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asset management

2 July 2024
Preliminary Results

A natural evolution

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Executive team

Dr Mark Payton
Chief Executive Officer

Co-founder of Mercia, with a PhD in Life Sciences and over 25 years' experience in tech, commercialisation and investing.

Martin Glanfield
Chief Financial Officer

KPMG trained chartered accountant with over 25 years' CFO experience of multiple listed and PE-backed technology-led businesses. Chairs the Group's lending activities.

Julian Viggars
Chief Investment Officer

Chartered accountant who oversees the Group's equity investment activities, with over 25 years' venture capital experience.

Jocelyne Bath
Chief Operating Officer

Previously COO at OXGENE. With 20 years' experience in commercial operations in Engineering and Technology companies, Jo now leads operations at Mercia.

FY24 Highlights

£30.4m +17.6%
Revenue
(2023: £25.9m)

£46.9m
Cash on hand* – no debt
(2023: £37.8m)

£5.5m +6.7%
EBITDA
(2023: £5.2m)

£1.8bn +26.6%
Assets under management
(2023: £1.4bn)

0.55p +3.8%
Proposed final dividend
(2023: 0.53p)

£0.6bn
Organic funds under management inflows
(2023: £0.1bn)

* including cash equivalents

Mercia 20:20

three-year outturn

	AuM	PBT	Progressive dividend
FY22:	£959m	£27.4m	0.80p / share
FY23:	£1.4bn	£2.4m	0.86p / share
FY24:	£1.8bn	(£8.2m)	0.90p / share
Result:	**£1.8bn**	**£21.6m**	
Three-year cumulative target:	c.£1.6bn	c.£60m	

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Direct portfolio – a history of value creation and realisations

	Total invested £'m	Exit value £'m	Return
2017			
Abzena plc	0.2	0.2	1.0x
Allinea Software Limited	1.5	3.0	2.0x
2018			
Science Warehouse Limited	9.2	10.5	1.1x
2021			
The Native Antigen Company Limited	0.6	5.2	8.7x
Clear Review Limited	0.5	1.0	2.0x
Oxford Genetics Limited	6.1	30.7	5.0x
2022			
Faradion Limited	4.4	19.4	4.4x
2023			
Intechnica Holdings Limited	1.3	4.0	3.1x
2024			
nDreams Limited	11.2	30.2	2.7x
Total	35.0	104.2	3.0x

Financial review

Martin Glanfield

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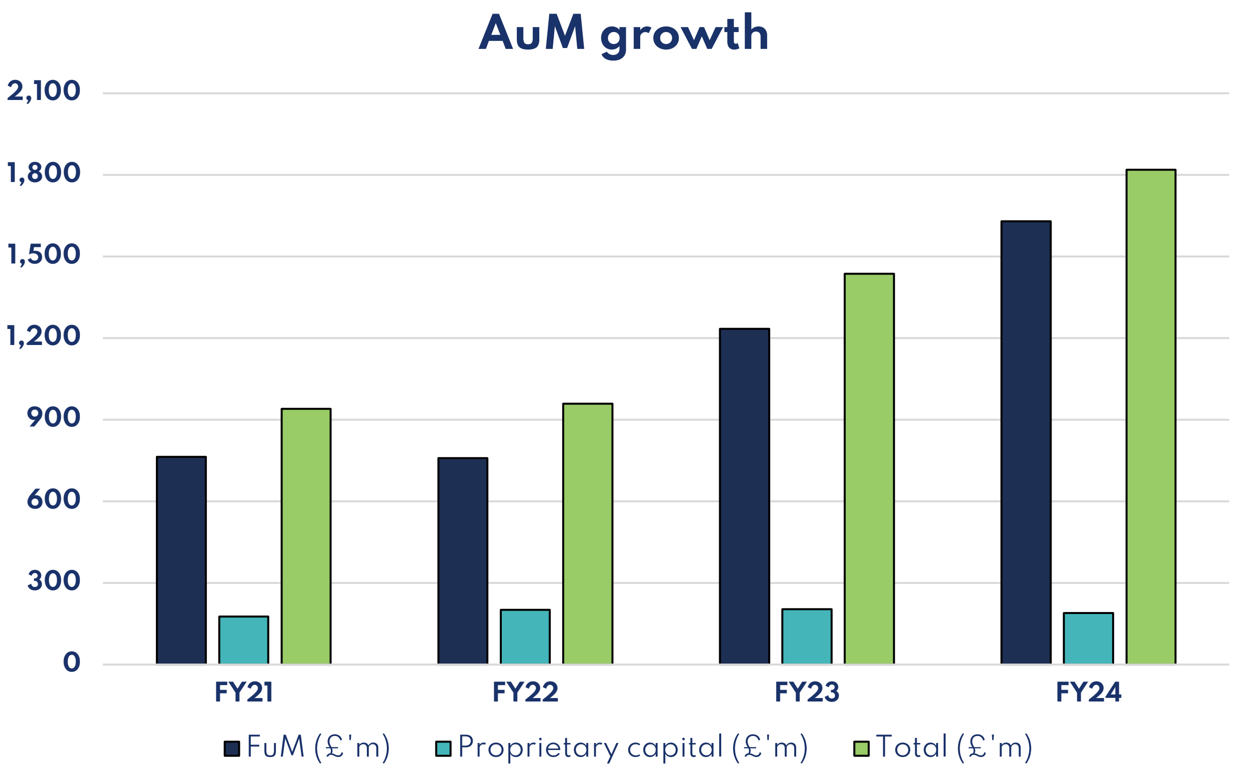
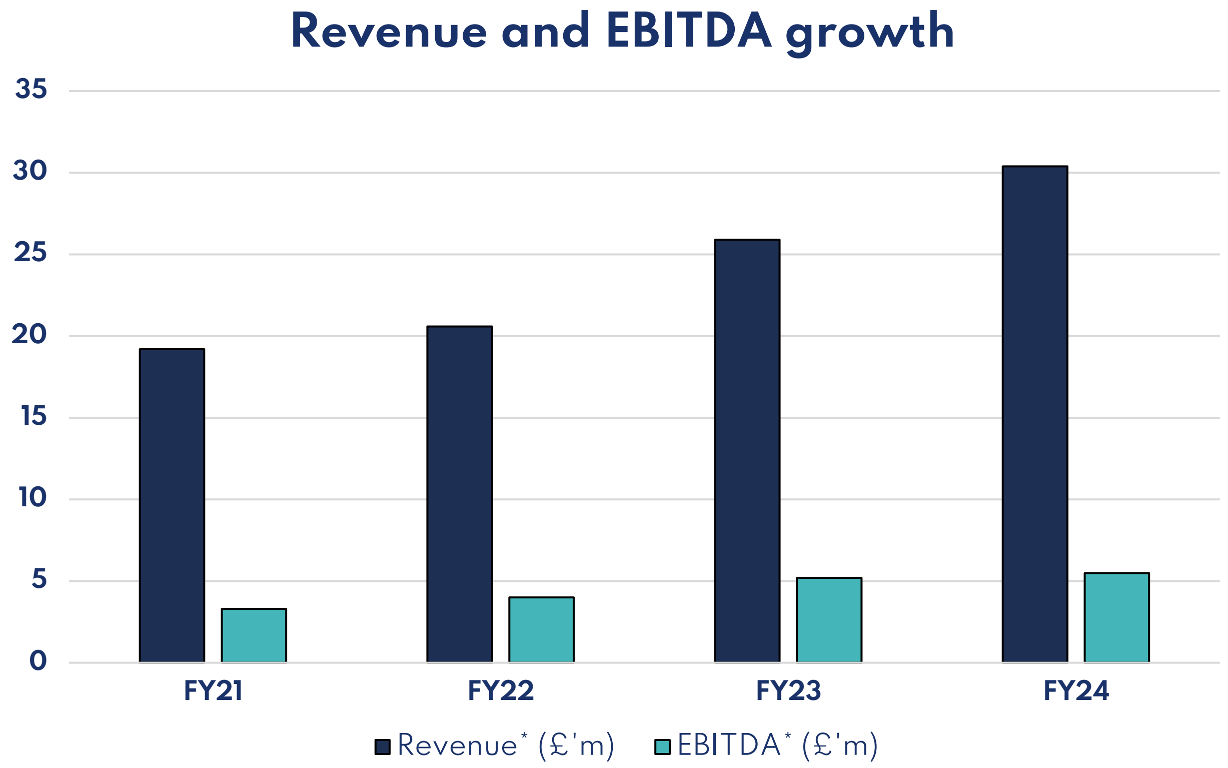
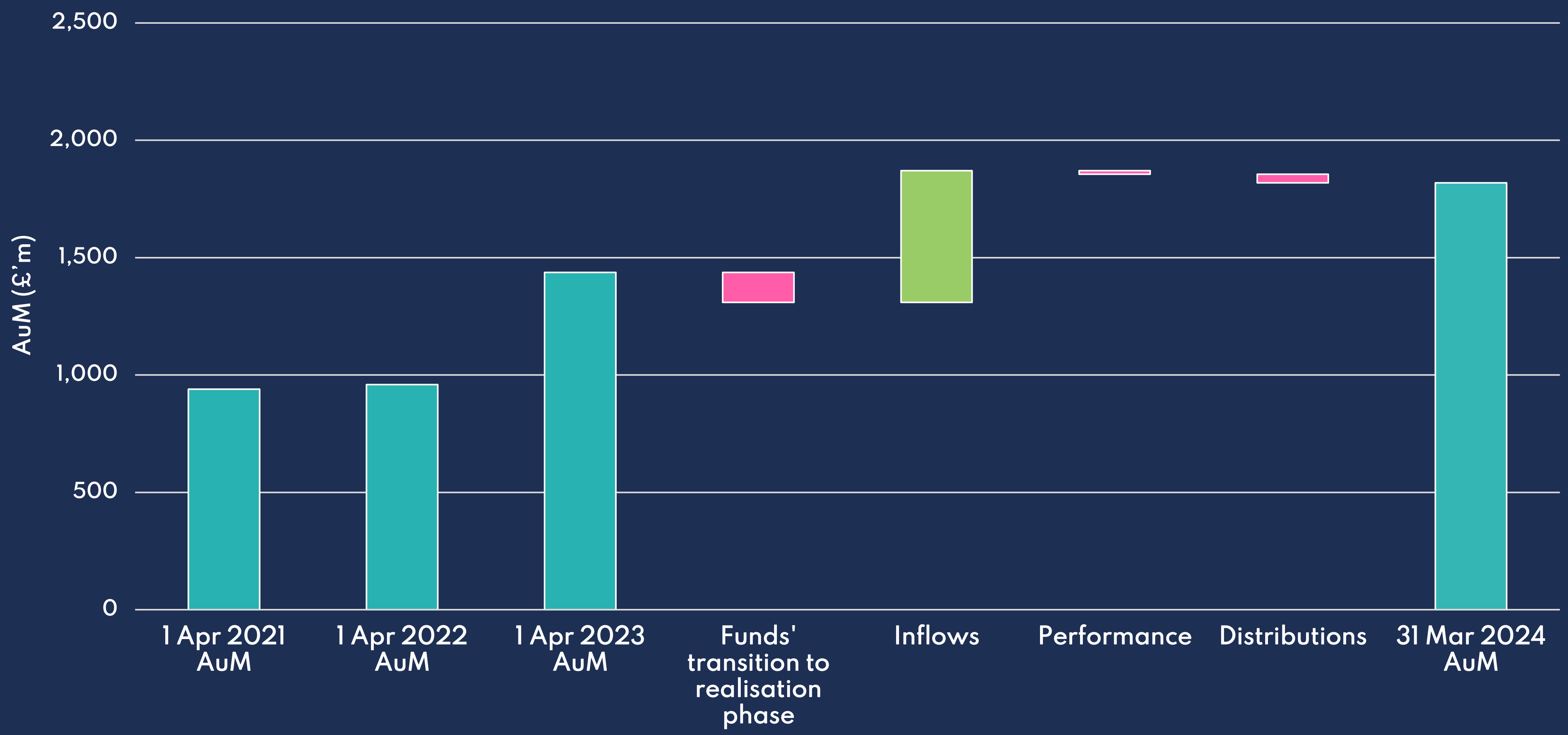
Sustained growth in AuM and EBITDA





* Excluding the impact of exceptional performance fees, together with any associated staff bonus accrual

FY24 AuM growth: organic momentum



- Funds raised across asset classes:
  - Retail: c.£66m (EIS and VCT)
  - Public sector: c.£496m (British Business Bank, North East Venture Fund and Brownfield Regeneration Fund)
- No redemptions
- Post-year end inflows:
  - c.£44m (EIS and VCT)

Total AuM growth in the year of c.£0.4bn (+c.27%)

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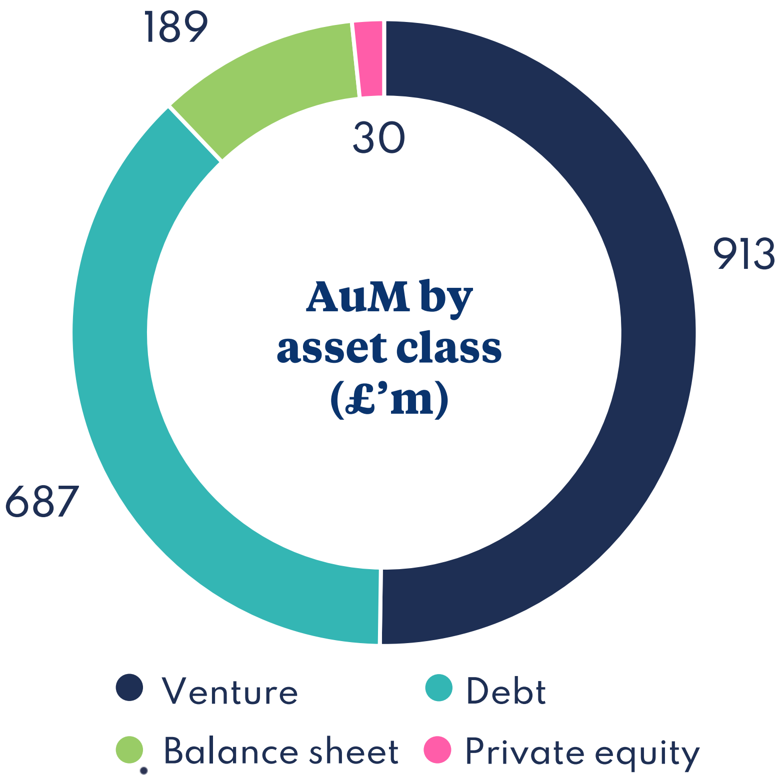
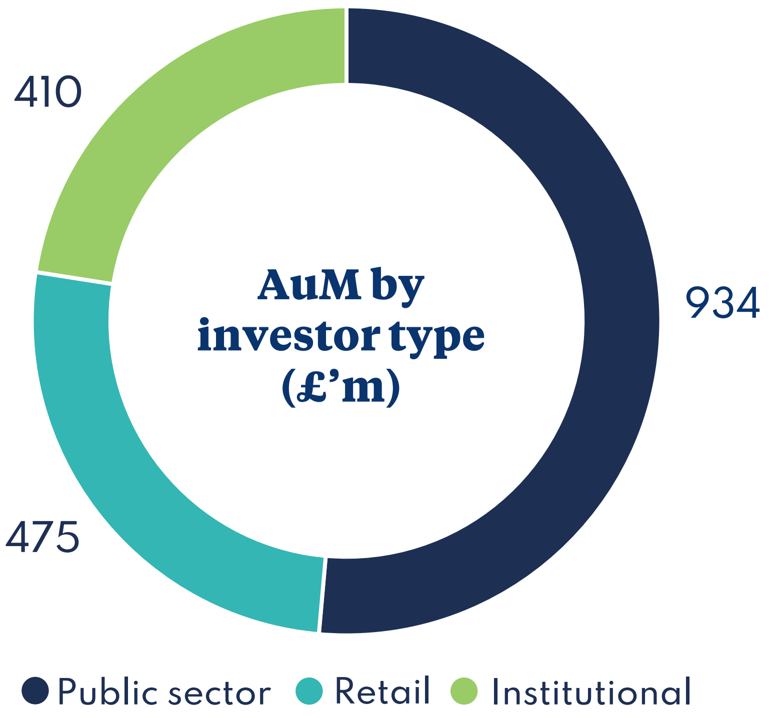
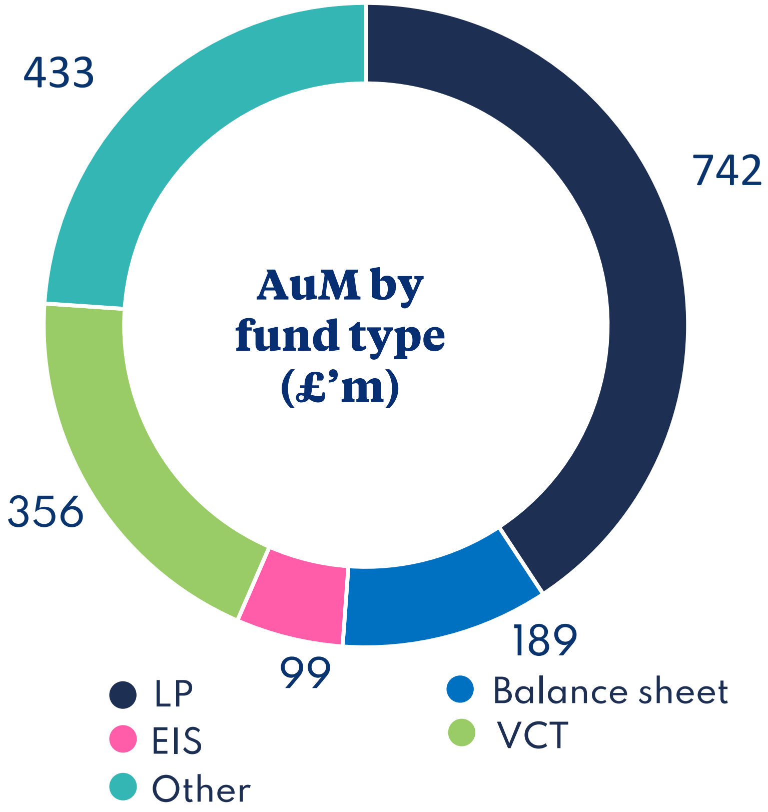
Long-dated, diversified AuM

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







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Consolidated statement of comprehensive income

For the year ended 31 March 2024

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Revenue	**30,434**	25,881
Administrative expenses	**(25,386)**	(21,001)
Realised gain/(loss) on sale of direct investment	**4,450**	(849)
Fair value movements in direct investments	**(17,338)**	1,201
Share-based payments charge	**(1,002)**	(1,049)
Amortisation of intangible assets	**(2,989)**	(2,337)
Movement in fair value of deferred consideration	**(540)**	(1,462)
Operating (loss)/profit before exceptional item	**(12,371)**	384
Exceptional item	**-**	(372)
Operating (loss)/profit	**(12,371)**	12
Finance income	**4,216**	2,428
Finance expense	**(56)**	(31)
(Loss)/profit before taxation	**(8,211)**	2,409
Taxation	**626**	427
(Loss)/profit and total comprehensive (expense)/income for the year	**(7,585)**	2,836
Basic (loss)/earnings per Ordinary share (pence)	**(1.71)**	0.64
Diluted (loss)/earnings per Ordinary share (pence)	**(1.71)**	0.63

- Revenue increase 17.6%
- c.5% yield on cash deposits as at 31 March 2024

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Consolidated statement of financial position

As at 31 March 2024

	31 March 2024 £'000	31 March 2023 £'000
Goodwill and intangible assets	36,296	39,285
Property, plant, equipment and right-of use assets	839	964
Investments	116,861	136,550
Total non-current assets	153,996	176,799
Trade and other receivables	3,971	3,787
Cash, cash equivalents and short-term liquidity investments	46,940	37,834
Total current assets	50,911	41,621
Total assets	204,907	218,420
Trade, other payables and lease liabilities	(9,269)	(7,146)
Deferred consideration	(2,279)	(1,227)
Total current liabilities	(11,548)	(8,373)
Lease liabilities	(326)	(574)
Deferred consideration	-	(2,012)
Deferred taxation	(3,792)	(4,540)
Total non-current liabilities	(4,118)	(7,126)
Total liabilities	(15,666)	(15,499)
Net assets	189,241	202,921
Equity		
Issued share capital	4	4
Share premium	83,775	83,744
Treasury reserve	(3,188)	-
Other distributable reserve	59,338	63,266
Retained earnings	43,756	51,341
Share-based payments reserve	5,556	4,566
Total equity	189,241	202,921

- Direct portfolio:
  - Net capital deployed £19.6m
- Significant liquidity with no debt
- Proposed final dividend of 0.55p/share (+c.4%)

Consolidated statement of cash flows

For the year ended 31 March 2024

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Net cash generated from operating activities	7,084	1,200
Sale of direct investments	26,696	3,744
Purchase of direct investments	(19,926)	(20,778)
Investee company loan repayment	300	125
Investee company loan redemption premium and interest received	2,290	1,979
Net cash generated from/(used in) direct investment activities	9,360	(14,930)
Interested received from cash deposits	1,813	404
Purchase of property, plant and equipment	(110)	(77)
Acquisition of FDC	-	(6,951)
Cash acquired with the acquisition of FDC	-	2,882
Deferred consideration paid in respect of acquisitions	(1,500)	(2,100)
Decrease in short-term liquidity investments	288	5,000
Net cash generated from/(used in) other investing activities	491	(842)
Dividends paid	(3,928)	(3,653)
Purchase of own shares into treasury	(3,194)	-
Proceeds received from the exercise of employee share options	26	-
Interest paid	(56)	(31)
Payment of lease liabilities	(398)	(238)
Net cash used in financing activities	(7,550)	(3,922)
Net increase/(decrease) in cash and cash equivalents	9,385	(18,494)
Cash and cash equivalents at the beginning of the year	37,555	56,049
Cash and cash equivalents at the end of the year	46,940	37,555

- Cash generative, profitable fund management operations
- Net £9.4m of cash generated from direct investment activities
- £5.0m share buyback completed in May 2024

Investment performance

Built for long-term sustainable growth

Enduring partner for investors and investees

mercia Ventures

Early-stage venture
£557m: £0.5m - £5m

National / scaleup venture
£356m: £3m – £10m

mercia Debt

Regional debt
£146m: £0.2m - £1m

National debt
£541m: £1m - £20m

mercia Private Equity

PE
£30m: £2m - £10m

	FuM	Unrestricted cash
Mercia Ventures	£913m	£404m
Mercia Debt	£687m	£262m
Mercia Private Equity	£30m	-
Proprietary Capital	£189m	£47m
	£1,819m	£713m

Direct investment portfolio - as at 31 March 2024

	Year of first direct investment	Net investment value as at 1 April 2023 £'000	Net cash invested year to 31 March 2024 £'000	Investment realisation year to 31 March 2024 £'000	Realised gain year to 31 March 2024 £'000	Fair value movement year to 31 March 2024 £'000	Net investment value as at 31 March 2024 £'000	Equity percentage held as at 31 March 2024 %
Voxpopme Ltd	2018	11,015	861	-	-	3,973	15,849	20.4
Netacea Group Ltd	2022	11,693	2,696	-	-	272	14,661	34.2
Warwick Acoustics Ltd	2014	9,695	2,011	-	-	228	11,934	37.3
Medherant Ltd	2016	10,934	-	-	-	-	10,934	33.3
VirtTrade Ltd *	2015	10,082	2,080	-	-	(1,939)	10,223	61.4
Invincibles Studio Ltd	2015	8,697	-	-	-	(130)	8,567	35.5
Locate Bio Ltd	2018	4,858	2,500	-	-	479	7,837	20.1
Eyoto Group Ltd	2017	5,487	3,977	-	-	(2,322)	7,142	24.7
Ton UK Ltd **	2015	5,382	746	-	-	481	6,609	40.4
Aonic Founder SCS	2023	-	-	3,784	-	-	3,784	0.0
Axis Spine Technologies Ltd	2022	3,000	-	-	-	-	3,000	9.4
Tozaro Ltd ***	2020	1,449	1,205	-	-	80	2,734	11.9
Pimberly Ltd	2021	1,375	-	-	-	1,237	2,612	4.9
sureCore Ltd	2016	2,417	-	-	-	(1)	2,416	22.0
Forensic Analytics Ltd	2021	1,750	-	-	-	514	2,264	7.4
Nova Pangaea (Holdings) Ltd	2022	2,250	-	-	-	-	2,250	0.0
MyHealthChecked PLC	2016	969	-	-	-	(187)	782	13.1
Uniphy Ltd	2022	550	40	-	-	137	727	3.9
Artesian Solutions Ltd	2023	-	63	-	-	476	539	0.8
Sherlock Biosciences Inc	2023	347	-	-	-	(7)	340	0.3
nDreams Ltd	2014	25,761	-	(30,211)	4,450	-	-	0.0
Impression Technologies Ltd	2015	15,260	3,298	-	-	(18,558)	-	65.1
Other direct investments	n/a	3,579	149	-	-	(2,071)	1,657	n/a
Total		**136,550**	**19,626**	**(26,427)**	**4,450**	**(17,338)**	**116,861**	**n/a**

* Trading as Avid Games
** Trading as Intelligent Positioning
*** Formerly MIP Discovery Ltd

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Top 10 holdings, by value (1-5)

	Voxpopme	NETACEA	WARWICK ACOUSTICS	MEDHERANT	CARDS, THE UNIVERSE AND EVERYTHING
Investment value	£15.8m	£14.7m	£11.9m	£10.9m	£10.2m
% direct holding (excludes FuM)	20.4%	34.2%	37.3%	33.3%	61.4%
Initial year of investment	2018	2022	2014	2016	2015
Description	Video analytics	Bot management	Flat speaker tech	Patch delivery	Mobile digital trading cards
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Revenue, ARR	Revenue, ARR	Licences, partnerships	Regulatory, clinical partnerships	Revenue, user numbers
FY24 highlights	Sales growth	Sales and channel progress	First OEM nomination	Tech and commercial progress	New game development
Valuation change	↑	↑	↑	=	↓

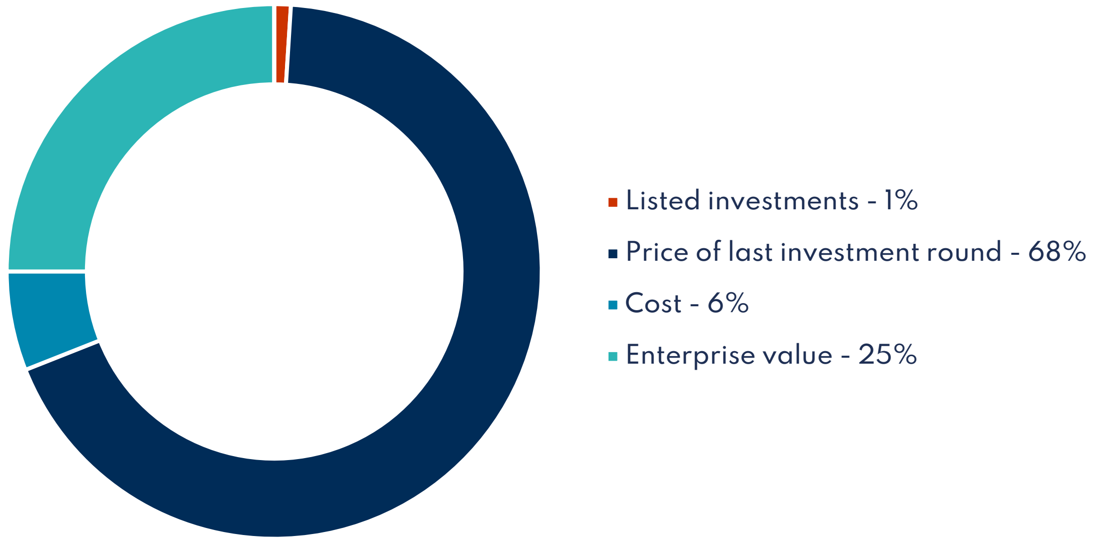
Top 10 holdings, by value (6-10)

	INVINCIBLES STUDIO	locate bio	EYOTO		
Investment value	£8.6m	£7.8m	£7.1m	£6.6m	£3.8m
% direct holding (excludes FuM)	35.5%	20.1%	24.7%	40.4%	-
Initial year of investment	2015	2018	2017	2015	2023
Description	Mobile soccer management game	Orthobiologics	Optrical solutions	Business intelligence	VR/AR gaming group
Board representation	Yes	Yes	Yes	Yes	No
Key metrics	Revenue, user numbers	Revenue, partnerships	Revenue, partnerships	Revenue	Revenue
FY24 highlights	SM24 launched	Positive first trial readout	New product launch	UI improvements	-
Valuation change	↓	↑	↓	↑	=

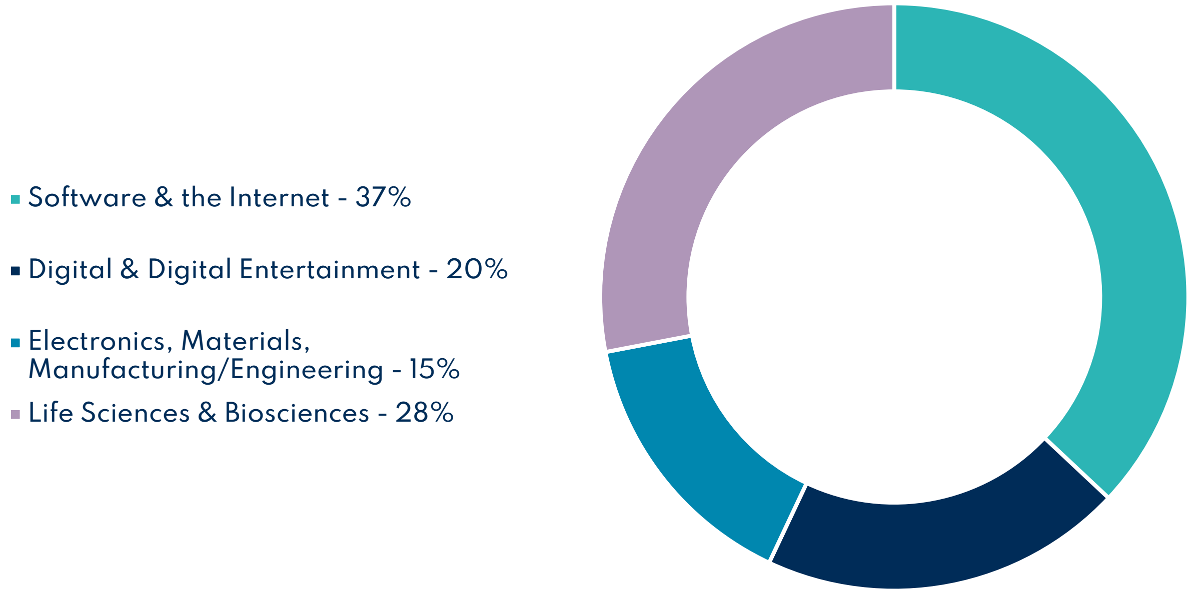
Valuation methodology

- Follow IPEVCV Guidelines
- c.68% of the portfolio value based on price of last investment round
- c.25% of the portfolio value based on enterprise value
- Calibration of valuation approaches
- Some use of DCF as a calibration mechanism due to valuation guidelines
- Minimal exposure to volatile public market conditions
- Still adopt a 'hand-on-heart' final review

Direct investment portfolio by valuation methodology



Direct investment portfolio by sector



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Investment case

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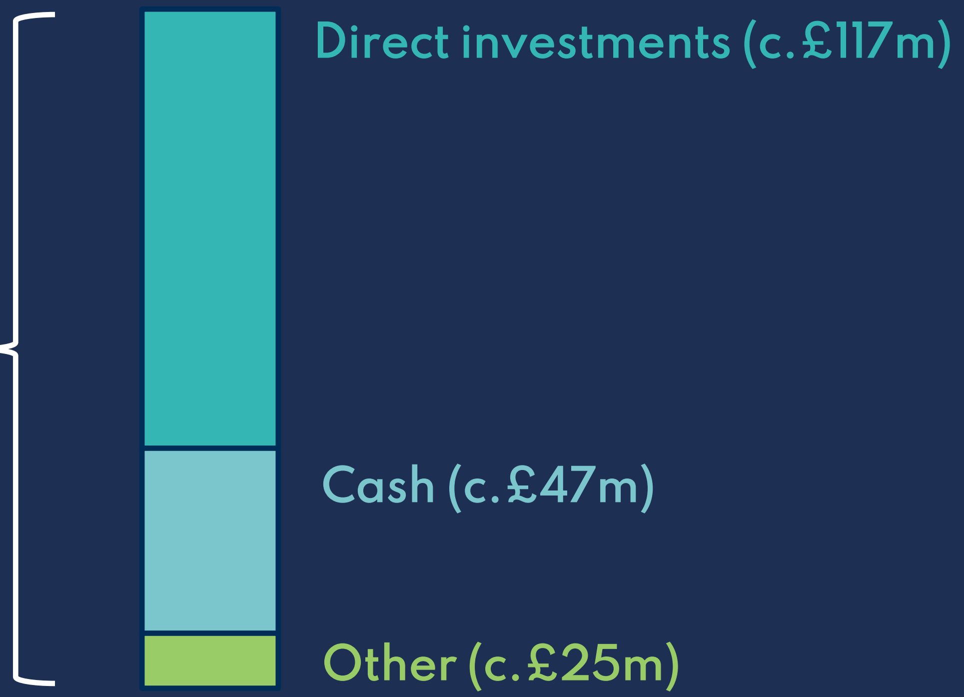
Long-term stability and liquidity

Third party FuM c.£1.6bn (YoY c.32% growth)	→	Dry powder c.£0.7bn (YoY c.89% growth)	→	Estimated 3-year funds' portfolio need c.£0.7bn
Balance sheet direct investment portfolio c.£117m	→	Balance sheet dry power c.£47m	→	3-year direct portfolio need c.£25m

Group NAV: c.£189m



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Mercia is a responsible impact investor

- Environmental responsibility
  - Active reduction in carbon footprint through resource conservation, use of public transport and company EV scheme
  - Proactive engagement with investment portfolio
  - Growing venture portfolio focused on sustainability

- Social impact
  - Managed funds invested c.£227m; 100% in the UK, c.90% outside of London and c.87% outside of the South East
  - We supported 155 companies, attracting in c.£161m of co-investment
  - We financed 14 projects focused on urban regeneration such as Cornerstone, the Hippodrome and Telegraph Building

- Excellence in Governance
  - Appointed a dedicated Head of ESG
  - Membership of ESG_VC
  - Signatory to Investor in Women Code
  - Member of the QCA
  - Part of the Executive Team's remuneration is based on ESG and culture
  - 40% of NEDs, 39% of ExCo, 25% of Executive Team and 41% of Mercia are women
  - Regular dialogue with all shareholders (retail and institutional) to ensure alignment of Mercia's business practices with stakeholders' expectations and interests

mercia asset management | PRI Principles for Responsible Investment | INVESTING IN WOMEN CODE | Women in Finance Charter | Carbon Neutral Britain

Differentiated investment strategies and asset classes

	Private Venture	Private Debt	Private Equity	Intermediary Real Asset Finance	Balance Sheet (incl. direct investments)	Total
AuM:	£913m	£377m	£30m	£310m	£189m	**£1.8bn**
National and regional impact:	- Real economy & job creation - Creating resilience - New business creation and expansion	- Real economy & job creation - Creating resilience - Business support and expansion	- Real economy & job creation - Creating resilience - Business expansion	- Infrastructure investment for growth and job creation - Expansion and sustainability - Brownfield remediation and regeneration - Housing including social/affordable	- Real economy & job creation - Creating resilience - Business expansion - Catalysing new private fund creation focused on regional and national deployment	
Asset type:	Equity as sole or syndicated provider in businesses typically seeking <£30m. Mercia will typically invest up to £10m	Direct lending, secondaries, leveraged loans. Often sole provider, investing up to £2m	Growth equity typically up to £10m as a sole or syndicated investor. Looking at business re-engineering to drive performance	Midlands-focused on real estate regeneration. Investing up to £20m as sole investor	Nationally focused on supporting existing direct assets to sale and investing in Mercia's managed FuM as an LP	
Unrestricted cash:	£404m	£162m	-	£100m	£47m	**£713m**

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Proposed reclassification as a trading company

A natural evolution

- At admission to AIM Mercia was classified as an investing company
  - Net assets of c.£81million and c.£23million of FuM
- As at 31 March 2024:
  - Net assets of c.£189million and c.£1.6billion of FuM
- Mercia's intention is to now focus on its profitable and fast-growing FuM
- Resolution proposed at the AGM on 26 September 2024 for Mercia to become a trading company on AIM instead of an investing company

Mercia share register: 69% free float (2023: 69%)

- Board, management and employees (c.17%)
- Invesco (c.14%)
- Retail (c.10%)
- Fidelity (c.10%)
- Ruffer (c.6%)
- Columbia Threadneedle Investments (c.4%)
- Chelverton Asset Management (c.4%)
- GPIM (c.4%)
- BlackRock (c.3%)
- The Hargreaves No.11 Settlement (c.3%)
- NFU Mutual (c.3%)

Others of note:

- Liontrust
- West Yorkshire Pension Fund
- Allianz
- Unicorn
- Premier Miton
- Sarasin & Partners
- Ninety One

The first choice for investors, investees and employees

- A record year with c.£562m of organic fund inflows
- Strong liquidity:
  - £46.9m debt-free balance sheet cash position
  - Additional c.£666m unrestricted FuM cash
- Progressive dividend - proposed final dividend up c.4%
- c.90% of AuM is third-party FuM, 100% are closed-end
- Blended c.2% fee margin
- The outlook:
  - Mercia 27: 100% growth in EBITDA
  - Target c.10% organic FuM inflows for FY25
  - Natural evolution as systems and new fund prospects are mapped out and implemented
  - Adjacent asset classes for future potential growth identified
  - Alignment: employees and Board own 17%
  - Very strong financial position across the Group

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