



Investor Relations update - summer 2016

Welcome to Mercia's new 'Investor Relations Update' providing you with insight into the progress of Mercia's direct portfolio and an update on corporate activities from the wider Mercia Group.

In this edition we look at:

Corporate

Appointment of Susan Searle as Chair
Acquisition of Enterprise Ventures
Preliminary Results
Growth of Mercia's university network

Portfolio

New direct investments
Portfolio highlights

Third party funds

Appointment of Jonathan Diggines
Third party fund investments
Mercia Growth Fund 5

Welcome - Dr Mark Payton



"A Company communication would not be complete at this time without a very brief reference to the EU referendum.

We had, as many had, prepared for either eventuality. Mercia benefits from a diverse mix of national and regional third party funds, a robust portfolio of domestic companies focused on global markets and a strong balance sheet.

Our position is therefore clear: we of course will continue to monitor the situation but with the dust settling on a newly established Cabient it is business as usual as we continue to source, support and scale some of the most exciting businesses from the UK regions." **Mark Payton, Chief Executive Officer.**

Acquisition of Enterprise Ventures

It is now 139 days since the announcement of the acquisition of Enterprise Ventures. The integration went extremely well and there are now many examples across the enlarged Group of new deals being sourced from the Enterprise Ventures portfolio. The Group now benefits from 60 employees, six offices and in excess of £220m third party funds alongside our own capital to help to scale businesses in the Midlands, the North of England and Scotland.



Mercia appoints new Chair



Mercia's founding Chair, Ray Chamberlain, has stepped down from the role and has been succeeded by former Deputy Chair Susan Searle.

Ray remains on the Board as a Non-executive Director with Susan's appointment taking effect from 26th May 2016. Susan served as Chief Executive of Imperial Innovations from 2002 to 2013 during which time she led funding rounds totalling more than £250m. She serves as a non-executive director for several listed organisations including Horizon Discovery, Benchmark Holdings and QinetiQ. She is also chair of Woodford Patient Capital Trust plc. Susan has an MA in Chemistry from Oxford University.

"I would like to thank Ray for all his work in co-founding Mercia and steering the Board through its first full year as a listed company. The executive team has an impressive combination of skills and track

records which I believe can lead us to successfully scale the business and produce some attractive direct assets. I am pleased to be chairing the Board as the company moves into its next phase." **Susan Searle, Chair.**

Preliminary results announced - year ended 31 March 2016

On 30 June Mercia announced its preliminary results for the year ended 31 March 2016.

Commenting on the results Mercia's CEO, Dr. Mark Payton said:

"We believe that the hybrid investment model adopted by Mercia for early stage businesses, those typically already in revenue but with relatively modest capital needs, is the right approach to take in the current climate.

As part of its diversified and balanced approach, Mercia benefits from a growing pool of exciting portfolio companies targeting global markets with leading commercial partners, distributors and customers including the likes of Aston Martin, Jaguar Land Rover, Nike, O2, Mastercard, Google, Apple, Samsung, Panini, Sony, Oculus and Steam.

We have now established the foundations of a sustainable investment business with breadth and depth to access new 'Emerging Stars' in combination with an ever maturing existing direct investment portfolio. The current year will build on the last 12 months of strict focus and business building and we would expect a number of our direct investments to yield significant technical, corporate and revenue milestones in the near to medium term, demonstrating the real opportunity of delivering a material return for Mercia's shareholders over time."

You can request a hard copy of the Annual Report by emailing KH2@evgroup.uk.com.

One of the largest networks created



Following signatures from four universities in June, Mercia has announced that it has created one of the largest networks of university partnerships in the UK. These collaborative university relationships provide the Group with access to an excellent flow of spinout and early stage investment opportunities.

Together with the professional network of Mercia's technology transfer team, the university partnerships provide Mercia with a compelling ability to source new investments. This is central to Mercia's strategy; to create value and provide competitive returns to our fund investors and shareholders by nurturing innovative businesses from an early stage via its third party funds, through to maturity via its own balance sheet cash resources.

Portfolio continues to expand



It has been a very busy period for the direct investment portfolio. In the period from 1 April to 30 June the following transactions were completed:

sureCore - £750,000
L M Technologies - £250,000
Concepta Diagnostics - £400,000
VirtTrade - £250,000
Warwick Audio Technologies - £912,000

“ There are several very exciting businesses in our direct portfolio” - **Matthew Mead Chief Investment Officer**

Google deal for nDreams



Portfolio company, nDreams (in which Mercia holds a 40% equity stake), has been appointed by Google as one of the first developers alongside EA Games and Ubisoft for Daydream, their platform for high performance mobile Virtual Reality ("VR").

nDreams, one of the UK's largest independent developer and publisher solely focused on VR entertainment software, has two original titles in development for Daydream, each built specifically for Google's new high quality mobile VR platform. The company is delighted to have been selected by Google to develop its first games. The contract demonstrates Google's belief in the high quality experience of nDreams software and more broadly the VR sector, which has an estimated value of \$30b by 2020 across all platforms.

'Emerging Stars' explained

Mercia's 'Emerging Stars' represent a small proportion of the Group's portfolio companies which the Board has identified a star asset from within the third party funds. Emerging Stars, which have the potential to scale and become global businesses, are the ones which Mercia will support directly using its own capital.

Mercia completes two direct investments from new portfolio

We're delighted to announce that Mercia has now completed two direct investments from the Enterprise Ventures portfolio. The first investment in May was a £400k convertible loan into Concepta Diagnostics, a healthcare business based in York. The company has now announced its intention to reverse into an AIM-listed cash shell. The second investment in June was into sureCore, a low power electronic memory design specialist. This was a syndicated seven figure investment round which was led by Mercia's investment team.

One of the key drivers of the acquisition of Enterprise Ventures was to enable Mercia to expand the pipeline of opportunities from which it can make direct investments. Concepta Diagnostics and sureCore are perfect examples of this strategy in action.

11th float for enlarged Mercia group

Mercia is pleased to announce the admission to AIM of Concepta Diagnostics by way of a reverse takeover of Frontier Resources International plc. Concepta Diagnostics becomes the enlarged Mercia group's 11th listing on AIM.



A day with Edge Case Games

Edge Case Games, in which Mercia holds a 21% stake, operates in the free to play games-as-a-service sector. The business was founded by two industry veterans, James Brooksby and Chris Mehers, who have made several key hires. These include Martin Frain (formerly of EA and Atari) who has joined as Marketing Director, and Jorge Ezquerro (formerly of Gameloft) who now leads the monetisation strategy. Mercia's marketing team spent a day in the studio understanding more about what drives the sector and what attracted them to Mercia.



To watch the video, visit https://www.youtube.com/watch?v=SYqL3l-X_js.

Production run for audio company



Warwick Audio Technologies, in which Mercia holds a 65% stake, has been developing a premium wired headphones product which was demonstrated at the Consumer Electronics Show (CES) in Las Vegas at the start of 2016. The product was extremely well received and the company has now entered into several partnerships for production runs. To find out more about the company please visit their website www.warwickaudiotech.com.

New director - third party funds

As a result of the acquisition of Enterprise Ventures, former Chief Executive, Jonathan Diggines, has joined the Board of Mercia Technologies PLC with responsibility for third party fund raising.

Jonathan has more than 30 years' experience in the field and was highly successful in increasing Enterprise Venture's third party funds from c. £2m to more than £200m in 10 years. To contact Jonathan please use this link.

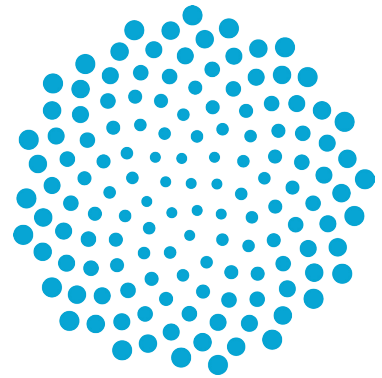


"The future is really exciting for Mercia" **Jonathan Diggines, Executive Director**

Third party fund investments

Mercia's third party funds (managed by Mercia Fund Management and Enterprise Ventures) are investing in some of the most exciting businesses from the UK regions.

In the last quarter 47 deals were completed, investing more than £9m into a range of organisations from audio (Blue-i) to transdermal drug technology (Medherant) to advertising software (Afternoonify).



Mercia Growth Fund 5 closes

Mercia Growth Fund 5 has raised over £5m for seed and early stage investment activity. The fund, which began investing from 1 July, is a tax efficient technology fund optimised to source and scale UK growth enterprises across key sectors in which we have deep expertise. The fund aims to provide investors with access to a portfolio of high growth opportunities in pioneering, technology-driven businesses from within the following four sectors:

- Digital and digital entertainment
- Software and the internet
- Life sciences and biosciences
- Electronics, materials and manufacturing/engineering.

For full fund documentation (including the investment memorandum and application), please use this link to request an investor pack.

If you would like to know more about Mercia Growth Fund 6 please contact Paul Mattick, Head of Sales and Private Investor Relations, by email paul.mattick@mercitech.co.uk or call him directly on 07946 128 504.

Other announcements

- **New recruit** - We welcome Paul Mattick to the team who has just joined as Head of Sales and Investor Relations. Paul replaces Talon Golding, who left Mercia at the end of June. Paul joins from Oxford Capital Partners and will be working closely with Jonathan Diggines on third party fund raising.
 - **Portfolio videos** - Did you know that we have a video wall on our website which provides an overview of some of our direct investments? Use this link to gain a better understanding of our portfolio.
 - **VR Game Launch** - Portfolio company nDreams has successfully launched its first major virtual reality ("VR") game, The Assembly. The game is currently available for Oculus Rift and HTC Vive, with a PlayStation VR version due to launch later this year. You can view the trailer on Mercia's YouTube page.
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Dr Mark Payton talks at TEDx

In this talk Mark Payton explains what he thinks about gazelles, 800lb gorillas, and unicorns and how, if they really want to, entrepreneurs can truly create their own luck. You can find the video here: <http://www.merciatechnologies.com/insights/why-am-i-diabetic-question-launched-career-business/>



Dont forget to join us on [LinkedIn](#), where you can keep up with all of the latest news, views and interviews from Mercia and the team.



Keep up to date with all of the latest news and insights from Mercia Technologies and its portfolio of companies on Twitter via [@MerciaTech](#)

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