

Mercia Ventures

1,943
Investment requests
(FY22: 2,067)

c.£109m
Capital deployed
(FY22: c.£84m)

81
Business invested
(FY22: 67)

19
New to portfolio
(FY22: 43)

Mercia Private Equity

109
Investment requests
(FY22: 74)

c.£1m
Capital deployed
(FY22: c.£9m)

2
Business invested
(FY22: 3)

-
New to portfolio
(FY22: 2)

Mercia Debt

550
Investment requests
(FY22: 438)

c.£34m
Capital deployed
(FY22: c.£13m)

80
Businesses lent to
(FY22: 62)

63
New to portfolio
(FY22: 48)

Direct Investment

37
Investment requests
(FY22: 25)

c.£21m
Capital deployed
(FY22: c.£18m)

13
Business invested
(FY22: 16)

3
New to portfolio
(FY22: 2)



Direct investment portfolio - as at 31 March 2023

	Year of first direct investment	Net investment value as at 1 April 2022 £'000	Net cash invested year to 31 March 2023 £'000	Investment realisations year to 31 March 2023 £'000	Realised gains/(loss) year to 31 March 2023 £'000	Fair value movement year to 31 March 2023 £'000	Net investment value as at 31 March 2023 £'000	Equity percentage held as at 31 March 2023 %
nDreams Ltd	2014	25,761	-	-	-	-	25,761	33.2
Impression Technologies Ltd	2015	10,372	4,888	-	-	-	15,260	65.1
Netacea Group Ltd	2022	-	3,000	-	-	8,693	11,693	24.1
Voxpopme Ltd	2018	10,511	625	-	-	(121)	11,015	16.6
Medherant Ltd	2016	8,989	1,709	-	-	236	10,934	38.4
VirtTrade Ltd *	2015	5,387	550	-	-	4,145	10,082	40.6
Warwick Acoustics Ltd	2014	6,306	1,450	-	-	1,939	9,695	40.3
Invincibles Studio Ltd	2015	4,600	626	-	-	3,471	8,697	35.5
Eyoto Group Ltd	2017	2,960	1,514	-	-	1,013	5,487	24.7
Ton UK Ltd **	2015	6,074	-	-	-	(692)	5,382	29.9
Locate Bio Ltd	2018	4,858	-	-	-	-	4,858	18.1
Axis Spine Technologies Ltd	2022	-	3,000	-	-	-	3,000	9.4
sureCore Ltd	2016	2,417	-	-	-	-	2,417	22.0
Nova Pangaea (Holdings) Ltd	2022	-	2,250	-	-	-	2,250	-
Akamis Bio Ltd ***	2015	1,780	-	-	-	-	1,780	1.4
Forensic Analytics Ltd	2021	1,750	-	-	-	-	1,750	8.2
MIP Discovery Ltd	2020	1,449	-	-	-	-	1,449	10.2
Pimberly Ltd	2021	1,375	-	-	-	-	1,375	5.7
MyHealthChecked PLC	2016	1,632	-	-	-	(663)	969	13.1
Uniphy Ltd	2022	-	550	-	-	-	550	-
Other direct investments	n/a	8,926	491	(13)	(2,642)	(4,616)	2,146	n/a
Intechnica Holdings Ltd	2017	14,411	-	(4,000)	1,793	(12,204)	-	-
Total		119,558	20,653	(4,013)	(849)	1,201	136,550	n/a

* Trading as Avid Games

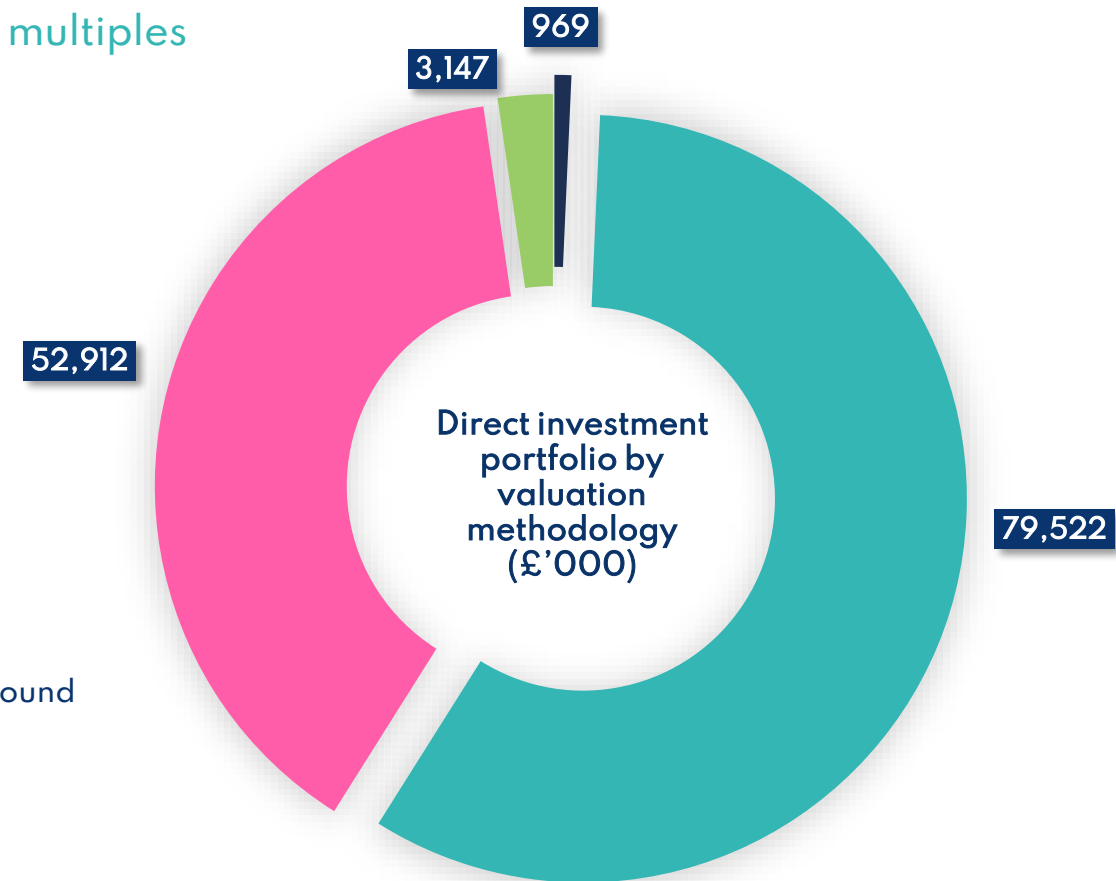
** Trading as Intelligent Positioning

*** Formerly PsiOxus Therapeutics Limited, prior to a change in registered name to Akamis Bio Limited in January 2023





Valuation methodology

- Follow IPEVCV Guidelines
- Over half of the portfolio value based on the price of recent investment round, subsequently calibrated
- Enterprise value based on most recent trading and market multiples
- Some use of DCF for calibration
- Minimal exposure to volatile public market conditions
- Still adopt a 'hand-on-heart' final review






- Listed investment
- Price of recent investment round
- Cost
- Enterprise value



Top 10 holdings, by value (1-5)

	 nDreams	 Impression TECHNOLOGIES	NETACEA	 Voxpopme®	 MEDHERANT
Investment value	£25.8m	£15.3m	£11.7m	£11.0m	£10.9m
% direct holding (excludes FuM)	33.2%	65.1%	24.1%	16.6%	38.4%
Initial year of investment	2014	2015	2022	2018	2016
Description	VR developer	Aluminium pressing	Cyber security	Video analytics	Patch delivery
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Revenue, partnerships, new games	Licences, partnerships	Revenue, ARR	Revenue, ARR	Regulatory, clinical, partnerships
Highlights FY23	Profitable revenue growth	Progress in battery boxes/ recycled aluminium and aerospace	Demerger from Intechnica	Continuing growth, acquisition	3 partners+ internal pipeline development
Valuation change	=	=	↓	↓	↑

Top 10 holdings, by value (6-10)

					
Investment value	£10.1m	£9.7m	£8.7m	£5.5m	£5.4m
% direct holding (excludes FuM)	40.6%	40.3%	35.5%	24.7%	29.9%
Initial year of investment	2015	2014	2015	2017	2015
Description	Mobile digital trading cards	Flat speaker tech	Mobile soccer management game	Optical solutions	Business intelligence
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Revenue, Partnerships	Licences, partnerships	Revenue, partnerships	Revenue, partnerships	Revenue, ARR
Highlights FY23	Ongoing game revenue growth	Market awareness, OEM deal	Growth, new game development	Regulatory progress	Flat revenues
Valuation change	↑	↑	↑	↑	↓

Direct portfolio value creation

Since IPO in 2014, balance sheet portfolio performance: c.13% IRR

Financial year/investee	Carrying value £'000	Realised value £'000	Premium (%)
2017			
Abzena plc	150	170	13.3
Allinea Software Limited	1,900	2,700	42.1
2018			
Science Warehouse Limited	9,900	10,500	6.1
2021			
The Native Antigen Company Limited	3,500	5,200	48.6
Clear Review Limited	1,030	1,040	1.0
Oxford Genetics Limited	16,100	30,700	90.7
2022			
Faradion Limited	12,900	19,400	50.4
2023			
Intechnica Holdings Limited	2,207	4,000	81.2
Total/average premium	47,687	73,710	54.6



The investment case for FY24



A leading UK impact investor

Seeing deals others do not through
our physical presence in key cities

Portfolio size



Mercia Ventures: 258



Mercia Private Equity: 08



Mercia Debt: 301

Total: 567

University spinouts supported: 74

Group capital invested

FY21 c.£94m

FY22 c.£124m (↑ c.32%)

FY23 c.£165m (↑ c.33%)

Our focus for FY24

- Organic expansion of retail FuM
- Organic expansion of public sector FuM
- Organic expansion of institutional FuM
- Continue progressive dividend
- Drive direct investment performance and cash realisations
- Using own cash resources, continue to evaluate capability and asset growth M&A



Why invest in Mercia?

**Long-term
revenue visibility,
sustainable
profitability and
evergreen balance
sheet**

- 100% of FuM in closed-end funds
- Blended c.2% fee margin
- Well placed for domestic organic FuM expansion
- Diversified direct investment portfolio: c.40% share price discount to NAV
- Strong liquidity:
 - c.£38m, debt-free, balance sheet cash position
 - Additional c.£340m unrestricted FuM cash
- Alignment: employees and Board own 17%
- Resilient direct investment portfolio
- Good progress into FY24 with c.£23m of fund inflows