

Interim Results

for the six months ended 30 September 2017

Commercialising
regional growth
opportunities



Mark Payton - CEO, Martin Glanfield - CFO, Matt Mead - CIO

6 December 2017

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The Board and Investment Team



Dr Mark Payton
CEO



Martin Glanfield
CFO



Matt Mead
CIO



Jonathan Diggines
Third Party Funds



Susan Searle
Non-executive
Chair



Ian Metcalfe
Snr Independent
Director



Ray Chamberlain
Non-executive
Director



Julian Viggars
Head of Technology,
Third Party Funds



Mike Hayes
Head of Digital &
Digital Entertainment



Peter Dines
Head of Life Sciences
& Biosciences



Dr Alistair Forbes
Head of Software &
the Internet

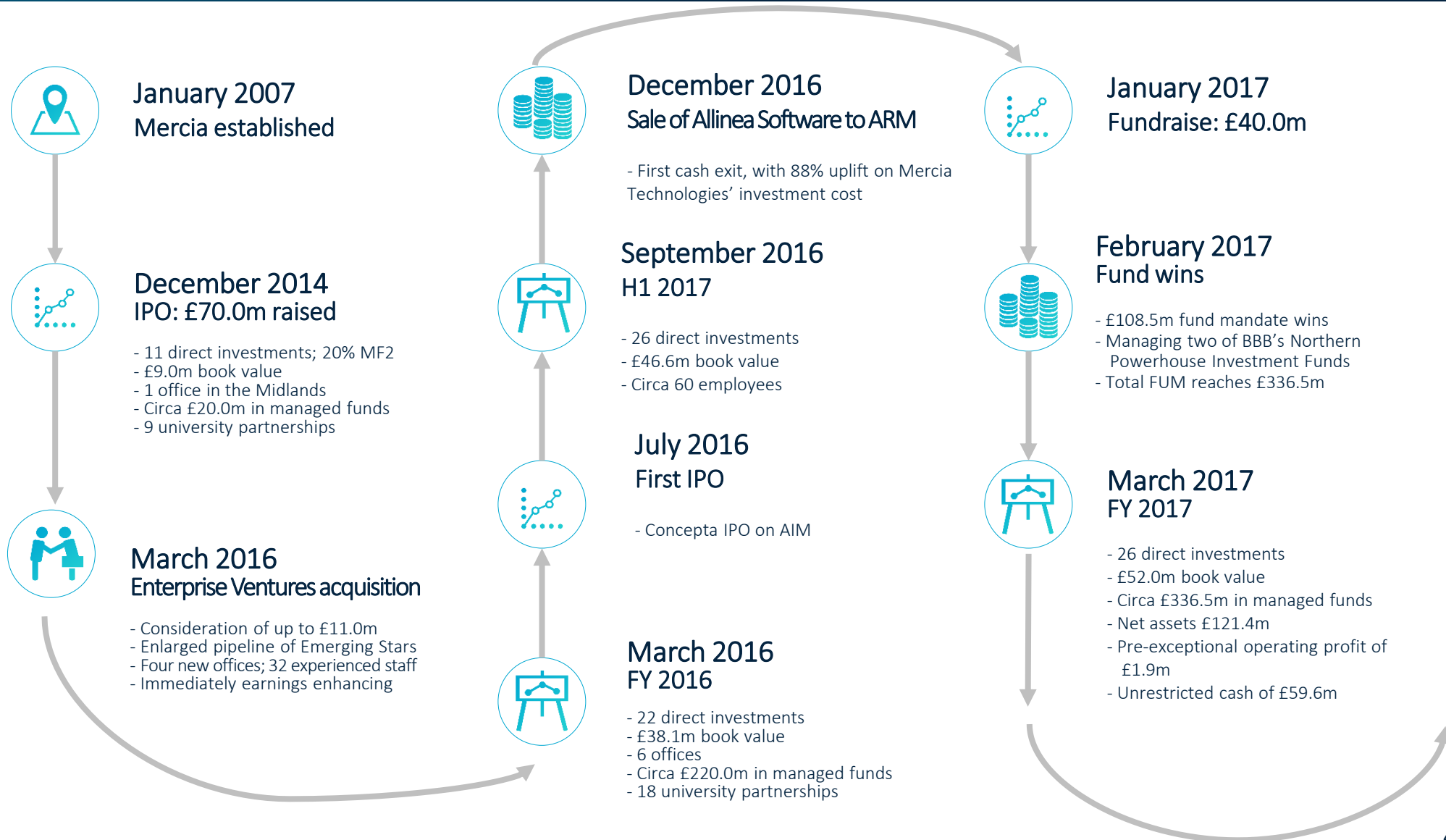


Dr Mark Volanthen
Head of Electronics,
Materials & Engineering/
Manufacturing



Dr Nicola Broughton
Head of University
Technology Transfer

Progress since IPO



Mercia's Progress; H1 2017/18 against H1 2016/17



Revenue
up 66% to £4.8m

Net expenses
down 40% to £0.9m

Pre-exceptional
operating profit
up 80% to £1.8m

Portfolio value
up 24% to £64.7m

Fair value gains
£3.0m

NAV per share
41.1p - up 7.9%

Unrestricted cash
up 103% to £48.6m

FUM
up 53% to £336.5m

University partners
19

University partnerships delivering value

The Midlands



Scotland



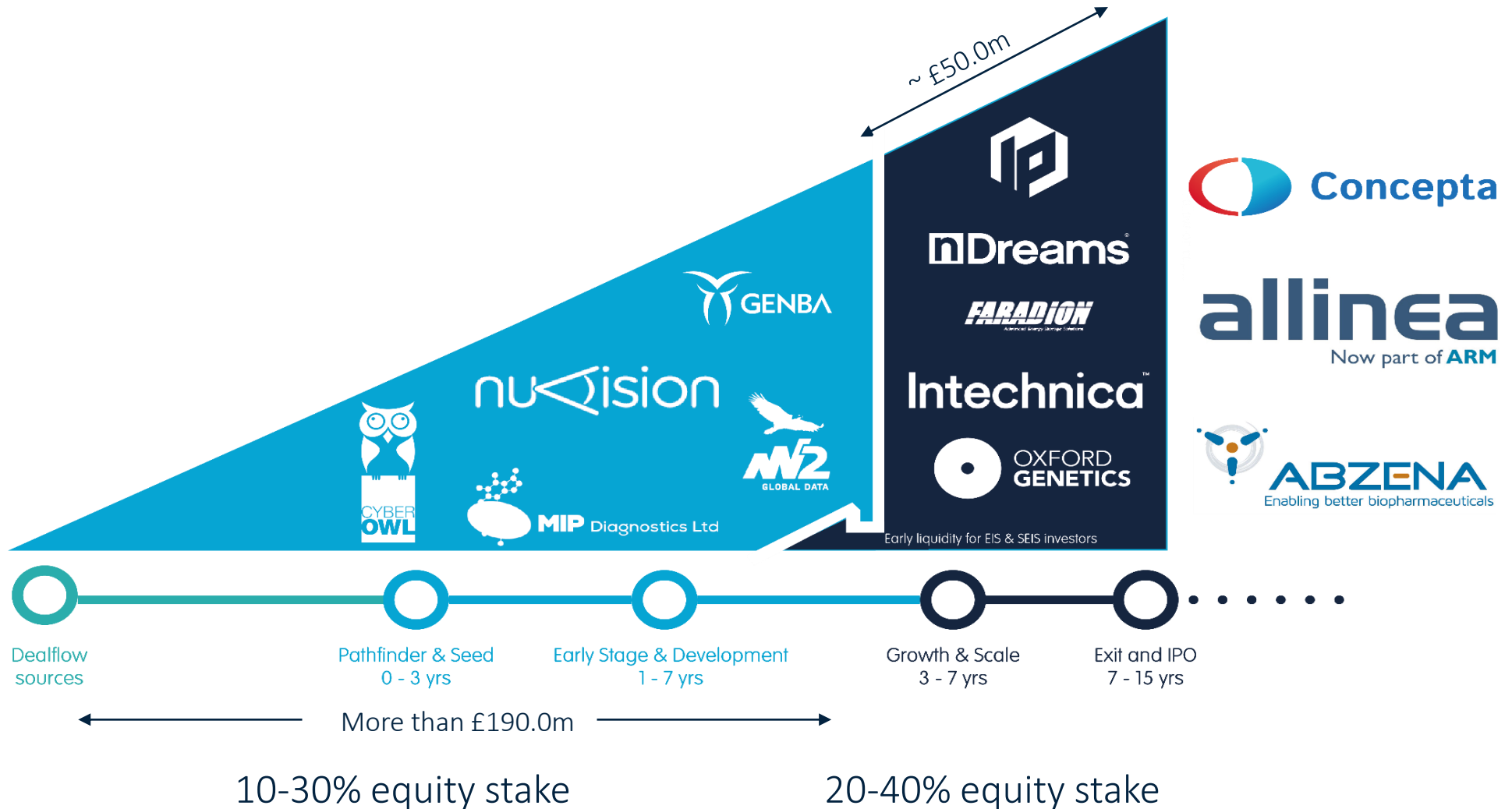
The North



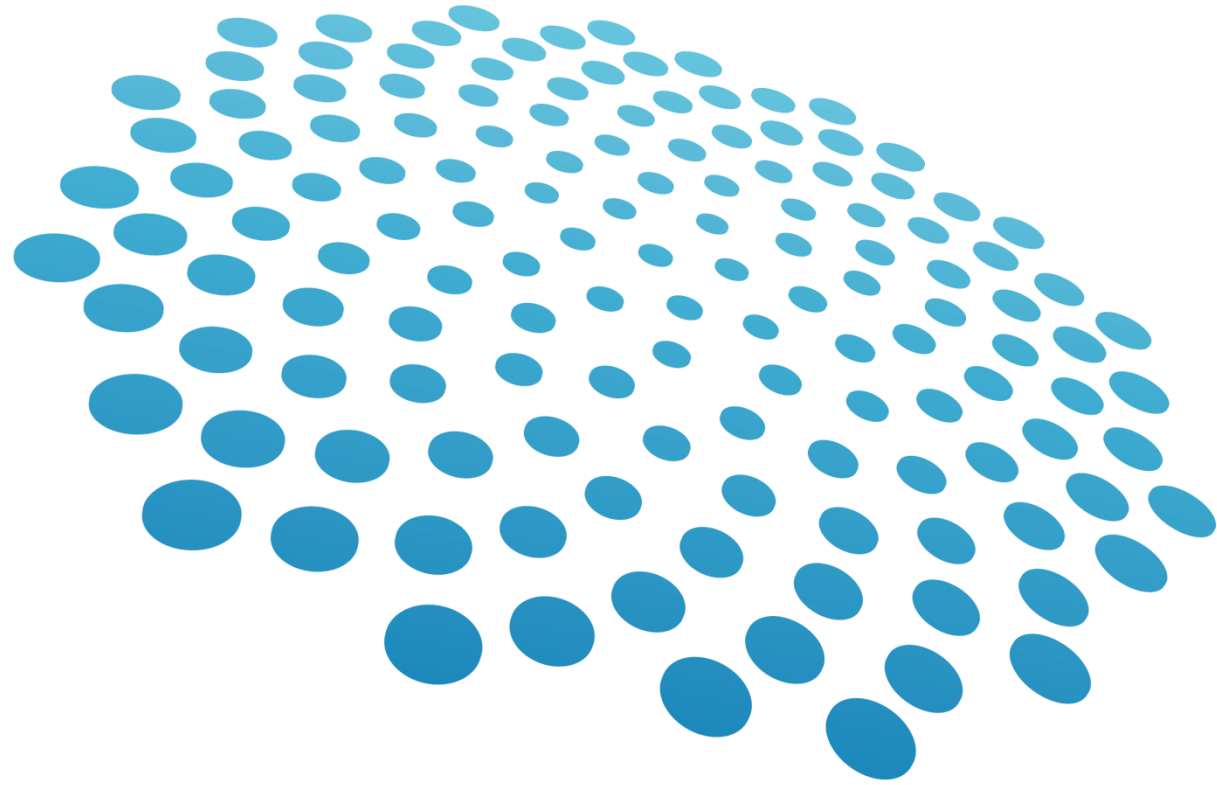
Delivering 50 innovative opportunities



Complete Capital Solution



allinea	blueprism
<ul style="list-style-type: none">• MF1, MF2, PLC balance sheet• First fund investment - 2009• University of Warwick• Total invested - £0.8m• Fund return - 26x• PLC return - 88% on invested cost	<ul style="list-style-type: none">• RisingStars Growth Fund I• First fund investment - 2004• Investment Team networks• Total invested - £0.9m• Return to date - 55x• Market Cap - c£0.9bn• Remaining fund stake - 4.9%• Performance fee/carried interest to PLC



mercia
technologies

Portfolio

Software & the Internet

- Artificial intelligence
- Cybersecurity
- Software as a service
- Analytical tools
- Adtech



Digital & Digital Entertainment

- Virtual reality
- Augmented reality
- Mixed reality
- Serious games



Electronics, Materials & Manufacturing/Engineering

- Energy
- Communications
- High value electronics
- Manufacturing applications

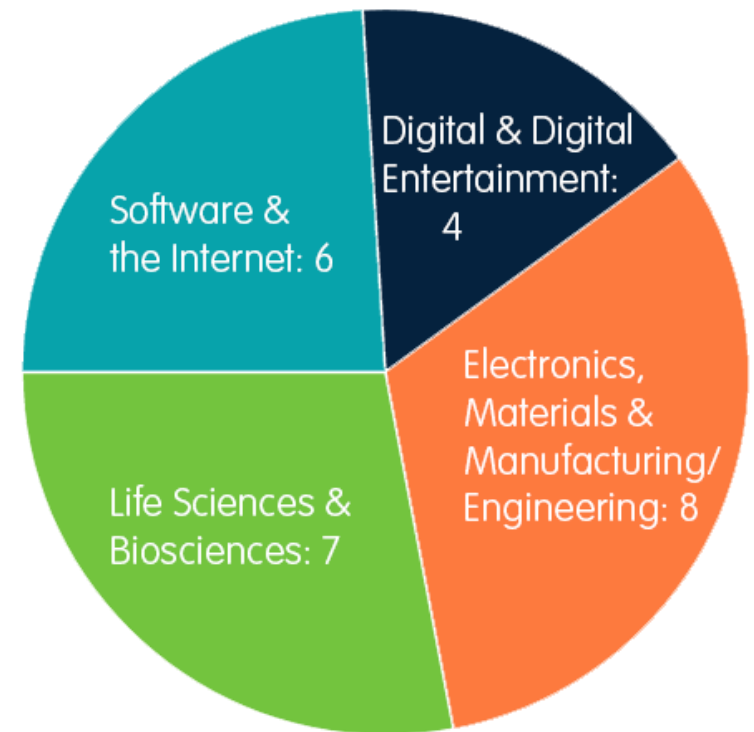


Life Sciences & Biosciences

- Diagnostics
- Digital health
- Medical devices



Portfolio Composition



Key sector companies



Software & the Internet



Science
Warehouse

Equity stake:
62.6%

Holding value:
£9.9million



Intelligent
Positioning

Equity stake:
26.7%

Holding value:
£2.5million



CROWDREACTIVE

Crowd Reactive

Equity stake:
28.3%

Holding value:
£1.5million

Intechnica™

Intechnica

Equity stake:
5.1%

Holding value:
£0.3million

Investment Director

Dr Alistair Forbes – Sector Head
15+ years in the sector

Co-founder of HoundDog Technology, acquired by GFI Software in 2009. He then held the position of GM for a division that grew from \$6.0m ARR to \$100.0m ARR in a period of 6 years



Key sector companies



Digital & Digital Entertainment



nDreams

Edge Case Games

VirtTrade

Soccer Manager

Equity stake:
45.6%

Equity stake:
21.2%

Equity stake:
28.4%

Equity stake:
31.6%

Holding value:
£13.0million

Holding value:
£3.1million

Holding value:
£2.3million

Holding value:
£1.6million

Investment Director

Mike Hayes – Sector Head
20+ years in the sector

Formerly CEO at SEGA Europe & America, sales & marketing director at Nintendo and marketing director at Codemasters



Key sector companies



Electronics, Materials & Manufacturing/ Engineering

Investment Director

Dr Mark Volanthen – Sector Head
20+ years in the sector

Named on 65 patents. Founding
employee at Kymata, acquired by
Alcatel for \$118.0million



Warwick Audio
Technologies

Equity stake:
64.0%

Holding value:
£6.2million



Impression
Technologies

Equity stake:
26.4%

Holding value:
£3.1million



Smart Antenna
Technologies

Equity stake:
28.2%

Holding value:
£2.3million



Faradion

Equity stake:
13.6%

Holding value:
£1.3million

Key sector companies



Life Sciences & Biosciences

Investment Director

Peter Dines – Sector Head
20+ years in the sector

Former MD of Surgicraft, during which time sales tripled, sold to Livingbridge



Oxford Genetics

Equity stake:
40.6%

Holding value:
£7.0million



Concepta

Equity stake:
18.2%

Holding value:
£2.1million



The Native
Antigen Company

Equity stake:
32.7%

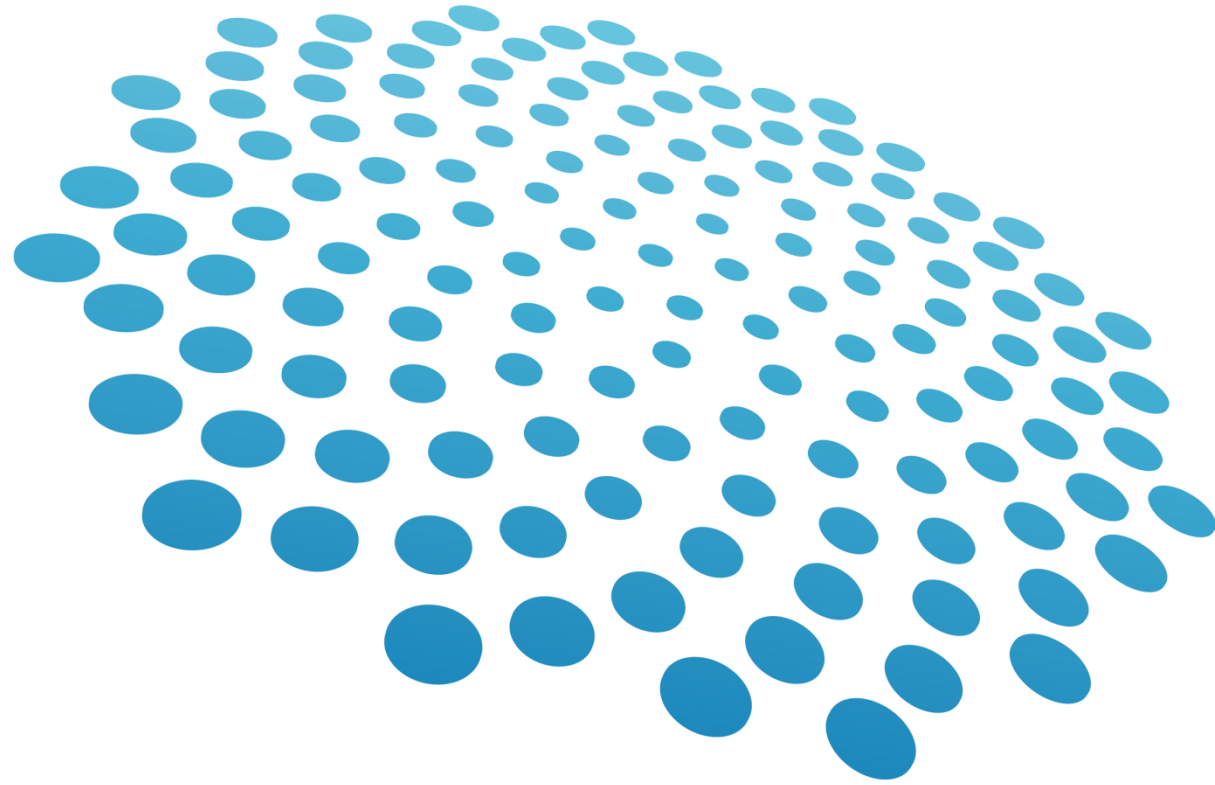
Holding value:
£1.9million



Medherant

Equity stake:
11.3%

Holding value:
£0.7million



Summary financial information

	Six months to 30 Sept. 2017 £'000	Six months to 30 Sept. 2016 £'000	Year to 31 March 2017 £'000
Income statement - key items			
Revenue	4,849	2,887	6,660
Cost of sales and other administrative expenses	(5,697)	(4,341)	(9,143)
Net expenses	(848)	(1,454)	(2,483)
Fair value movements in investments	3,033	2,807	4,268
Realised gains on disposal of investments	-	-	839
Exceptional item	(562)	-	(1,125)
Profit for the financial period/year	1,431	1,134	1,043
Balance sheet – key items			
Direct investment portfolio value	64,740	46,616	52,028
Cash and short-term liquidity investments *	55,167	24,011	63,829
Net assets	123,581	81,341	121,354
Cash flow – key item			
Net cash flows from direct investment activities	(9,679)	(5,666)	(8,779)

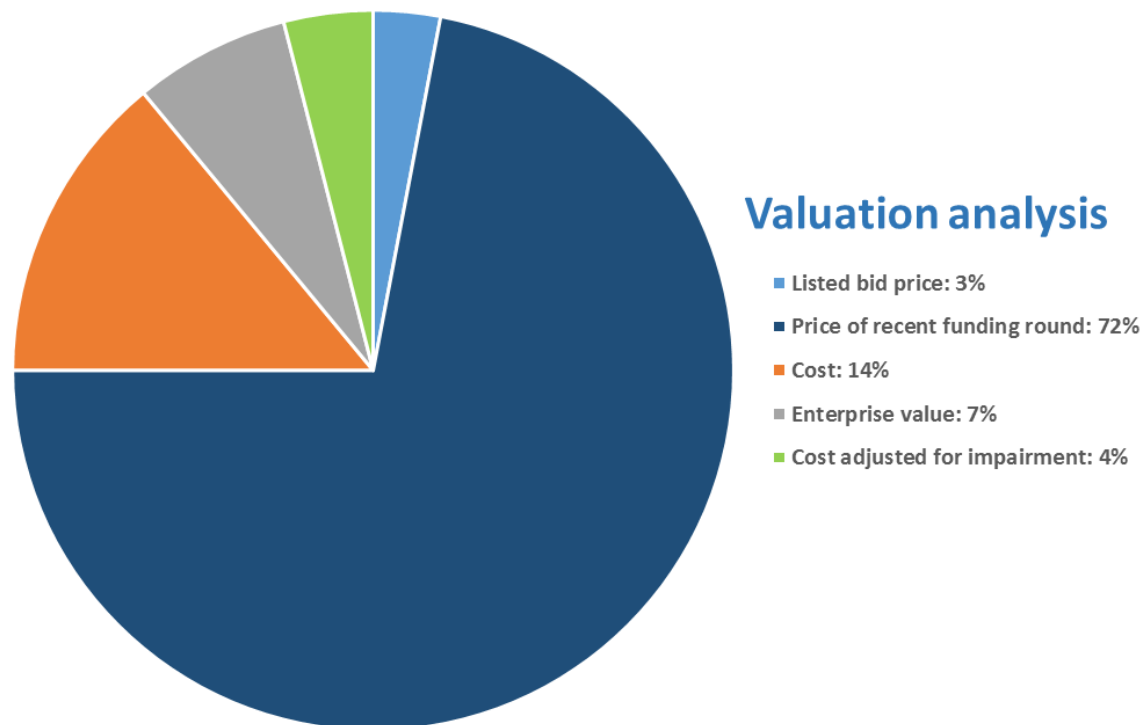
*includes £6.6m of cash held on behalf of MFM third-party fund investors (30:09:16 £nil; 31:03:17 £4.2m)

Direct investment holdings: H1 2017/18

	Net investment value As at 1 April 2017	Net cash invested Six months to 30 September 2017	Fair value movement Six months to 30 September 2017	Net investment value As at 30 September 2017	Percentage held As at 30 September 2017
Investment	£'000	£'000	£'000	£'000	%
nDreams Ltd	10,979	2,000	-	12,979	45.6
Science Warehouse Ltd	9,913	-	-	9,913	62.6
Oxford Genetics Ltd	2,196	2,500	2,315	7,011	40.6
Warwick Audio Technologies Ltd	2,791	1,800	1,560	6,151	64.0
Impression Technologies Ltd	1,500	1,500	80	3,080	26.4
Edge Case Games Ltd	2,310	750	-	3,060	21.2
Ton UK Ltd t/a Intelligent Positioning	2,500	-	-	2,500	26.7
PsiOxus Therapeutics Ltd	2,377	-	-	2,377	1.5
VirtTrade Ltd	1,538	750	-	2,288	28.4
Smart Antenna Technologies Ltd	2,259	-	-	2,259	28.2
Concepta plc	3,400	-	(1,275)	2,125	18.2
The Native Antigen Company Ltd	1,141	22	731	1,894	32.7
LM Technologies Ltd	1,770	-	-	1,770	41.4
Soccer Manager Ltd	1,599	-	-	1,599	31.6
Crowd Reactive Ltd	1,500	-	-	1,500	28.3
sureCore Ltd	1,500	-	-	1,500	23.0
Faradion Ltd	1,299	-	-	1,299	13.6
Medherant Ltd	650	-	-	650	11.3
Other direct investments	806	357	(378)	785	n/a
Totals	52,028	9,679	3,033	64,740	n/a

99% of portfolio
value represented
by top 18
investments

- All £64.7million of investments are held at fair values based on IPEVCV Guidelines
- Early stage companies often have no current/short-term future earnings or positive cash flows
- Consequently, the most appropriate fair value methodology is that based on available market data, being the 'price of recent investment'
- 'Price of recent investment' can be either 'price of recent funding round' or 'cost' in the case of a new direct investment



Strategy for continued growth



NAV growth

Strong focus on the accelerated growth in the value of direct investments



Minimisation of NAV erosion

Revenue growth rate greater than cost base increase



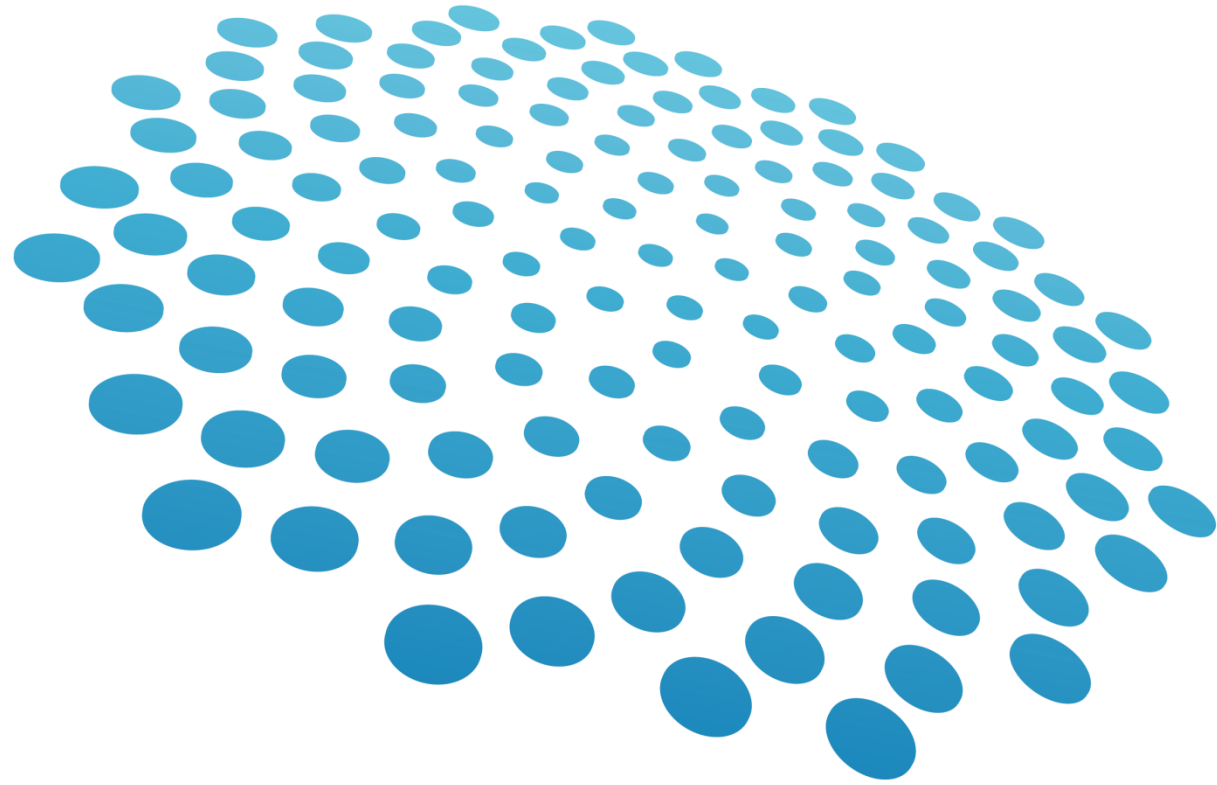
Leverage partnerships

We only invest from our managed funds into which we have strong deal flow from university partnerships and personal networks, from one of the largest capital deployment teams in the UK

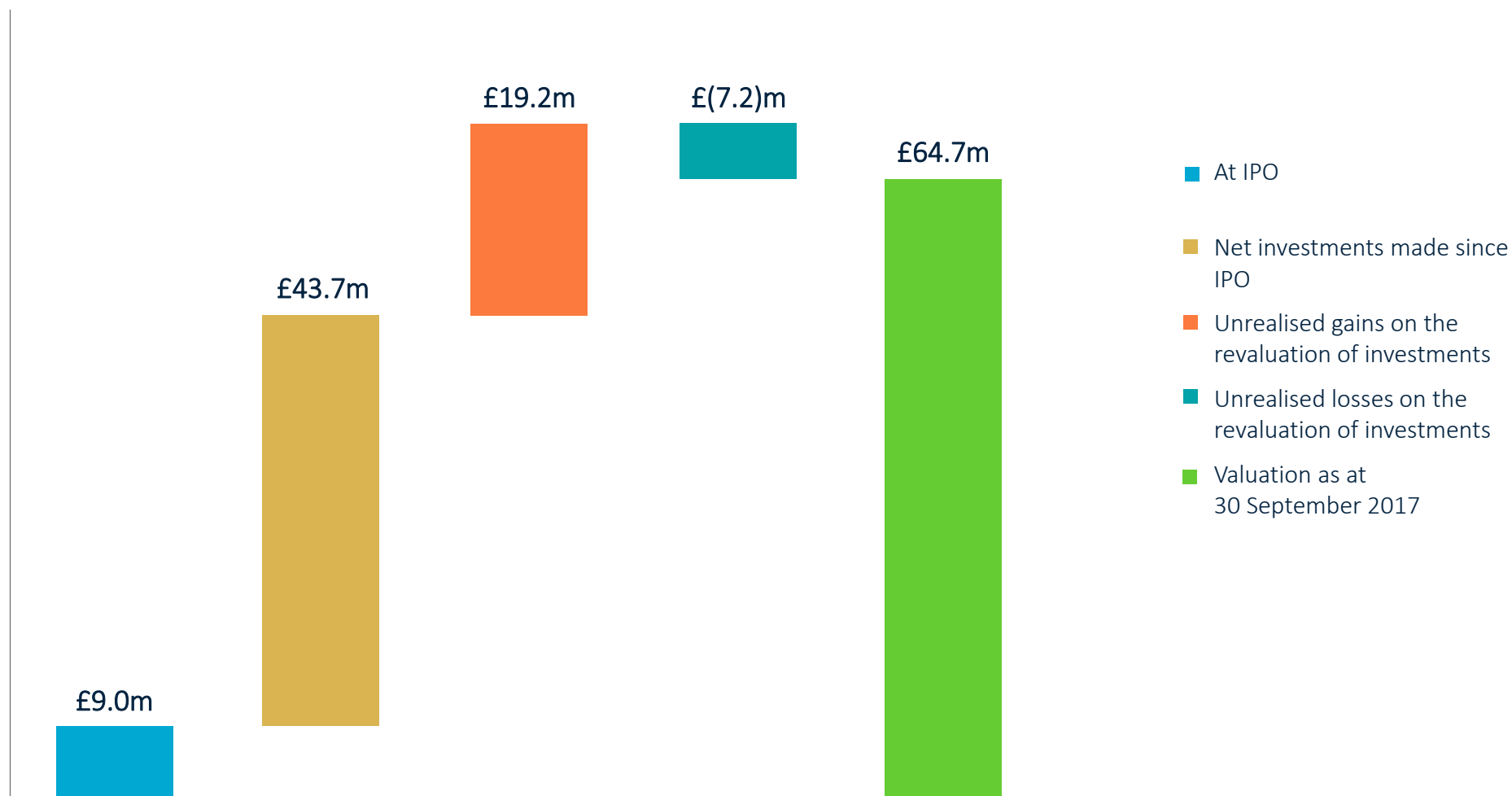


Realise value

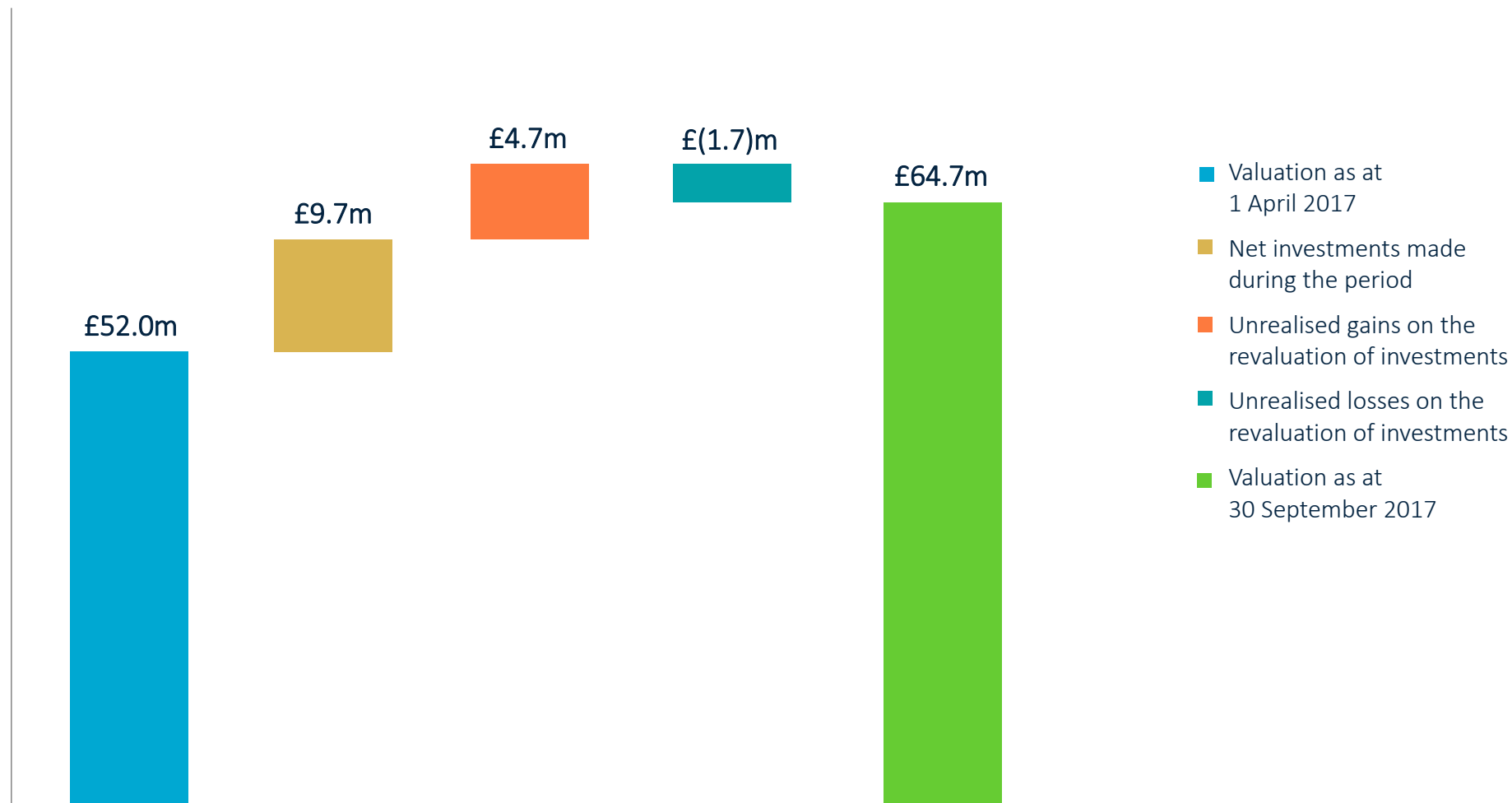
Through trade sales and IPOs, leading to the recycling/return of capital



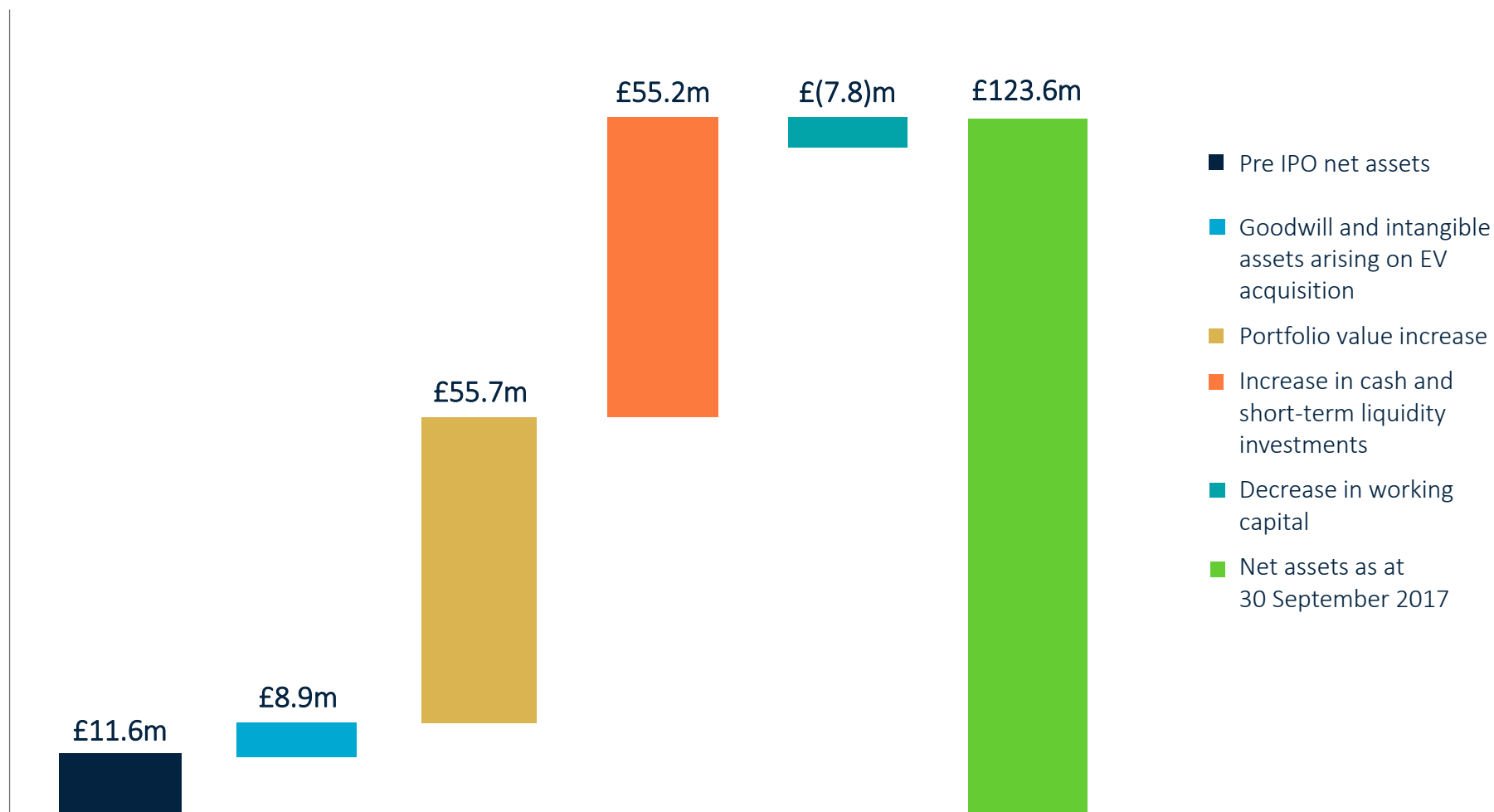
Movements in portfolio: IPO to H1 2017/18



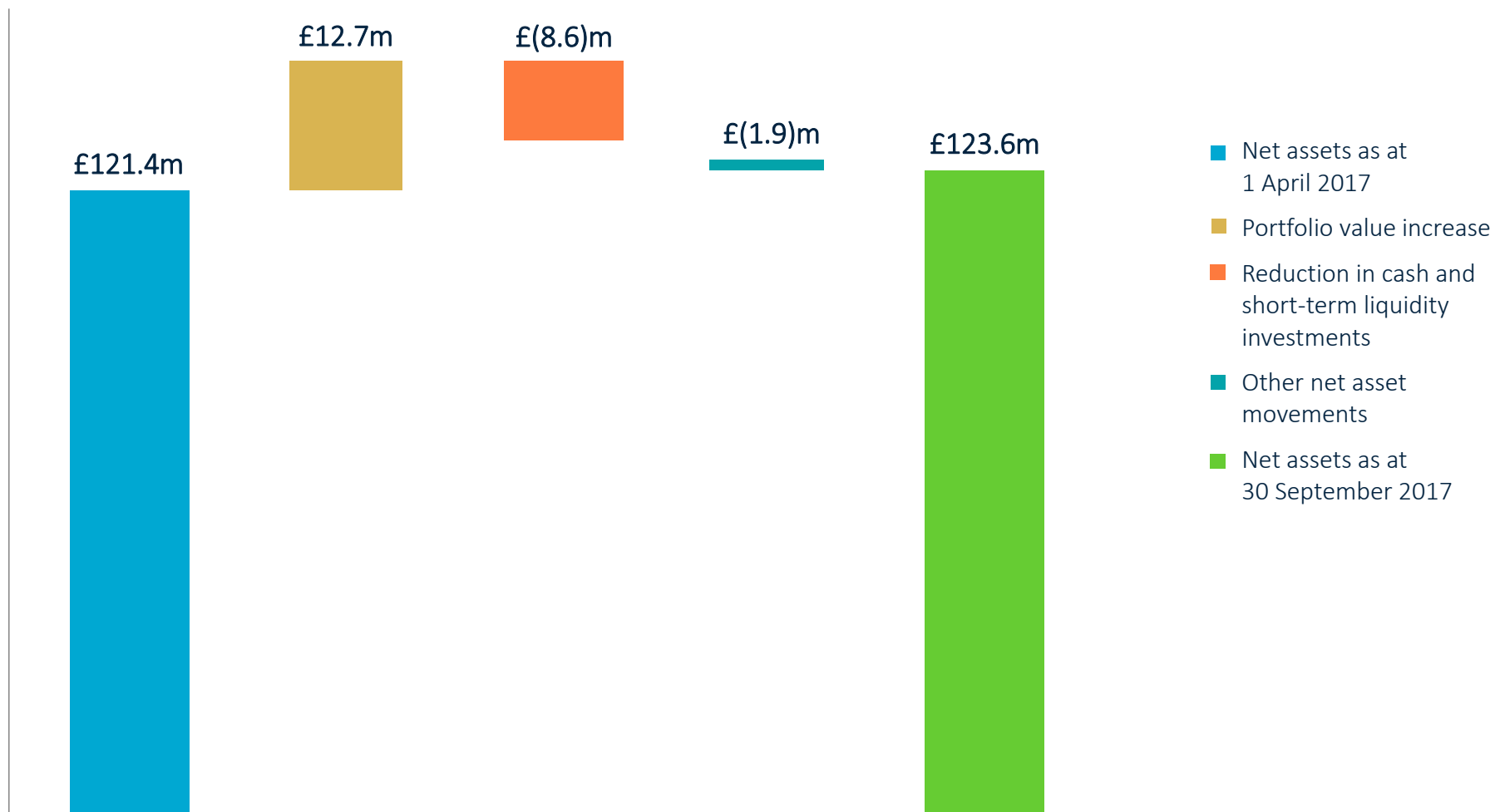
Movements in portfolio: H1 2017/18

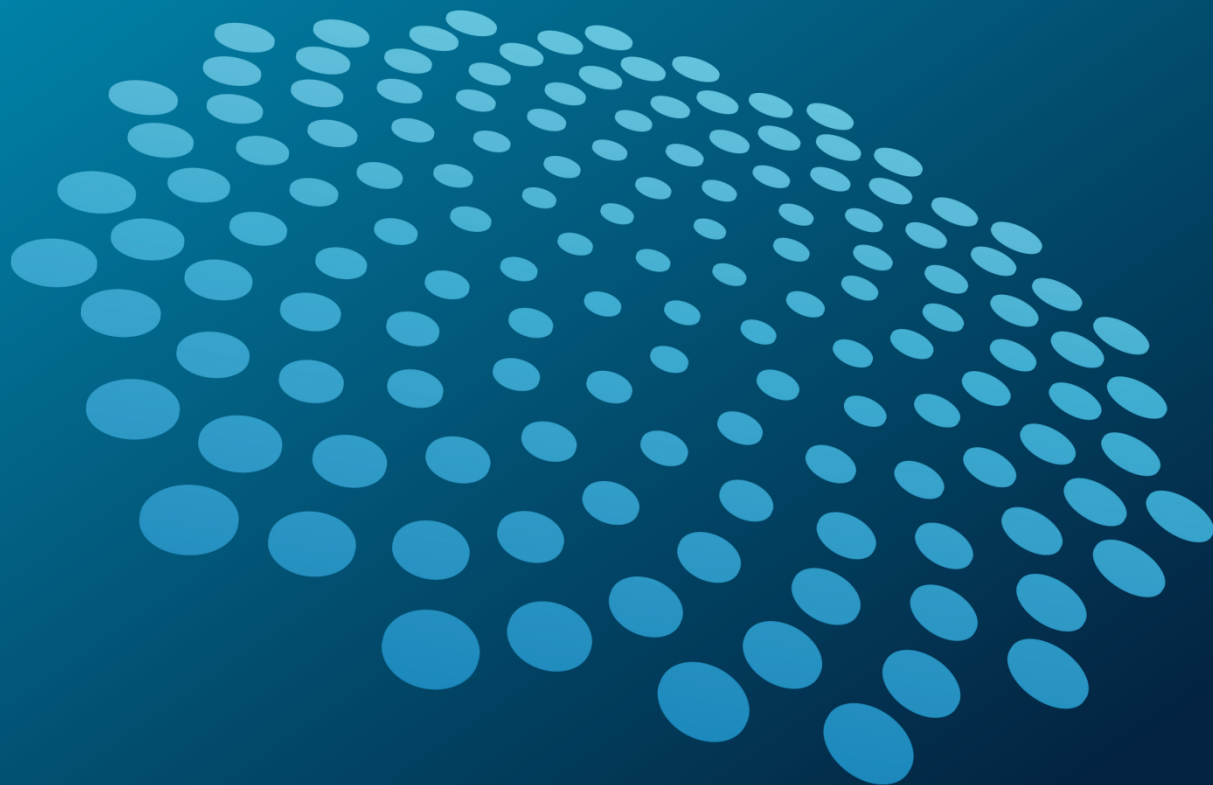


Movements in net assets: IPO to H1 2017/18



Movements in net assets: H1 2017/18





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