

Mercia Asset Management PLC

31 March 2022
Preliminary Results



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An entrepreneurial leadership team with a track record of value realisation



Dr Mark Payton
Chief Executive Officer

Over 20 years' experience in tech. commercialisation and investing
PhD in Life Sciences
Co-founder of Mercia



Martin Glanfield
Chief Financial Officer

Over 20 years' CFO experience of multiple listed and PE-backed technology-led businesses
Former CFO of Forward Group PLC
KPMG trained chartered accountant
Oversees debt team



Julian Viggars
Chief Investment Officer

Over 20 years' venture capital experience including Blue Prism IPO
Oversees the Group's equity investment activity
Chartered accountant



Strong model delivering capital growth and yield

- On track to deliver 'Mercia 20:20'
- Strong liquidity across the Group – c.£297m funds and balance sheet
- Long dated managed funds, no redemptions
- Well funded portfolios, with low capital needs
- Strong commercial progress by the diversified direct portfolio
- Limited public markets exposure in the direct portfolio



1	2	3
Newcastle	Preston	Leeds
4	5	6
Manchester	Sheffield	Bristol
7	8	
Henley-in-Arden	London	

FY22 – Key results for the Group

OPERATING

31 March 2022:	c.£959m Group AuM	c.£124m Capital deployed	c.£155m Cash realised	c.£297m Total liquidity
31 March 2021:	c.£940m	c.£94m	c.£103m	c.£314m

FINANCIALS

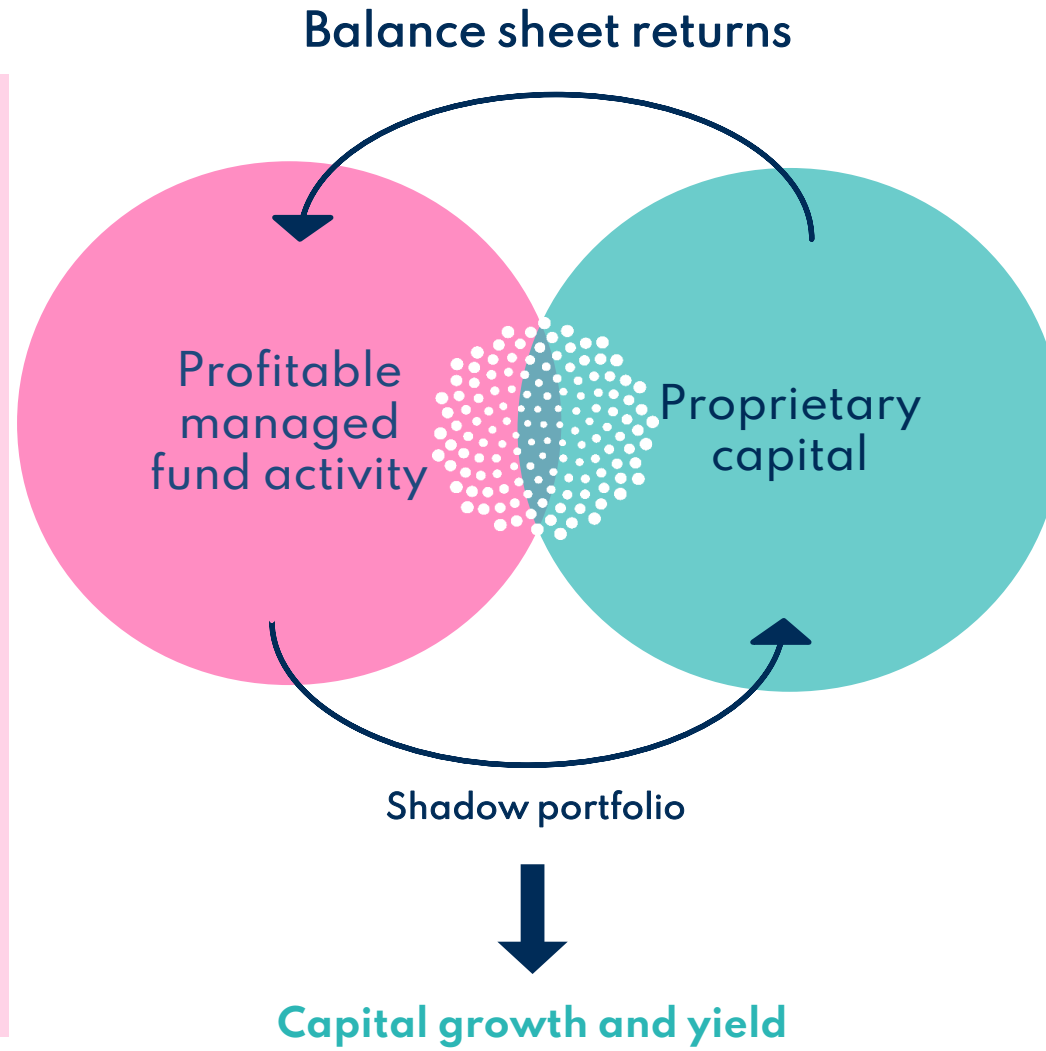
31 March 2022:	£20.6m Group revenue*	£61.3m Unrestricted cash**	£27.4m Profit before taxation	45.6p NAV/share	0.5p Proposed final dividend Full year dividend of 0.8p
31 March 2021:	£19.2m*	£54.7m**	£34.0m	40.0p	0.3p Final dividend Full year dividend of 0.4p

* Excluding performance fees

** Including short-term liquidity investments

The model - a debt-free group delivering

- Complimentary asset classes
- Recurring predictable fee income
- Growing profitability and operating cash inflow
- Scalable platform and systems to facilitate accelerated growth

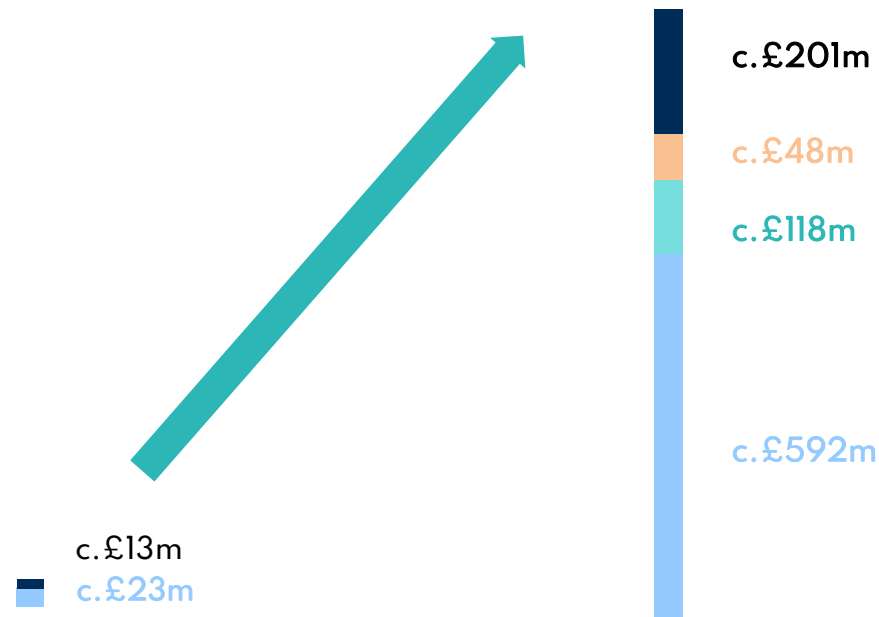


- Strong focus and discipline
- Invests in emerging funds' portfolio companies, selectively into managed funds and complimentary M&A to scale AuM
- Fully aligned

Growing UK specialist asset manager

At IPO (2014)

31 March 2022



AuM	c.£36m	c.£959m
Unrestricted Group cash*	-	£61.3m
Debt	-	-
PBT	-	£27.4m
People	7	120
Offices	1	8

* Including short-term liquidity investments

Tailwinds for growth

Scalable distribution:

- i. Retail investors (via EIS and VCT)
- ii. Public sector, via British Business Bank
- iii. Institutional capital (regional pension funds)

	Drivers for growth	Growing addressable opportunity
Retail capital (EIS / VCT)	Top-four manager in both classes	EIS: £1.6bn (2021) VCT: £1.1bn (2022)
British Business Bank / others	Currently manage c.40% of regional BBB funds. Next generation funds due FY 2023-24	£1.6bn committed in 2021 spending review to next generation regional funds
Institutional capital	Through PE and debt	Strong track record for further growth

Strong M&A track record

What we look for:

- i. Value driver analysis
- ii. Strong cultural fit
- iii. Earnings enhancing
- iv. Domestic market expansion via new FuM
- v. Similar fee structures
- vi. Strong fit with investment model and internal capabilities / systems



2016

Acquired entire group (£11m):

- c.£200m FuM
- 7.9x PBT



2019

Acquired 3 VCT fund management contracts plus team (£25m):

- c.£270m FuM
- 6.3x PBT

FY22 – FY24 Our three-year strategic goals



Achieve average pre-tax profits of £20million per annum over the next three years

Grow NAV/share

Grow AuM by an average of 20% per annum over the same three-year period

Grow dividend

	PBT	AuM
FY22:	£27.4m	£959m
FY23:	-	-
FY24:	-	-
Three-year cumulative target:	c.£60m	c.£1.5bn



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Financial review

FY22 – Key results for the Group

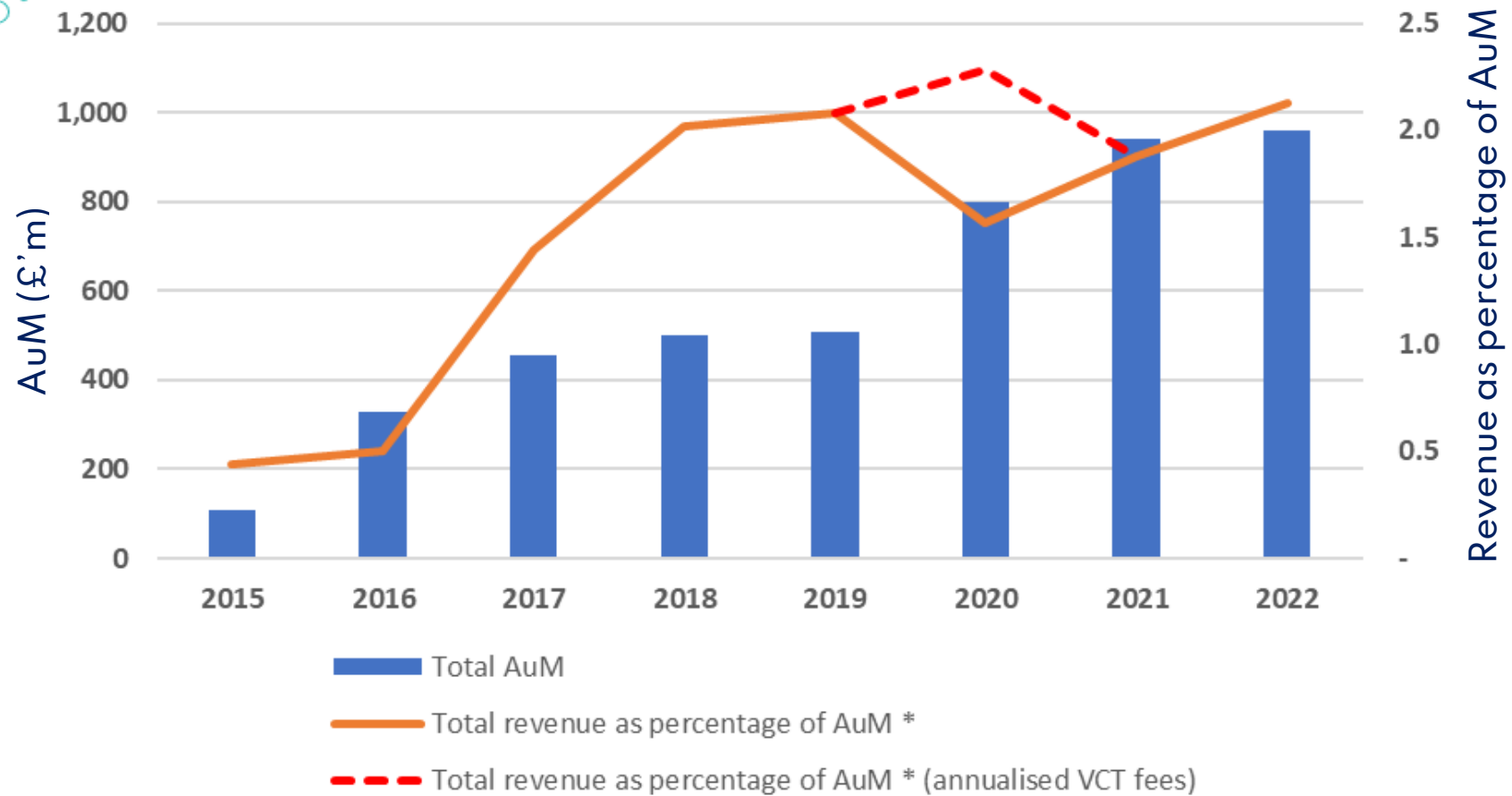
HEADLINE FINANCIALS

31 March 2022:	£20.6m Group revenue*	£8.4m Adjusted operating profit	£27.4m Profit before taxation	£61.3m Unrestricted cash**	45.6p NAV/share
31 March 2021:	£19.2m*	£3.3m	£34.0m	£54.7m**	40.0p

* Excluding performance fees

** Including short-term liquidity investments

Resilience of total revenue with AuM growth



*Excludes performance, fund raising or other fees

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Revenue	23,183	23,410
Administrative expenses	(17,857)	(16,554)
Realised gain on sale of direct investment	9,878	20,251
Fair value movements in direct investments	11,385	10,088
Share-based payments charge	(1,109)	(543)
Amortisation of intangible assets	(2,033)	(2,317)
Movement in fair value of deferred consideration	(522)	(365)
Operating profit	22,925	33,970
Finance income	4,452	68
Finance expense	(15)	(20)
Profit before taxation	27,362	34,018
Taxation	(1,262)	440
Profit and total comprehensive income for the year	26,100	34,458
Basic earnings per Ordinary share (pence)	5.93	7.83
Diluted earnings per Ordinary share (pence)	5.82	7.83

- Realised gain on the sale of Faradion
- Fair value movement +c.13% vs March 2021

Consolidated statement of financial position

As at 31 March 2022

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Goodwill and intangible assets	32,355	34,388
Property, plant and equipment and right-of use assets	530	563
Investments	119,558	96,220
Total non-current assets	152,443	131,171
Trade and other receivables	1,074	4,060
Restricted cash	-	2,484
Cash, cash equivalents and short-term liquidity investments	61,284	54,725
Total current assets	62,358	61,269
Total assets	214,801	192,440
Trade, other payables and lease liabilities	(7,120)	(8,249)
Deferred consideration	(2,869)	(1,578)
Total current liabilities	(9,989)	(9,827)
Lease liabilities	(295)	(351)
Deferred consideration	-	(2,869)
Deferred taxation	(3,928)	(3,372)
Total non-current liabilities	(4,223)	(6,592)
Total liabilities	(14,212)	(16,419)
Net assets	200,589	176,021
Equity		
Issued share capital	4	4
Share premium	81,644	81,644
Other distributable reserve	66,919	69,560
Retained earnings	48,505	22,405
Share-based payments reserve	3,517	2,408
Total equity	200,589	176,021

- Direct portfolio:
 - Net capital deployed £18.4m
 - FVM +£11.4m
 - +c.24% vs. March 2021
- Significant liquidity of £61.3m with no debt
- NAV per share 45.6p +c.14% vs. March 2021
- FY21 final dividend 0.3p/share
- FY22 interim dividend 0.3p/share

Consolidated statement of cash flows

For the year ended 31 March 2022

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	
Net cash generated from operating activities	9,150	5,611	• Strong operating cash inflow
Sale of direct investments	16,309	36,987	
Purchase of direct investments	(19,884)	(15,647)	• Net £18.4m capital deployed
Investee company loan repayments	1,500	250	
Investee company loan redemption premiums and interest received	4,438	50	
Net cash generated from direct investment activities	2,363	21,640	
Interested received from cash, cash equivalents and STLI	14	18	
Purchase of property, plant and equipment	(76)	(52)	
Purchase of fund management contracts	(2,100)	(2,100)	
(Increase)/decrease in short-term liquidity investments	(5,001)	5,981	
Net cash (used in)/generated from other investing activities	(7,163)	3,847	
Dividends paid	(2,641)	(440)	
Interest paid	(15)	(20)	
Payment of lease liabilities	(136)	(118)	
Net cash used in financing activities	(2,792)	(578)	
Net increase in cash and cash equivalents	1,558	30,520	
Cash and cash equivalents at the beginning of the year	54,491	23,971	
Cash and cash equivalents at the end of the year	56,049	54,491	• +£5.3m short-term liquidity investments

Mercia share register: 69% free float (2021: 69%)

- Board, management and employees (c.17%)
- Invesco (c.14%)
- Retail (c.10%)
- Ruffer (c.7%)
- Chelverton Asset Management (c.4%)
- BMO Global Asset Management (c.4%)
- The Hargreaves No.11 Settlement (c.3%)
- NFU Mutual (c.3%)
- BlackRock (c.3%)
- Librae Holdings (c.3%)

Others of note:

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



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Investment review

FY22 - AuM movements

Asset class	AuM 1 April 2021 £'m	Private investor inflows £'m	Public sector inflows £'m	Performance £'m	Distributions £'m	AuM 31 March 2022 £'m	Post year- end inflows £'m
Venture	600	22	20	30	(80)	592	45
Private equity	54	-	-	(2)	(4)	48	-
Debt	110	-	11	-	(3)	118	-
Total FuM	764	22	31	28	(87)	758	45
Proprietary capital	176	-	-	28	(3)	201	-
Total AuM	940	22	31	56	(90)	959	45

- Three EIS funds raised in the year and additional fund allocations by BBB
- Venture, debt and propriety capital distributions to investors
- Performance driven by EIS, legacy venture and direct investment portfolio fair value increases

FY22 - Key investment figures for the Group

INVESTMENT

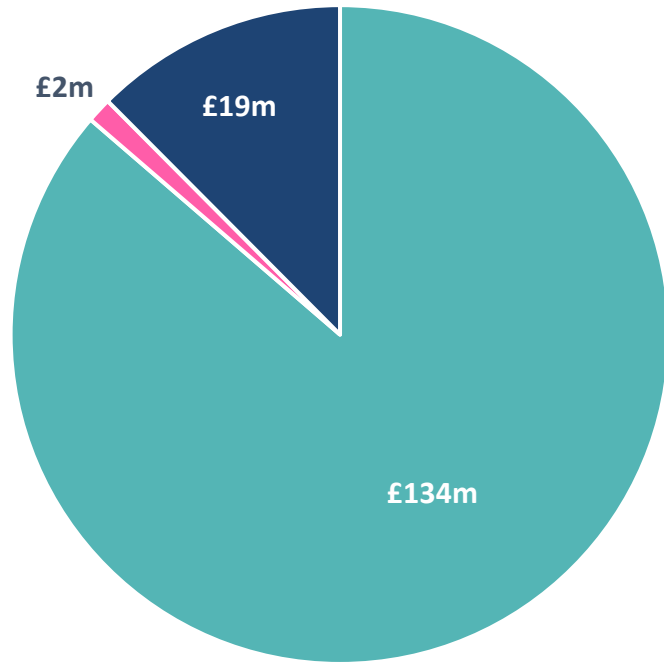
31 March 2022:	2,604 Investment requests	c.£124m Capital deployed	148 Businesses invested	95 New to portfolio
31 March 2021:	2,818	c.£94m	173	76

PERFORMANCE

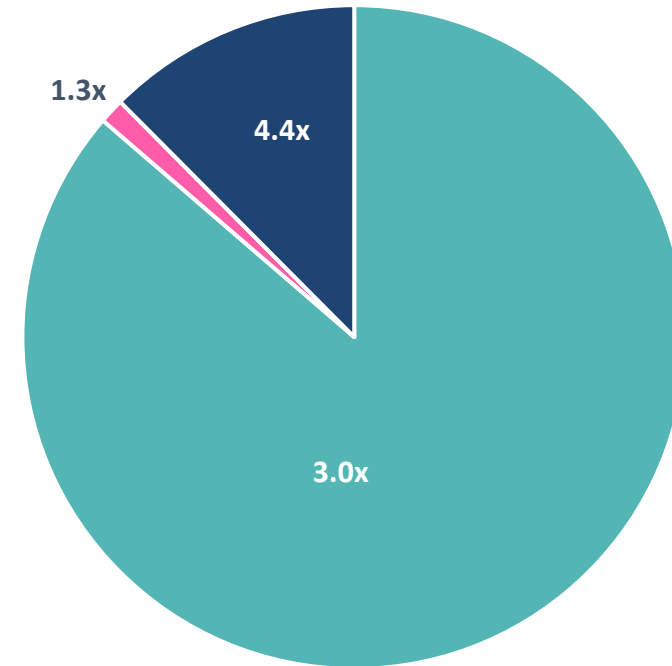
31 March 2022:	c.£155m Investment returns	3.1x Investment multiple	13 Trade sales	3 IPOs	17 Other full or partial exit events
31 March 2021:	c.£103m	5.7x	6	1	4

£155m of realisations for FY22

Equity realisations



Cost multiple (equity realisations / cost)



■ Venture (managed funds) ■ Private Equity (managed funds) ■ Proprietary capital

Faradion – 2011 to 2022 realisation



Ashwin Kumaraswamy
Investment Director

Founded by Dr Jerry Barker and Dr Chris Wright, with seed investment from Mercia

First direct investment from Mercia was made in 2017

Sold to Reliance New Energy Solar in January 2022

2011

2017

2022

Mercia's managed funds have held equity in the company since 2011

2019

James Quinn joins as CEO

Total cash proceeds of £19.4m resulted in a realised gain of £9.9m; a 4.4x return on Mercia's direct investment cost of £4.4m.

Direct investment portfolio

as at 31 March 2022

	Year of first direct investment	Investment value As at 1 April 2021 £'000	Net cash invested Year to 31 March 2022 £'000	Investment realisations Year to 31 March 2022 £'000	Realised gains Year to 31 March 2022 £'000	Fair value movement Year to 31 March 2022 £'000	Investment value As at 31 March 2022 £'000	Percentage held As at 31 March 2022 %
nDreams Ltd	2014	17,726	1,301	-	-	6,734	25,761	33.2
Intechnica Group Ltd	2017	9,996	1,531	-	-	2,884	14,411	24.1
Voxpopme Ltd	2018	8,845	1,500	-	-	166	10,511	17.6
Impression Technologies Ltd	2015	8,622	1,750	-	-	-	10,372	67.3
Medherant Ltd	2016	8,105	534	-	-	350	8,989	33.1
Warwick Acoustics Ltd	2014	4,255	1,039	-	-	1,012	6,306	40.0
Ton UK Ltd t/a Intelligent Positioning	2015	4,913	660	-	-	501	6,074	29.9
VirtTrade Ltd t/a Avid Games	2015	2,812	1,096	-	-	1,479	5,387	40.6
Locate Bio Ltd	2018	3,006	1,664	-	-	188	4,858	18.1
Invincibles Studio Ltd (formerly Soccer Manager Ltd)	2015	3,553	-	-	-	1,047	4,600	39.0
Eyoto Group Ltd	2017	1,813	1,147	-	-	-	2,960	15.7
W2 Global Data Solutions Ltd	2018	2,300	200	-	-	-	2,500	16.3
Sense Biodetection Ltd	2020	945	909	-	-	625	2,479	1.6
sureCore Ltd	2016	2,417	-	-	-	-	2,417	22.0
Edge Case Games Ltd	2015	2,300	-	-	-	-	2,300	18.7
PsiOxus Therapeutics Ltd	2015	2,407	-	-	-	(627)	1,780	1.4
Forensic Analytics Ltd	2021	-	1,750	-	-	-	1,750	8.9
MyHealthChecked plc	2016	4,488	-	-	-	(2,856)	1,632	13.1
MIP Discovery Ltd (formerly MIP Diagnostics Ltd)	2020	302	1,147	-	-	-	1,449	10.2
Pimberly Ltd	2021	-	1,375	-	-	-	1,375	5.6
Faradion Ltd	2017	5,693	738	(16,309)	9,878	-	-	-
Other direct investments	n/a	1,722	43	-	-	(118)	1,647	n/a
Total		96,220	18,384	(16,309)	9,878	11,385	119,558	n/a

More to come from proprietary investments

40.0%



WARWICK
ACOUSTICS 

15.7%



EYOTO™

24.1%

NETACEA
Netacea receives top score in Bot Detection in Forrester Wave
The Forrester Wave™: Bot Management, Q2 2022
FORRESTER



40.6%




VIRTTRADE

Shadow portfolio, ones to watch



Summary and outlook

- ✓ Strong liquidity across the Group
- ✓ Maintenance of fee margin on scaling managed funds
- ✓ Long dated managed funds not subject to redemptions
- ✓ Well funded, diversified direct investment portfolio with modest capital needs
- ✓ Limited exposure to public markets
- ✓ One year in, on track to deliver the three-year 'Mercia 20:20'



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Appendices

Proactive regional deal origination






	National EIS/VCT	Regional Venture	Private Equity	Debt	Proprietary capital
Investment criteria:	Early stage, series A, up to £5m	Early stage, up to £2m	Profitable, up to £5m	Profitable, up to £1m	Series A, up to £10m
Total portfolio size:	131	119	10	171	23
Investments made this period:	£58m	£26m	£9m	£13m	£18m
New to portfolio:	22	21	2	48	2
AuM:	£400m	£192m	£48m	£118m	£201m
Cash:	£121m	£41m	£15m	£59m	£61m*

* Including short-term liquidity investments

Top 10 holdings, by value (1-5)

					
Investment value	£25.8m	£14.4m	£10.5m	£10.4m	£9.0m
% direct holding (excludes FuM)	33.2%	24.1%	17.6%	67.3%	33.1%
Initial year of investment	2014	2017	2018	2015	2016
Description	VR developer	E-commerce/web security	Video analytics	Aluminum pressing	Patch delivery
Board representation	Yes	Yes	Yes	Yes	Yes
Key metrics	Revenue, partnerships	Revenue, ARR	Revenue, ARR	Licences, partnerships	Regulatory, clinical, partnerships
Highlights FY22	£20.1m investment, growth	Separation of Netacea, growth	30% growth	Progress in battery boxes/ recycled aluminium	3 partners+ internal pipeline
Valuation change	↑	↑	↑	=	↑

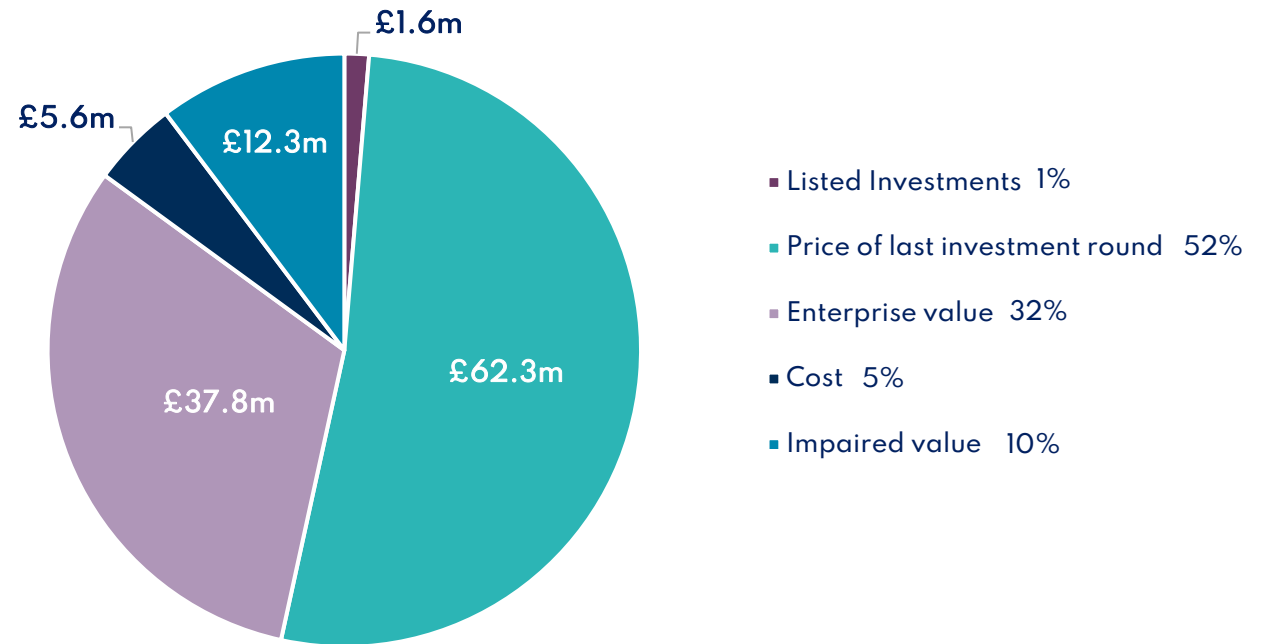
Top 10 holdings, by value (6-10)

					
Investment value	£6.3m	£6.1m	£5.4m	£4.9m	£4.6m
% direct holding (excludes FuM)	40.0%	29.9%	40.6%	18.1%	39.0%
Initial year of investment	2014	2015	2015	2018	2015
Description	Flat speaker tech	Business intelligence	Mobile digital trading cards	Orthobiologics	Mobile soccer management game
Board representation	Yes	Yes	No	Yes	Yes
Key metrics	Licences, partnerships	Revenue, ARR	Revenue, partnerships	Revenue, partnerships	Revenue, partnerships
Highlights FY22	Market awareness/OEM progress	Return to growth	Significant game revenue growth	Clinical progress	Authenticity with licenses, growth
Valuation change	↑	↑	↑	↑	↑

Valuation methodology

- Follow IPEV CV Guidelines
- Over half of the portfolio value based on the price of last investment round
- Calibration of valuation approaches
- Some use of DCF due to valuation guidelines
- Minimal exposure to volatile public market conditions
- Still adopt a 'hand-on-heart' final review

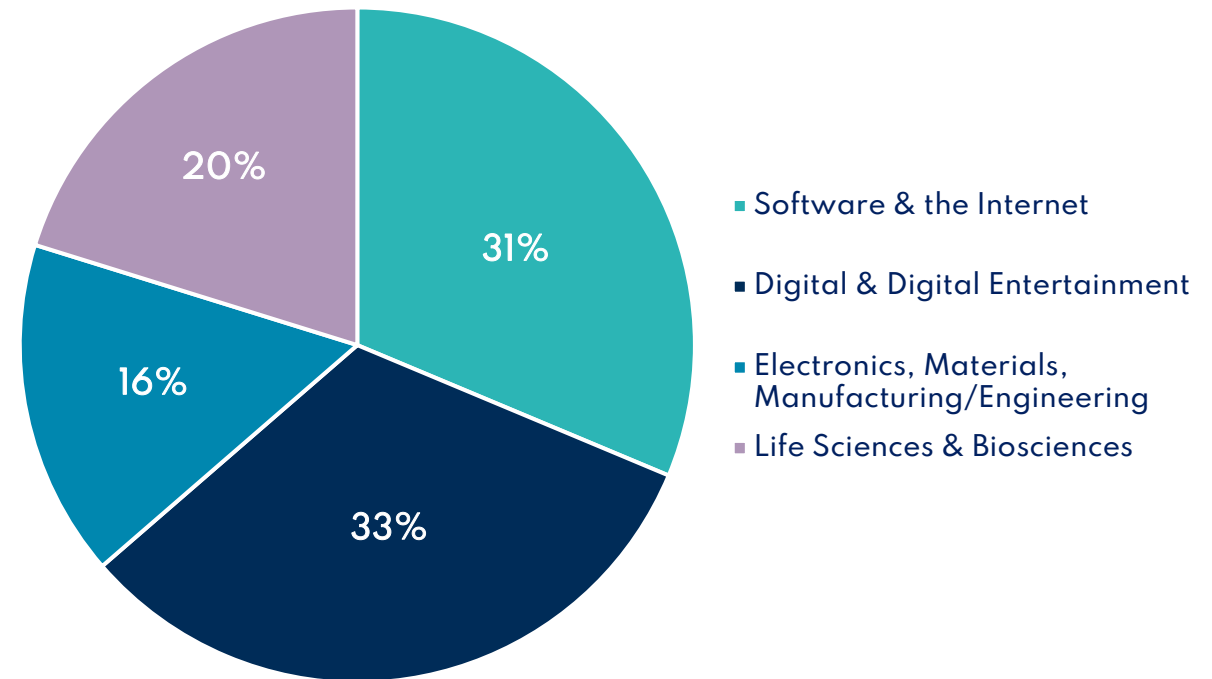
Direct investment portfolio by valuation methodology



Investment focus

- Direct investments balanced across key sectors
- Current focus areas include digital health, business efficiency, energy transition and enabling technology
- Exciting progress made by all sectors

Direct investment portfolio by sector



**NEDs - strong corporate governance combined
with deep asset management experience**



Ian Metcalfe
Chair



Diane Seymour-Williams
SID



Ray Chamberlain



Dr Jonathan Pell



Caroline Plumb OBE