Mercia Asset Management PLC

A rarity in the sector: Revenue +19%, EBITDA +34%

26th November 2024

H1-25 (to 30 Sep 24) saw further progress of the *Mercia 27* strategy which targets £3bn AUM (FUM + proprietary capital) and £11m EBITDA by FY27. AUM was up 26% y-o-y and 1% over H1-25, following a series of large mandate wins in late-FY24 (page 4). Mercia is one of very few London-listed asset managers with positive net flows over recent periods (page 5).

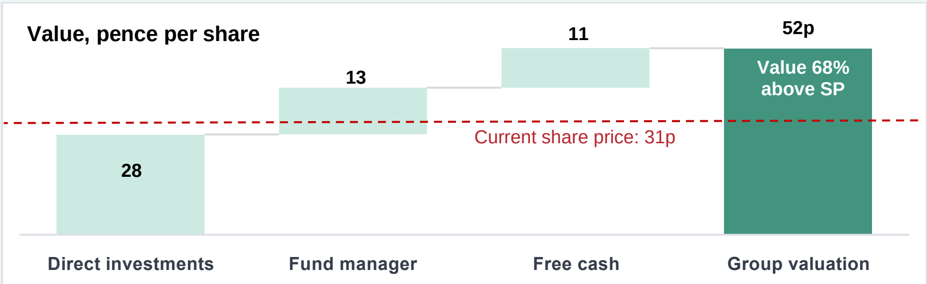
H1 revenue was up 19% y-o-y to £17.9m and EBITDA +34% to £3.7m, a margin of 20.8%, up from 18.4% in H1-24. This is likely to ratchet up over the longer term as the business scales. PBT increased 75% to £2.4m (the % jump boosted by a negative FV move in direct investments in H1-24, and basic EPS increased 37% to 0.41p (a higher tax charge in H1-25 reduced the % increase).

The balance sheet is **strong with net cash of £46m (35% of market cap), and no debt.** There were no significant FV moves or exits in the direct portfolio (NAV £121m, 91% of market cap), with £3.9m of follow-on investments made. We remind readers that **Mercia intends to sell down its direct portfolio to focus on 3rd party fund management**. The interim dividend increased 6% to 0.37p.

We reiterate that on fundamental value, Merc. shares look mispriced

Our valuation is sum-of-the-parts based as shown below, and **we see no reason to discount the direct portfolio NAV given Mercia's record of exits at a premium to holding NAV** (page 15).

Potential for a significant re-rating



Source: Company, ED analysis

Our forecasts contain minor changes based on H1-25 balance sheet actuals, increased interest income, and increased NIC tax payments (from FY26), with a negligible impact on our valuation.

Key Financials

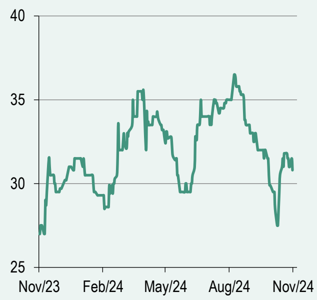
Year-end 31 Mar	FY23A	*H1-24*	FY24A	*H1-25*	FY25E prev.	FY25E new	FY26E prev.	FY26E new
AUM*, £bn	1.44	1.46	1.82	1.84	1.97	1.97	1.98	1.98
3rd-party FUM, £bn	1.23	1.26	1.63	1.65	1.77	1.77	1.78	1.78
Dir. investments, £m	136.6	142.5	116.9	120.9	128.9	128.9	136.9	136.9
Revenue, £m	25.9	15.0	30.4	17.9	34.5	34.5	35.5	35.5
EBITDA**, £m	5.2	2.8	5.5	3.7	6.2	6.2	6.2	5.9
EBITDA margin	20.0%	18.4%	18.2%	20.8%	18.0%	18.0%	17.5%	16.6%
PBT, £m	2.4	1.4	-8.2	2.4	2.8	3.5	2.8	2.4
EPS basic, p	0.6	0.3	-1.7	0.4	0.7	0.8	0.7	0.6
Div, p	0.86	0.35	0.90	0.37	0.95	0.95	0.99	0.99
Yield	2.8%	1.1%	2.9%	1.2%	3.1%	3.1%	3.2%	3.2%
Net assets, £m	202.9	202.4	189.2	187.4	187.3	187.9	187.4	187.8
Net cash, £m	37.6	36.2	46.9	46.2	33.2	34.2	28.4	28.8

*Source: Company Historic Data, ED estimates. PER and Yield based on share price of **31p***
** Value of FUM from which the Group earns fund management revenues, plus consolidated net assets*

Company Data

EPIC	MERC
Price (last close)	31p
52 weeks Hi/Lo	36.5p/27p
Market cap	£133m
ED Fair Value / share	52p
Net cash	£47m
Avg. daily volume	777k

Share Price, p



Source: ADVFN

Company 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.

It manages c.£1.7bn of funds for third parties and has net assets of c.£187million of its own.

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Contents

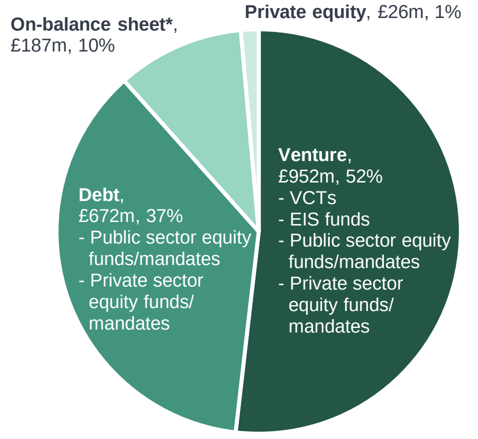
Mercia at a glance

History, market positioning, strategic focus

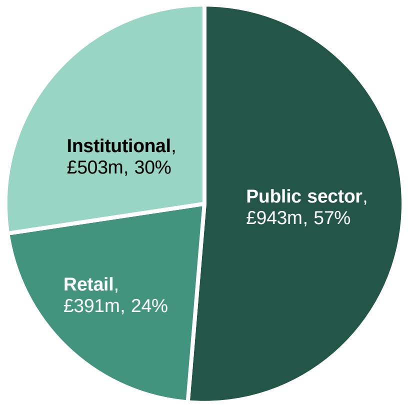
- Mercia was founded in 2010 and listed on AIM in December 2014. It has c. 140 employees based in 11 offices across the UK.
- It is a specialist alternative asset manager. Mercia funds provide venture capital finance, private equity, and debt finance to high-growth UK SMEs based mostly in the 'regions' i.e. outside London. Equity funds typically deploy between £100k & £10m per investment, debt funds between £250k & £20m.
- Its business model is designed to meet the needs of and be highly attractive to entrepreneurs and their companies, as well as investors.
- From an investee company perspective, **Mercia fulfils a crucial financing role in the UK regional high-growth ecosystem,** which is characterised by a chronic undersupply of capital. This is in sharp contrast to London and surrounds which enjoys access to a hugely concentrated pool of capital. Mercia also plays an active role post-investment, helping its investee companies succeed and exit.
- From an investor's perspective, **Mercia offers exposure to an attractive asset class that is not easy to access and requires a highly specialised skillset to succeed in**. Regional businesses typically have lower pre-investment valuations compared to London, despite significant areas of thriving and highly sophisticated start-up and scale-up activity.
- **Mercia is undergoing a strategic shift to 1) focus on highly profitable and fast-growing 3rd party fund management**; and 2) realise the £121m (NAV) of on-balance-sheet investments (probably over c. 3-years), to deploy to grow its fund management business.

Split in AUM and FUM

AUM (incl. own funds) by asset class (100% = £1,837m)



FUM (3rd party funds) by investor type, (100% =£1,650m)



Source: Company, as at 30 Sep 24. Totals may not sum to 100% due to rounding.
**Including cash of £46m*

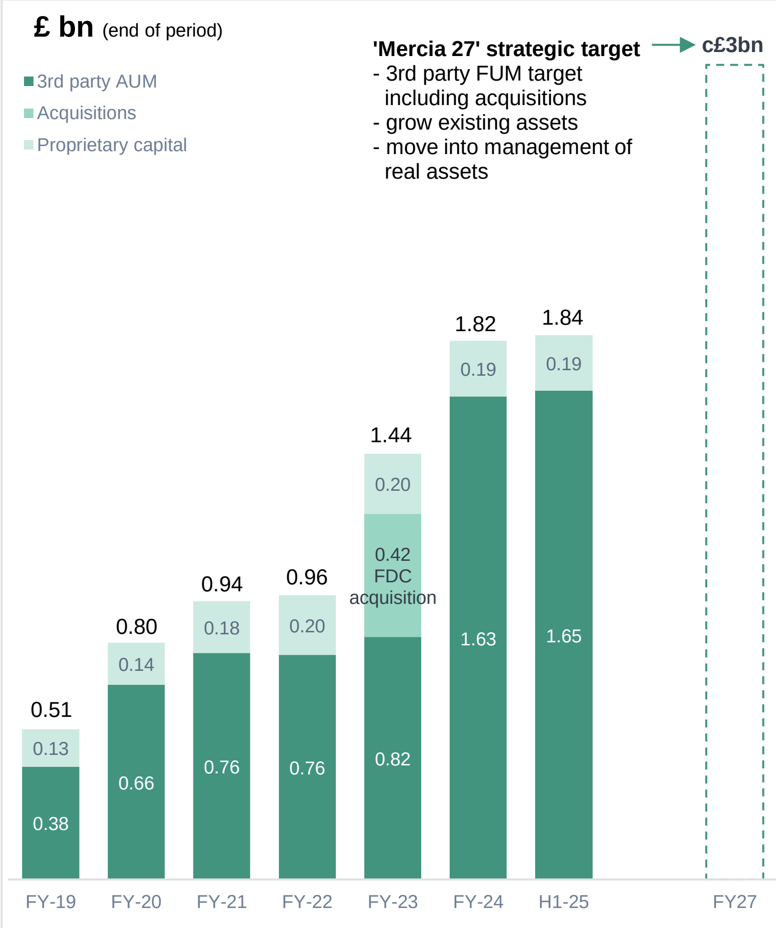
Assets under management

AUM continues to rise with further fundraises following huge growth in FY24

New raises for VCTs, EIS funds, Northern Powerhouse

- As flagged in Mercia's FY24 results, H1-25 was a relatively quiet period for new capital raising:
  - £29.2m raised by the three Northern VCTs in April 2024, in addition to £1.2m of shareholder dividend reinvestments.
  - Two EIS funds raised £16.3m.
  - Northern Powerhouse Investment Fund received as additional £10m equity allocation.
  - There were no redemptions in the period.
- **However, this followed record raises in FY24, including:**
  - £52m capital raise by Northern VCTs
  - £100m mandate from Northern Powerhouse Investment Fund II (Equity)
  - £163m mandates from Midlands Engine Investment Fund II (Equity)
  - £100m mandate awarded to FDC from Brownfield Regeneration Fund, West Midlands (Debt)/
  - £53m mandate from Northern Powerhouse Investment Fund II (Debt)
  - £44m new mandates from Midlands Engine Investment Fund II (Debt)
- There were no sales of direct (on-balance-sheet) investments in the period, and a small (+£0.2m) fair value increase in direct investments.
- Post period end:
  - Northern VCTs announced a £36m fundraise for Jan 25.
  - An EIS fundraise of £4m closed in Nov 24.

AUM growth history and target

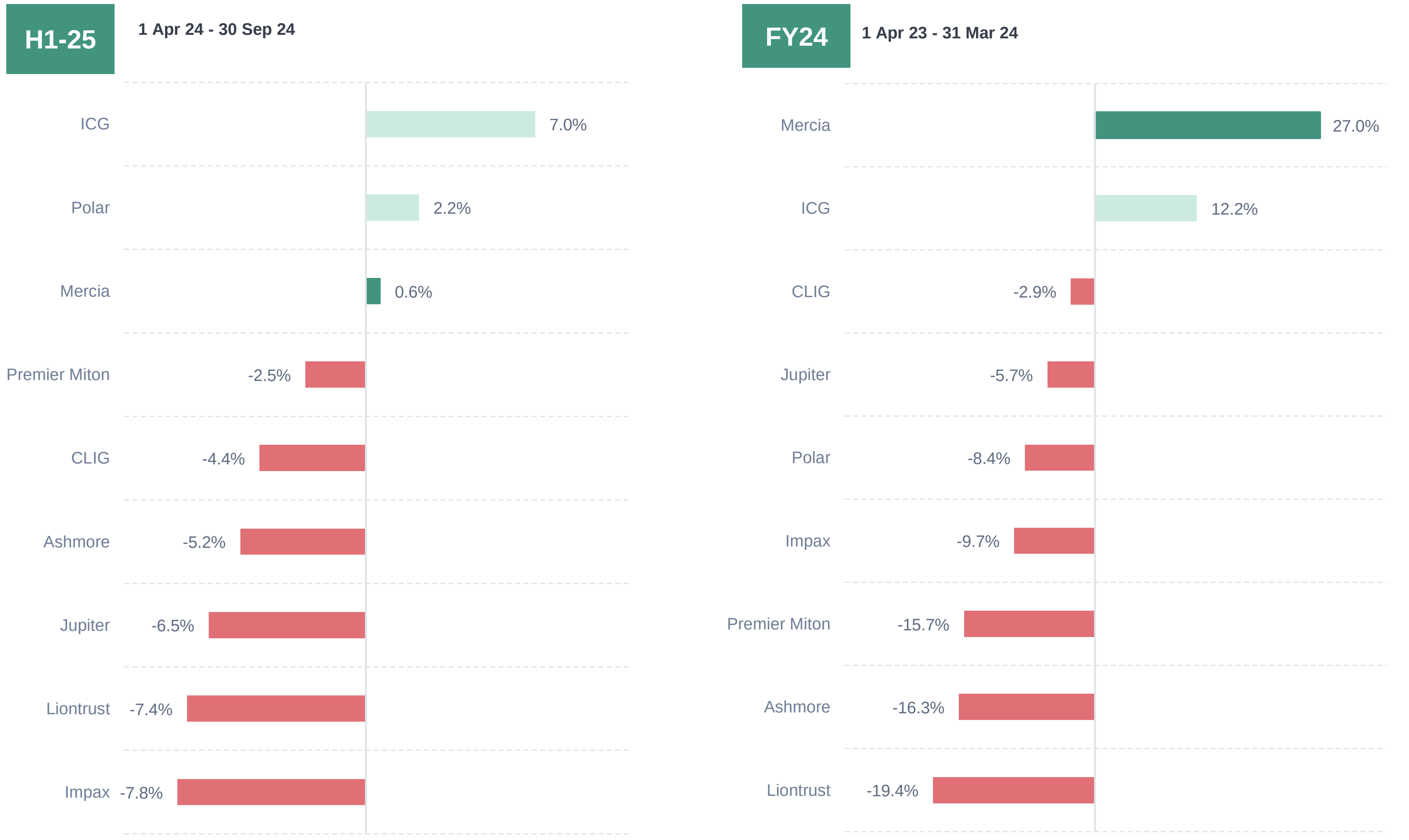


Source: Company, as at 30 Sep 24. Totals may not sum to 100% due to rounding.
**Including cash of £47m*

One of the few asset managers to record positive net flows in recent periods

Compared to other small and medium sized London-listed asset managers (AUM < £100bn), Mercia has been a standout in terms of attracting assets, amidst a sea of outflows in the sector. The other standout was another private-markets specialists, ICG, which was boosted by several large capital raises in the Apr-Sep 24 period.

Net flows as % of opening AUM (Small & medium London-listed asset managers, < £100bn AUM)



Source: Company reports, ED analysis.

An active period for capital deployment and exits for 3rd party funds

With the significant fundraisings made in FY24, Mercia had ample capital to deploy, which is has done, once again with a large focus on the UK 'regions'.

Key statistics over H1-25 and post period-end

- **Invested £133m into 86 businesses** (46 new companies) across funds and own balance sheet (H1-24: £111m invested; 83 businesses, 40 new companies).
- Frontier Development Capital (FDC) deployed £66m from its funds:
  - Property team: £54m
  - Growth capital team: £10.5m
- Valuations across managed funds largely flat (also for own portfolio – see next page)
- 10 full and partial equity realisations for equity funds:
  - Total £26m realised
  - Combined return c2x, including:
    - a £14.8m exit with a 4.5x return on VCT asset Gentronix;
    - a refinancing at PE asset Imail realising £6.4m.
- Post 30 Sep:
  - Total of £17.5m realised, including £7.5m from the sale of Smartgate Solutions Ltd (trading as Radar Healthcare), out of Northern Powerhouse Investment Fund I for an enterprise value of £53m, returning a multiple of 4.1x.
  - Direct investment Artesian Solutions was sold realising £0.6m. 11% higher than the 30 Sep 24 carrying value.

Source: Company

Regional split in capital deployment, H1-25

Source: Company

Limited changes to direct (on-balance sheet) portfolio in H1

Other than £3.9m made in follow-on funding to existing direct investments, there was little activity in the portfolio, only small fair value moves and no exits. We remind readers that it is Mercia's intention to sell down its direct investments (it has targeted around 70% by value in three years) and to deploy this capital to growth opportunities (organic and acquisitions) in 3rd party fund management, with a focus on managing more 'real assets'.

Direct (on-balance-sheet) investment portfolio – as at 30 September 2024

	Year of first direct investment	Net investment value as at 1 April 2024 £'000	Net cash invested Six months to 30 September 2024 £'000	Fair value movement Six months to 30 September 2024 £'000	Net investment value as at 30 September 2024 £'000	Equity percentage held as at 30 September 2024 %
Voxpopme Ltd	2018	15,849	-	25	15,874	20.2
Netacea Group Ltd	2022	14,661	-	-	14,661	34.2
Warwick Acoustics Ltd	2014	11,934	-	-	11,934	35.8
VirtTrade Ltd	2015	10,223	900	93	11,216	61.4
Medherant Ltd	2016	10,934	-	-	10,934	33.3
Invincibles Studio Ltd	2015	8,567	750	-	9,317	35.5
Eyoto Group Ltd	2017	7,142	1,500	-	8,642	24.7
Locate Bio Ltd	2018	7,837	-	-	7,837	19.6
Ton UK Ltd	2015	6,609	-	-	6,609	40.4
Aonic Founder SCS	2023	3,784	-	-	3,784	0.0
Axis Spine Technologies Ltd	2022	3,000	-	-	3,000	11.5
Tozaro Ltd	2020	2,734	-	-	2,734	11.2
Pimberly Ltd	2021	2,612	-	-	2,612	4.9
sureCore Ltd	2016	2,416	-	-	2,416	22.0
Forensic Analytics Ltd	2021	2,264	-	-	2,264	7.4
Nova Pangaea (Holdings) Ltd	2022	2,250	-	-	2,250	0.0
MyHealthChecked PLC	2016	782	-	68	850	13.1
Uniphy Ltd	2022	727	-	-	727	3.9
Artesian Solutions Ltd	2023	539	-	-	539	0.8
Sherlock Biosciences Inc	2023	340	-	(12)	328	0.3
Other direct investments	n/a	1,657	736	11	2,404	n/a
Total		**116,861**	**3,886**	**185**	**120,932**	**n/a**

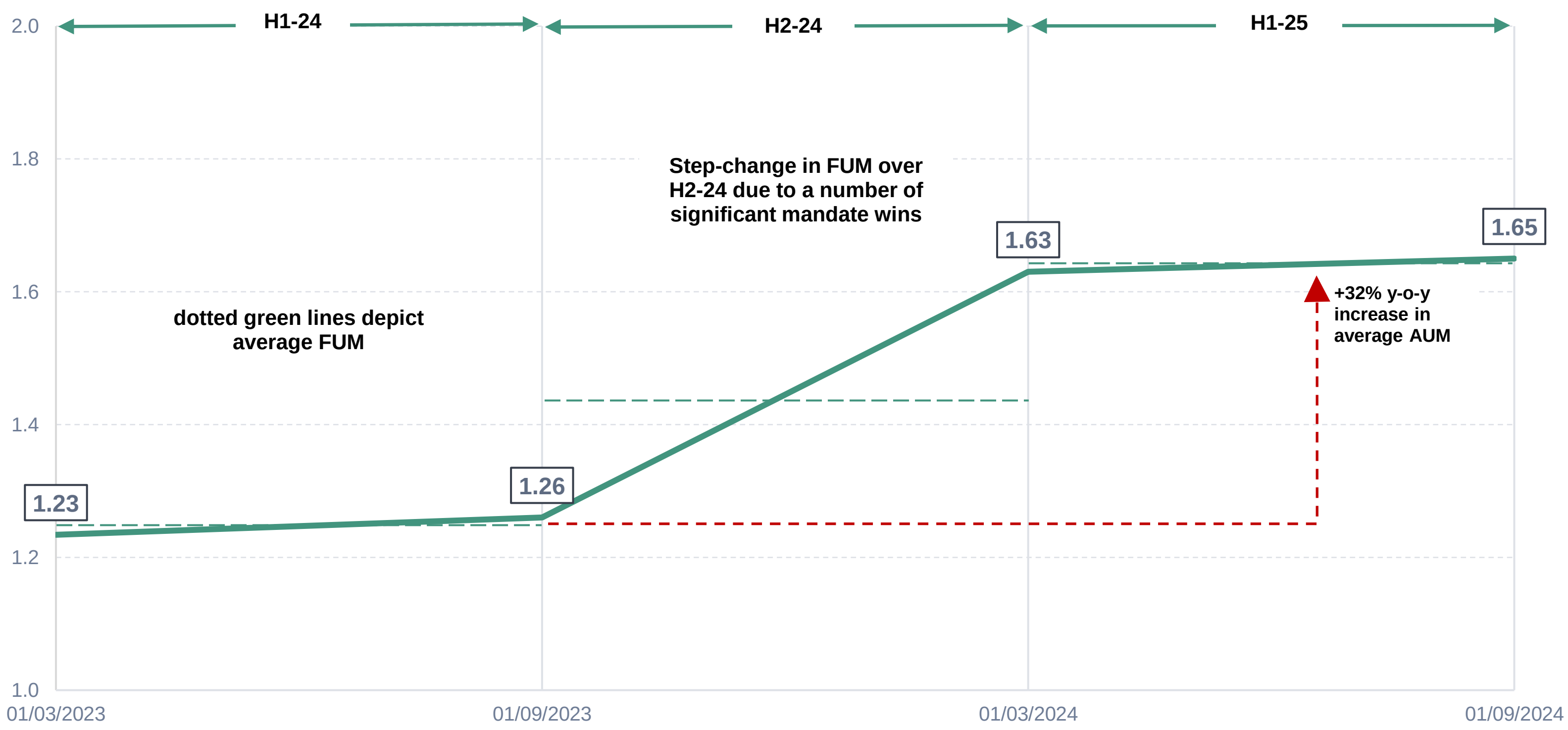
Source: Company

Analysis of H1-24 financials

Year-on-year jump in average FUM

Average FUM (3rd party funds under management) is the main driver of Mercia's largest source of revenue, fund management fees (69% of revenue in H1-25, although this proportion can vary across periods depending on factors such as capital deployed which drives initial management fees, and capital raised in VCTs which drives share offer fees). As such it is important to understand FUM development and averages to provide a context for period comparisons. It can be seen in the chart that the large FUM increase in H2-24, driven by a series of significant mandate wins (see page 4), and smaller increase in H1-25, results in an c32% y-o-y increase in average FUM (H1-25 over H1-24).

FUM profile last 18 months, £bn (funds managed for third parties)



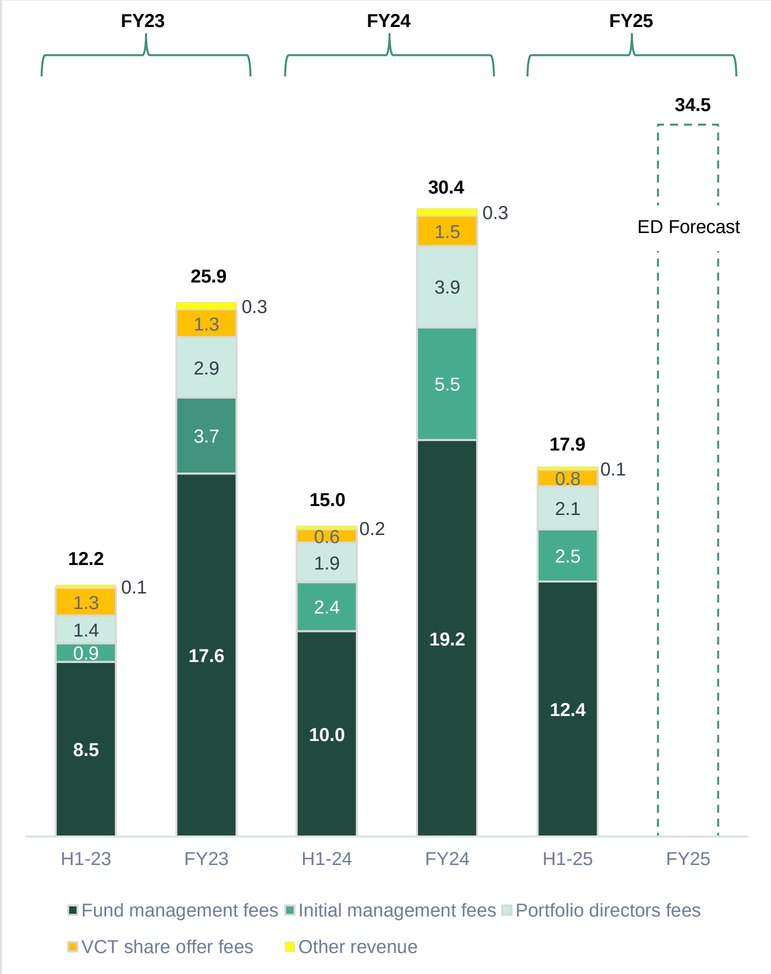
Source: Company reports, ED analysis

Revenue up 19%, driven by fund management fees

FUM level, capital deployment & raises contribute to growth

- Total revenue increased 19% from £15.0m in H1-24 to £17.9m in H1-25, made up of the following components:
  - Fund management fees (a fixed % of FUM, paid by investors in funds/VCTs) was the main driver of revenue growth, increasing 24% from £10.0m in H1-24 to £12.4m in H1-25.
  - Fund management fee growth was driven by the jump in FUM (illustrated on the previous page) following the string of new mandate wins in H2-24 (see page 4). The percentage growth of fees (24%) was lower than the percentage growth of average FUM (c32%) mainly due to the significant y-o-y growth in debt FUM which has lower fees.
  - Initial management fees (fixed % of amounts invested, paid by investee companies) were up 7% from £2.4m in H1-24 to £2.5m in H1-25, as Mercia started the ramp-up capital the deployment of its newer fund mandates, deploying £133m (H1-24: £111m).
  - Portfolio directors' fees (annual fees, paid by investee companies) increased 9% from £1.9m in H1-24 to £2.1m in H1-25.
  - VCT share offer fees ('% of funds raised' basis) increased 27% from £0.6m to £0.8m with the £52m capital raise by Northern VCTs.
  - Other revenue (Custodian fees and Business services fees) was slightly down at £0.13m.
- As can be seen in the chart on the right, we are forecasting full-year revenue growth to increase c13% from £30.4m to £34.5m.

Revenue breakdown: history & forecast, £m



Source: Company reports. Totals may not tally exactly due to rounding.
**Other revenue = custodian fees and business services fees.*

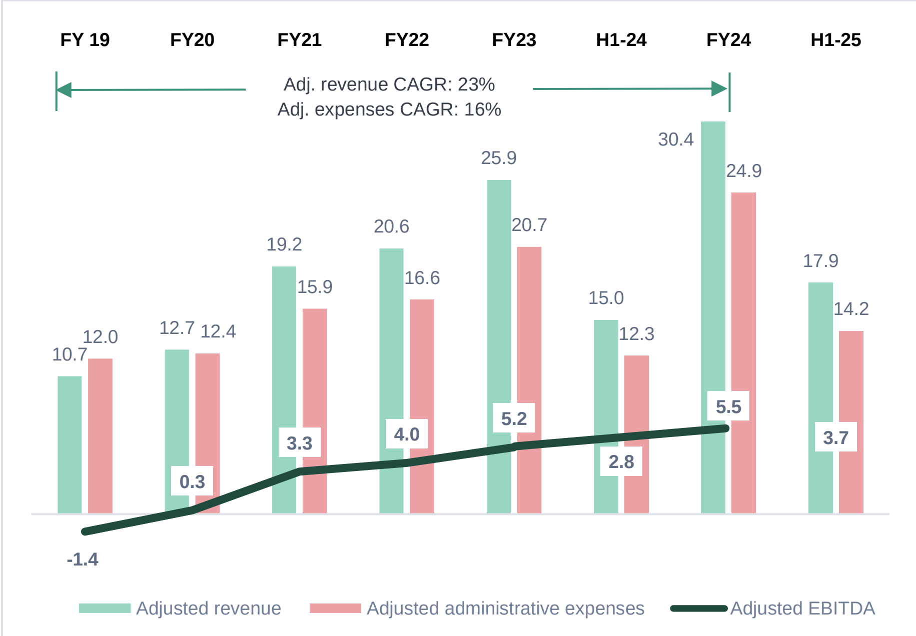
Adjusted EBITDA up 34% as revenue growth outstrips cost growth

Business scaling, but expenses well under control

- IFRS accounts include items that are potentially large, volatile, or non-cash, most significantly: performance fee revenue and associated costs; profits or losses from the sale of or fair value movements of direct investments; amortisation (largely related to the acquisition accounting requirement of amortising intangible assets); depreciation; share based payments; and tax.
- Therefore, Mercia also produces an *adjusted EBITDA* metric, (revenue less adj. expenses) which excludes the above items, and is a good measure of cash operating profit. It is also a useful measure of assessing scale benefits and Mercia's profitability as a standalone fund management business.
- In H1-25, adj. expenses were up 16% y-o-y, from £12.3m in H1-24 to £14.2m, driven mostly by the scaling up of operations to service the new mandate wins on H2-24.
- **With cost growth less than revenue growth, adjusted EBITDA was up 34% from £2.8m to £3.7m with EBITDA margin increasing y-o-y from 18.4% to 20.8%.**
- The longer-term trend in adjusted EBITDA can be seen on the right, showing adjusted EBITDA moving from a loss of -£1.4m in FY19, to a £5.5m profit in FY24 as its scaling up has progressed.
- Net finance income was down y-o-y from £2.7m to £1.1m, with interest on cash deposits up from £0.77m to £1.13m, but income from investee company loans down from £1.94m to nil.

Y-o-y adjusted income statement & longer-term trend, £m

	H1-25	H1-24
Adjusted revenue (excl. perf. fees)	**17.91**	**15.04**
Staff costs	(9.75)	(8.58)
Other admin expenses	(4.45)	(3.92)
Adj. expenses[1]	**(14.19)**	**(12.27)**
Adj. EBITDA	**3.72**	**2.77**
Net finance income	1.10	2.69
Adj. operating profit	**4.82**	**5.46**



Source: Company reports

Statutory PBT up 75%, basic EPS up 37%

Fair value moves and tax distort y-o-y IFRS comparisons

- Mercia's full statutory income statement is more complex and volatile, bringing back the abovementioned items which are excluded from EBITDA.
- With no performance fees in either H1-24 or H1-25, IFRS revenue was the same as adjusted revenue in both periods.
- There were also no sales of direct investments in either period (but we remind readers that in H2-24, a profitable exit from nDreams generated a realised gain of £4.5m: the total consideration received was £30.2m, comprising cash of £26,4m and an equity interest in Aonic Founder SCS of £3.8m).
- The fair value movement of the on balance sheet portfolio was +£0.19m (H1-24: -£1.62m), with only minor adjustments to a few companies (see page 7).
- The amortisation of intangible assets and share-based payment charges were largely unchanged y-o-y. Depreciation was up from £0.24m to £0.30m, mainly as a result of change in the charge on right-of-use assets.
- No exceptional costs were incurred in either H1-25 or H1-24.
- Profit before tax increased 75% from £1.39m in H1-24 to £2.43m (the percentage jump being impacted by a large negative fair value move in direct investments in H1-24).
- Profit after tax increased 32% from £1.35m to £1.78m y-o-y, with the tax charge jumping from £0.04m in H1-24 to £0.66m in H1-25.
- Basic EPS increased by 37% to 0.41p (H1-24: 0.30p), and diluted eps 33% from 0.30p to 0.40p.

Y-O-Y IFRS summarised income statements, £m

	H1-25	H1-24
Revenue	**17.91**	**15.04**
Adj. admin expenses	(14.19)	(12.27)
Depreciation	(0.30)	(0.24)
P/L on sale of direct investment	0.00	0.00
FV move, direct investments	0.19	(1.62)
Share-based payments charge	(0.48)	(0.51)
Amort. Of intangible assets	(1.50)	(1.50)
FV move on def. consideration	(0.30)	(0.22)
Exceptional costs	0.00	0.00
Net finance income	1.10	2.69
Profit before tax	**2.43**	**1.39**
Tax	(0.66)	(0.04)
Profit after tax	**1.78**	**1.35**
Basic eps	0.41p	0.30p
Diluted eps	0.40p	0.30p

Source: company reports

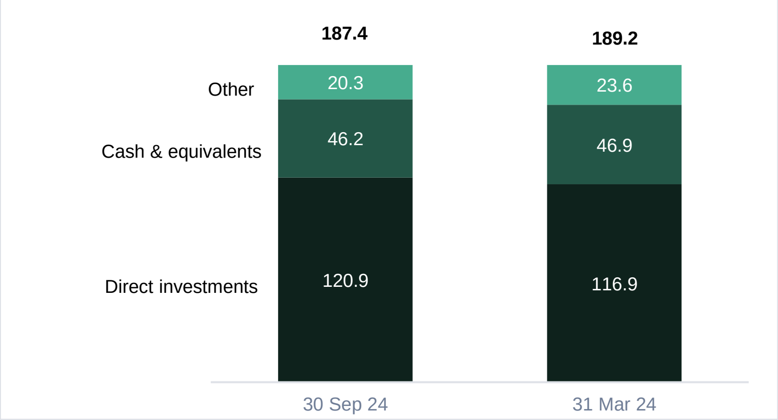
Balance sheet strong, net cash £46m (35% of market cap)

Net assets and cash largely unchanged

- Mercia maintains its exceptionally strong balance sheet, with net assets slightly down over the 6m period from £189.2m on 31 Mar 24 to £187.4m.
- **Net cash remained high at £46.2m (30 Mar 24: £46.9m), making up 35% of the group's market cap (on 22 Nov 24). Mercia has no borrowings.**
- Cash generated from operations was £4.0m (H1-24: £3.5m).
- The group invested £3.9m into its existing portfolio of direct investments, which was largely responsible for the increase in **NAV of on-balance-sheet investments to £120.9m (91% of market cap).**

Source: Company

Summarised net asset composition, £m



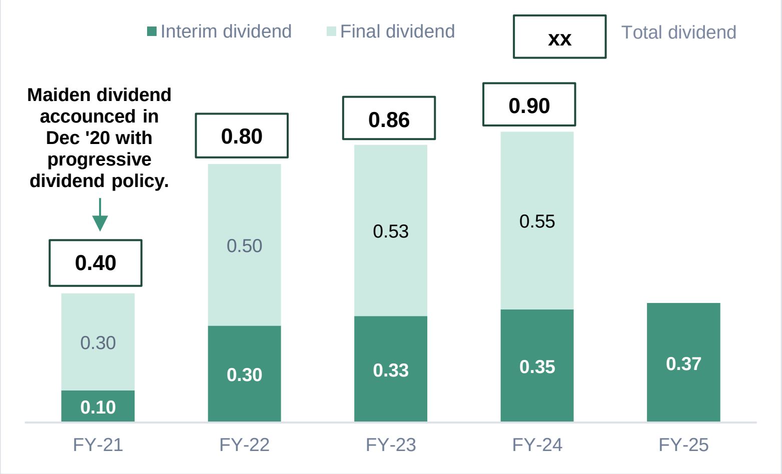
Source: Company

Interim dividend increased by 6%

- Mercia first started paying a dividend in FY21 (year to end-Mar 21) and follows a progressive dividend policy. The progress is shown in the chart on the right.
- The H1-25 interim dividend increased 6% from 0.35p per share in H1-24 to 0.37p in H1-25.

Source: Company

Dividend history



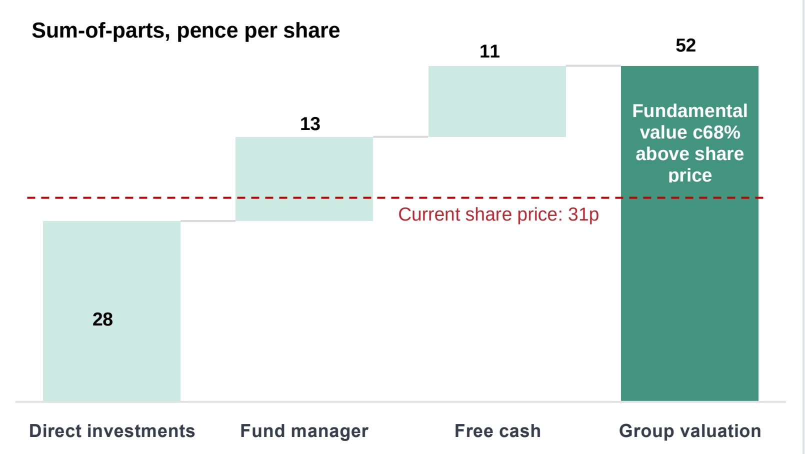
Source: Company

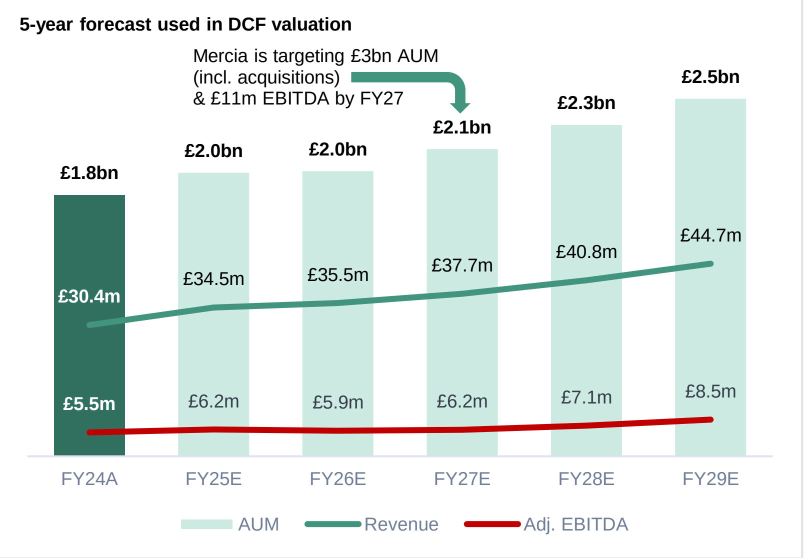
Sum-of-parts and DCF valuations suggest deep discount to fundamental value

Underlying assumptions of fundamental valuation

- We believe Mercia's current share price significantly misprices its fundamental value. Two separate valuation methodologies back this up.
- On a sum-of-parts basis, we split Mercia's value into three components:
  - **A fund management business**, where fees are charged for manging funds for third party investors, which we (conservatively) value at 13p per share (see next page).
  - **A significant direct investment portfolio**, which is disproportionately large compared to most on-balance sheet investments of other asset managers, and which is valued at 28p per share (see page 7 and Appendix 1).
  - **A cash pile** which is also extremely large in relation to its size, valued at 11p per share.
- **This methodology produces a fundamental valuation of 52p per share, a 68% premium to the 31p share price on 22/11/24.**
- We also value Mercia on a DCF basis. Key assumptions include:
  - A 5-year explicit growth forecast (right), noting that this is more conservative than the *Mercia 27* ambition – which is to achieve £3bn AUM and £11m EBITDA by FY27 – **an ambition the company has reiterated in its outlook statement contained in the H1-25 results**. [Our forecast does not consider acquisitions, which is in the strategy.]
  - A terminal value based on a profitability growth rate of 2.5%, which we believe is conservative.
  - A discount rate of 11.5%, based on a risk-free rate of 4.4%, an equity market risk premium of 5.5% and a beta of 1.26.
- **This produces a slightly higher value of 58p per share.** Conservatively, we use the sum-of-parts value of 52p as our fundamental value.

Sum-of-parts and DCF summaries





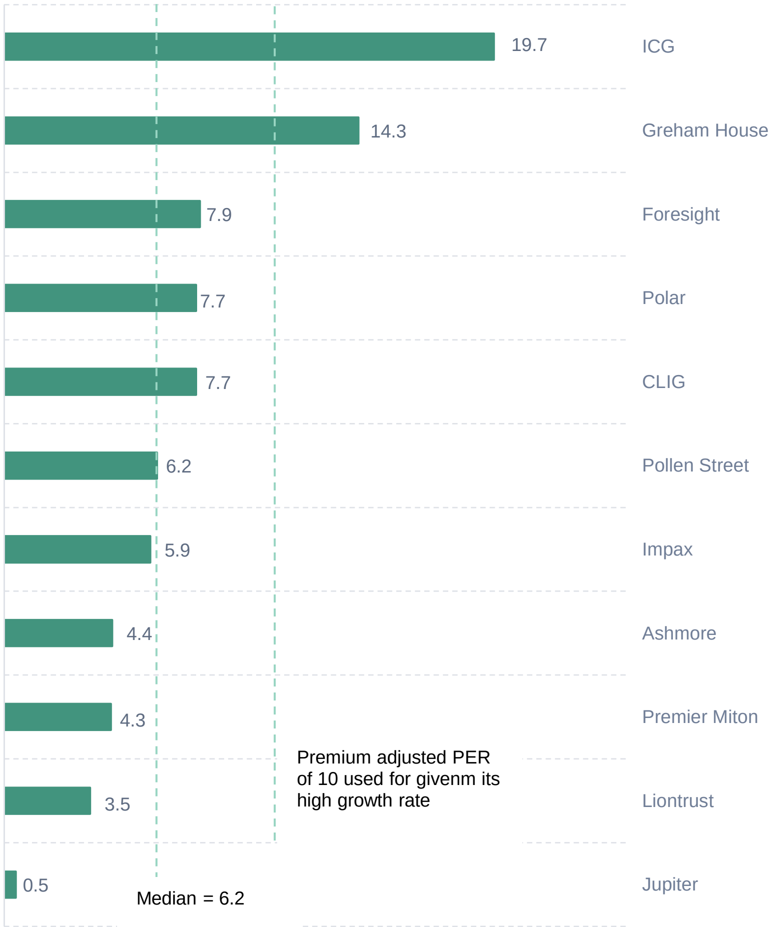
Source: Company historic data, ED forecasts and analysis

Back-up to DCF: Valuation of fund managers (excluding cash & direct investments)

Underlying assumptions of valuation

- Mercia's fund management business on a standalone basis can be valued using sector multiples. But PE multiples using statutory profits are distorted in the sector by large on-balance sheet investments and large cash piles.
- We therefore calculate an **'adjusted PER'** for peers, to see what a sensible multiple would be to value fund managers on a standalone basis excluding the value of on-balance sheet investments and net cash:
  - Frist, we strip the per share value of these two items out of share prices.
  - We then calculate an adjusted EBITDA per share metric for each asset manager (as close as possible to Mercia's definition of adjusted EBITDA). This is a good (albeit not perfect) measure of pre-tax cash profitability of fee-earning fund management businesses.
  - We then calculate an adjusted PER for each asset manager by dividing the adjusted share price (1st bullet above) by its adjusted EBITDA per share (2nd bullet above) with the results shown on the chart to the right.
- This analysis gives us a guideline for a PER multiple to apply to Mercia's adjusted EBITDA. As Mercia is growing at a faster rate than these asset managers, we believe it is fully justified that it will command a premium adjusted PER ratio. We use a value of 10 in our calculation which is towards the top end of this peer group but still substantially below the highest PER (another private markets specialist ICG), and the PER commanded by Gresham House when it was acquired.
- **We therefore value Mercia's asset management business on a standalone basis at 13p per share** (Adjusted EBITDA in FY24 = £5.5m or 1.28p per share x adjusted PER of 10).

Adjusted PER ratios of asset management peers



Source: Company reports, ED analysis. All calculations done using share price on 22/11/24 and financial data on a trailing twelve months (TTM) basis. Only asset managers with AUM < £100bn used in the peer group.
**Adjusted PER = share price less on-balance sheet investments value per share less net cash per share divided by adjusted EBITDA (or closest measure) per share.*

Appendix 1: Direct investment exits, % above NAV

It is clear that Mercia has a record of valuing portfolio businesses conservatively, with every single exit since IPO concluded at a premium to holding-NAV, with a weighted average premium of 41%.

A portfolio NAV of c£121m on 31 Mar 24 would be around 91% of Mercia's market cap of £133m (on 23 Nov 24). This would certainly imply that the market is applying a significant discount to the direct investment portfolio NAV, which seems strange, if not patently incorrect to us, given Mercia's record of exiting investments well above holding NAV

Direct-investment exits since IPO: Exit value to holding-NAV

Company	Exit date	Pre-exit NAV	Exit value realised	Exit-surplus to NAV
nDreams	Nov '23	£25.8m	£30.2m	+17% (+£4.4m)
Intechnica	Jan '23	£2.2m	£4.0m	+81% (+£1.8m)
Faradion	Jan '22	£12.9m	£19.4m	+50% (+£6.5m)
Oxford Genetics	Mar '21	£16.1m	£30.7m	+91% (+£14.6m)
Clear Review	Oct 20	£1.0m	£1.0m	+1% (+£0.01m)
Native Antigen	Jul '20	£3.5m	£5.2m	+49% (+£1.7m)
Science Warehouse	Mar '18	£9.9m	£10.5m	+6% (+£0.6m)
Abzena	Feb '17	£0.15m	£0.17m	+13% (+£0.02m)
Allinea Software	Dec '16	£1.9m	£3.0m	+58% (+£1.1m)
Weighted-average Exit-surplus to holding NAV				**+41%**

Source: Company, ED analysis

Appendix 2: Direct investment exits, multiples

Since listing on AIM in 2014, Mercia has realised nine exits, every single one with a positive return and an aggregate return of 3.0x the amount invested.

Direct investment exits since IPO

Company	Exit date	Total invested	Exit value realised	Total return
nDreams	Nov '23	£11.2m	£30.2m	2.7x (+£19.0m)
Intechnica	Jan '23	£1.3*	£4.0m	3.0x (+£2.7m)
Faradion	Jan '22	£4.4m	£19.4m	4.4x (+£15.0m)
Oxford Genetics	Mar '21	£6.1m	£30.7m	5.0x (+£24.6m)
Clear Review	Oct 20	£0.5m	£1.0m	2x (+£0.5m)
Native Antigen	Jul '20	£0.6m	£5.2m	8.4x (+£4.6m)
Science Warehouse	Mar '18	£9.2m	£10.5m	1.1x (+£1.3m)
Abzena	Feb '17	£0.17m	£0.17m	1.0x (+£0.0m)
Allinea Software	Dec '16	£1.5m	£3.0m	2.0x (+£1.5m)
Total Exit-value to amount invested				**3.0x**

Source: Company, ED analysis.
**£1.3m = c15% allocation of total investment (£9.0m) in combined Intechnica/Netacea entity pre-demerger which took place during FY23. In FY23, c85% of Intechnica fair value moved to Netacea to account for demerger.*

Appendix 3: Historical and forecast financials

Consolidated Income Statement + Forecasts							
12 months to end Mar, £m	**FY 22A**	**FY 23A**	***H1-24***	**FY 24A**	***H1-25***	**FY 25E**	**FY 26E**
Revenue	23.2	25.9	*15.0*	30.4	*17.9*	34.5	35.5
Administrative expenses	(17.9)	(21.0)	*(12.5)*	(25.4)	*(14.5)*	(28.9)	(30.2)
EBITDA	**4.0**	**5.2**	***2.8***	**5.5**	***3.7***	**6.2**	**5.9**
Net finance income	4.4	2.4	*2.7*	4.2	*1.1*	2.0	1.3
Adjusted operating profit	**8.4**	**7.6**	***5.5***	**9.7**	***4.8***	**8.2**	**7.2**
Depreciation	(0.2)	(0.3)	*(0.2)*	(0.5)	*(0.3)*	(0.6)	(0.6)
Net finance income	4.4	2.4	*2.7*	4.2	*1.1*	2.0	1.3
Realised P/(L) on sale of dir. inv.	9.9	(0.8)	-	4.5	-	-	-
FV movement in dir. inv.	11.4	1.2	*(1.6)*	(17.3)	*0.2*	-	-
Share-based payments charge	(1.1)	(1.0)	*(0.5)*	(1.0)	*(0.5)*	(1.1)	(1.2)
Amortisation of intangible assets	(2.0)	(2.3)	*(1.5)*	(3.0)	*(1.5)*	(3.0)	(3.0)
Movement in FV of def. cons.	(0.5)	(1.5)	*(0.2)*	(0.5)	*(0.3)*	-	-
Op. P/(L) before excep. items	**22.9**	**0.4**	***(1.3)***	**(12.4)**	***1.3***	**1.5**	**1.1**
Exceptional items	-	(0.4)	-	-	-	-	-
Operating profit/(loss)	**22.9**	**0.0**	***(1.3)***	**(12.4)**	***1.3***	**1.5**	**1.1**
Net finance income	4.4	2.4	*2.7*	4.2	*1.1*	2.0	1.3
Profit before tax	**27.4**	**2.4**	***1.4***	**(8.2)**	***2.4***	**3.5**	**2.4**
Taxation	(1.3)	0.4	*(0.0)*	0.6	*(0.7)*	(0.1)	0.1
Profit & total comp. income	**26.1**	**2.8**	***1.3***	**(7.6)**	***1.8***	**3.4**	**2.6**
Basic EPS, p	5.9	0.6	*0.3*	(1.7)	*0.4*	0.8	0.6
Diluted EPS, p	5.8	0.6	*0.3*	(1.7)	*0.4*	0.8	0.6

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts

As at end Mar, £m	FY 22A	FY 23A	H1-24	FY 24A	H1-25	FY 25E	FY 26E
ASSETS							
Non-current assets							
Goodwill	16.6	20.9	20.9	21.1	21.1	21.3	21.3
Intangible assets	15.7	18.2	16.7	15.2	13.7	12.2	9.2
Property, plant & equipment	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Right of Use Assets	0.4	0.8	0.8	0.7	0.9	0.7	0.7
Investments	119.6	136.6	142.5	116.9	120.9	128.9	136.9
Total non-current assets	152.4	176.6	180.9	154.0	156.8	163.2	168.2
Current assets							
Trade and other receivables	1.1	3.8	2.6	4.0	3.2	3.2	2.3
Restricted cash	-	-	-	-	-	-	-
Short-term liquidity inv.	5.2	0.3	0.3	-	-	-	-
Cash and cash equivalents	56.0	37.6	36.2	46.9	46.2	34.2	28.8
Total current assets	**62.4**	**41.6**	**39.1**	**50.9**	**49.4**	**37.3**	**31.2**
Total assets	**214.8**	**218.2**	**220.0**	**204.9**	**206.2**	**200.6**	**199.4**
LIABILITIES							
Non-current Liabilities							
Lease liabilities	(0.3)	(0.6)	(0.4)	(0.3)	(0.4)	(0.5)	(0.8)
Deferred consideration	-	(1.8)	(1.9)	-	-	-	-
Deferred tax liability	(3.9)	(4.5)	(4.2)	(3.8)	(3.4)	(3.0)	(2.3)
Total non-current liabilities	(4.2)	(6.9)	(6.5)	(4.1)	(3.9)	(3.6)	(3.1)
Current Liabilities	-	-	-	-	-	-	-
Trade and other payables	(7.0)	(6.8)	(9.3)	(8.9)	(12.0)	(8.8)	(8.5)
Lease liabilities	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.2)	(0.1)
Deferred consideration	(2.9)	(1.2)	(1.3)	(2.3)	(2.6)	-	-
Total current liabilities	**(10.0)**	**(8.4)**	**(11.0)**	**(11.5)**	**(15.0)**	**(9.0)**	**(8.6)**
Total liabilities	**(14.2)**	**(15.3)**	**(17.6)**	**(15.7)**	**(18.9)**	**(12.6)**	**(11.6)**
NET ASSETS	**200.6**	**202.9**	**202.4**	**189.2**	**187.4**	**187.9**	**187.8**
EQUITY							
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share premium	81.6	83.7	83.8	83.8	83.8	83.8	83.8
Treasury reserve	-	-	-	(3.2)	(4.9)	(5.0)	(5.0)
Other distributable reserves	66.9	63.3	60.9	59.3	57.0	59.3	59.3
Retained earnings	48.5	51.3	52.7	43.8	45.5	43.1	41.7
Share based pmts. reserve	3.5	4.6	5.1	5.6	6.0	6.7	7.9
Total equity	**200.6**	**202.9**	**202.4**	**189.2**	**187.4**	**187.9**	**187.8**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecast (page 1 of 2)

12 months to end Mar, £m	FY22A	FY23A	H1-24	FY24E	H1-25	FY25E	FY26E
Operating activities							
Operating Profit	**22.9**	**0.0**	**(1.3)**	**(12.4)**	**1.3**	**1.5**	**1.1**
Adjustment for:	-	-	-	-	-	-	-
Depreciation of PPE	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Depreciation of right-of use assets	0.2	0.2	0.2	0.4	0.3	0.5	0.5
Loss/(profit) on sale of dir. investment	(9.9)	0.8	-	(4.5)	-	-	-
FV movement in direct investments	(11.4)	(1.2)	1.6	17.3	(0.2)	-	-
Share-based payment charges	1.1	1.0	0.5	1.0	0.5	1.1	1.2
Amortisation of intangible assets	2.0	2.3	1.5	3.0	1.5	3.0	3.0
Move in FV of cont. cons.	0.5	1.5	0.2	0.5	0.3	-	-
Working capital adjustments:	-	-	-	-	-	-	-
Decrease/(increase) in receivables	3.0	(1.1)	0.6	0.8	0.7	0.8	0.8
(Decr)/incr in trade & other payables	0.6	(0.7)	0.1	1.5	(0.5)	-	-
Cash from operating activities	9.2	3.0	3.5	7.9	4.0	7.0	6.7
Corporation tax paid	-	(1.8)	-	(0.8)	0.2	(1.0)	(0.9)
Net cash from operating activities	9.2	1.2	3.5	7.1	4.2	6.0	5.8

Consolidated Cash Flow Statement + Forecasts (page 2 of 2)

12 months to end Mar, £m	FY22A	FY23A	H1-24	FY24E	H1-25	FY25E	FY26E
Investing activities	-	-	-	-	-	-	-
Sale of direct investments	16.3	3.7	0.3	26.7	-	-	-
Purchase of direct investments	(19.9)	(20.8)	(7.5)	(19.9)	(3.9)	(12.0)	(8.0)
Investee company loan repayment	1.5	0.1	-	0.3	-	-	-
Investee company. loan redemption premium & interest received	4.4	2.0	1.9	2.3	-	-	-
Interest received on cash deposits	0.0	0.4	0.7	1.8	1.1	2.0	1.3
Purchase of property and equipment	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Acquisition of subsidiary	-	(7.0)	-	(1.5)	-	(2.5)	-
Cash acquired with subsidiary	-	2.9	-	-	-	-	-
Purchase of VCT fund business	(2.1)	(2.1)	-	-	-	-	-
Decr./(incr.) in ST liquidity investments	(5.0)	5.0	-	0.3	-	-	-
Net cash used in investing activities	**(4.8)**	**(15.8)**	**(4.7)**	**9.9**	**(2.9)**	**(12.6)**	**(6.8)**
Financing activities	-	-	-	-	-	-	-
Proceeds of issue of shares	-	-	-	-	-	-	-
Transaction costs relating to the issue of Ordinary shares	-	-	-	-	-	-	-
Dividends paid	(2.6)	(3.7)	-	(3.9)	-	(4.0)	(3.9)
Interest paid	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)
Pmt of lease liabilities and initial direct costs	(0.1)	(0.2)	(0.2)	(0.4)	(0.2)	(0.4)	(0.4)
Redemption of subsidiary undertaking pref. shares	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	(3.2)	(1.8)	(1.8)	-
Proceeds from exercise of employee share options	-	-	-	0.0	0.1	0.1	-
Net cash from /(used in) fin activities	(2.8)	(3.9)	(0.2)	(7.6)	(2.0)	(6.2)	(4.4)
Net (decr)/incr in cash & equivalents	1.6	(18.5)	(1.4)	9.4	(0.7)	(12.8)	(5.3)
Cash & equivalents at beginning of year	54.5	56.0	37.6	37.6	46.9	46.9	34.2
Cash & equivalents at end of year	**56.0**	**37.6**	**36.2**	**46.9**	**46.2**	**34.2**	**28.8**

Source: Company Historic Data, ED estimates.

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