

16 April 2026

FY26 EBITDA to be ‘materially’ above expectations

In today’s FY26 year-end trading summary for the period 1 Apr 25 – 31 Mar 26, Mercia has announced it expects EBITDA to be materially above expectations (our previous forecast £7.2m, margin 21%). Fundraising in H2 was strong, with Q4 alone seeing £200m of new funds raised (from successful VCT and EIS raises) or proposed increases to existing mandates (both quantum and duration). Impressively, there were no redemptions in FY26. The closing cash position for the year was £26m. Mercia has no debt.

The strong end to FY26 and the announced increase in existing mandates bodes well for FY27, as Mercia will be earning a full year’s fees (or nearly a full year) on that newly invested AUM.

No major comments have been made regarding its portfolio of direct investments, with Mercia saying: “The portfolio continues to make good overall commercial progress, despite the current elevated and challenging market backdrop for venture and private equity investing, M&A, IPOs and exits.”

Huge discrepancy between fundamental value and share price

We remind readers of our previous sum-of-the-parts valuation, based on H1-26 results and fully detailed in our previous note [EBITDA & margin up again, undervaluation rises](#). We also highlight that Mercia’s current market cap is £120m.

- Net cash: £34m, equating to 9p per share (28% of current market cap).
- Value of fee-earning fund management business: £76m, 18p per share (63% of market cap)
- NAV of direct investments: £131m, 31p per share (109% of current market cap).

That was a sum-of-the-parts value of 58p per share - double today’s share price. Today’s announcement sees cash fall to £26m. We suspect the bulk of that fall is due to a higher net investment value into the direct investment portfolio than we had assumed for H2, so that should not impact fundamental value. With EBITDA expected to be materially higher than forecasts, our valuation of the standalone fund management business is likely to rise. Mercia completed a £3m share buyback programme on 31 Mar 26, and a new £3m programme has now commenced.

We will wait for the results on 30 June before updating our valuation, but nothing in today’s announcement suggests it is likely to fall. In fact, it is more likely to rise.

Company data

EPIC	MERC.L
Price (last close)	28.3p
52 weeks Hi/Lo	34p/26p
Market cap	£120m
ED Fair Value / share	58p
Net cash** 2025A	£40m
Avg. daily volume (3m)	811k

Share price, p



Source: Investing.com

Description

Mercia Asset Management (Mercia) was founded in 2010 and listed on the AIM market of the London Stock Exchange in Dec 2014.

It provides venture capital, debt and private equity to mostly regional (ex-London) UK businesses, investing between £100k and £20m.

Mercia manages c.£1.8bn of funds for third parties and has net assets of c.£187million of its own.

Next event

FY26 results 30 June 2026

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Key financials & valuation metrics

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
AUM*, £bn	1.44	1.82	2.01	2.00	2.05
Third-party FUM, £bn	1.23	1.63	1.80	1.78	1.82
Direct investments	136.6	116.9	126.0	140.6	88.6
Rev (excl. perf. fees)	25.9	30.4	34.4	34.1	35.0
EBITDA	5.2	5.5	7.6	7.2	7.7
EBITDA margin	20.0%	18.2%	22.1%	21.2%	22.1%
PBT	2.4	-8.2	5.4	4.8	5.0
EPS basic, p	0.6	-1.7	0.8	0.8	0.8
Div, p	0.86	0.90	0.95	0.99	1.04
Yield	3.0%	3.2%	3.3%	3.5%	3.7%
Net assets	202.9	189.2	187.9	185.0	181.8
Net cash	37.6	46.9	40.1	26.0	78.7

Source: Company data, Equity Development, priced at 15/04/26. *Includes net assets.

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