

2 December 2025

EBITDA & margin up again, undervaluation rises

H1-26 (to 30 Sep 25) saw EBITDA jump 14% y-o-y to £4.2m and EBITDA margin up from 20.8% to 24.6%. Impressively, this was achieved in a muted period for portfolio activity, with revenue slightly down from £17.6m to £17.2m. Recurring revenues (fund management and portfolio director's fees) were flat but deal arrangement fees were down on lower capital deployment.

Mercia is benefitting from operational efficiencies, taking advantage of its increased scale compared to a few years ago. Adjusted expenses fell 9% y-o-y from £14.2m to £12.3m. PBT was slightly up at £2.5m, not increasing as much as EBITDA because of lower interest income and a -£0.3m move in investments' fair value. Mercia has net cash of £34m and no debt.

Muted portfolio activity, but growth outlook solid

AUM was marginally up at £2.0bn. Capital raises and new mandates added +£52m, offset by distributions of -£56m: mostly dividends to VCT shareholders and returns of capital by funds in their realisation phase. Valuation moves added +£16m. There were **no redemptions**. Post period-end, £38m was raised by Northern VCTs and the North East Accelerate Fund launched with £35m of FUM.

The capital raising **pipeline is very strong at £880m**. Source-of-funds diversification is on track with £550m of the pipeline from institutional investors, £200m from the public sector, and £130m from retail investors. Also, as flagged, Mercia is planning to enter the 'real assets' investment market soon.

Mercia looks on track to meet our short- and medium-term forecasts, which are unchanged, and we expect AUM to ratchet up towards Mercia's target of £3.0bn over the next few years.

Huge discrepancy between balance sheet values and share price

- Mercia's net cash of £34m equates to 9p per share (27% of market cap).
- We value its fee-earning fund management business at 18p per share (10x EBITDA).
- The NAV of its direct investments' portfolio is £131m or 31p per share (>100% of market cap).

That's a sum-of-the-parts value of 58p per share, almost double the share price. Clearly, the portfolio is being deeply discounted by investors, yet Mercia has **a proven track record of exiting at a premium to NAV** ([page 14](#)). Its strategy is to sell c.70% of the portfolio over the next few years, so it won't take long to see if the market is being grossly over-conservative. **We think that it is.**

Company data

| | |
|------------------------|---------|
| EPIC | MERC.L |
| Price (last close) | 29.5p |
| 52 weeks Hi/Lo | 34p/23p |
| Market cap | £127m |
| ED Fair Value / share | 58p |
| Net cash** 2025A | £40m |
| Avg. daily volume (3m) | 385k |

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.

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

Next event

Trading update April 2026

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Key financials & valuation metrics

| Year to 31 Mar (£m) | FY23A | FY24A | H1 25A | FY25A | H1 26A | FY26E | FY27E |
|------------------------|-------|-------|--------|-------|--------|-------|-------|
| AUM*, £bn | 1.44 | 1.82 | 1.84 | 2.01 | 2.00 | 2.00 | 2.05 |
| Third-party FUM, £bn | 1.23 | 1.63 | 1.65 | 1.80 | 1.81 | 1.78 | 1.82 |
| Direct investments | 136.6 | 116.9 | 120.9 | 126.0 | 131.1 | 124.0 | 52.0 |
| Rev (excl. perf. fees) | 25.9 | 30.4 | 17.9 | 34.4 | 17.2 | 34.1 | 35.0 |
| EBITDA | 5.2 | 5.5 | 3.7 | 7.6 | 4.2 | 7.2 | 7.7 |
| EBITDA margin | 20.0% | 18.2% | 20.8% | 22.1% | 24.6% | 21.2% | 22.1% |
| PBT | 2.4 | -8.2 | 2.4 | 5.4 | 2.5 | 4.8 | 5.0 |
| EPS basic, p | 0.6 | -1.7 | 0.4 | 0.8 | 0.4 | 0.8 | 0.8 |
| Div, p | 0.86 | 0.90 | 0.37 | 0.95 | 0.39 | 0.99 | 1.04 |
| Yield | 2.9% | 3.1% | 1.3% | 3.2% | 1.3% | 3.4% | 3.5% |
| Net assets | 202.9 | 189.2 | 187.4 | 187.9 | 187.1 | 185.0 | 182.2 |
| Net cash | 37.6 | 46.9 | 46.2 | 40.1 | 34.5 | 40.6 | 93.8 |

Source: Company data, Equity Development, priced at 01/12/25. *Includes net assets. **ex leases

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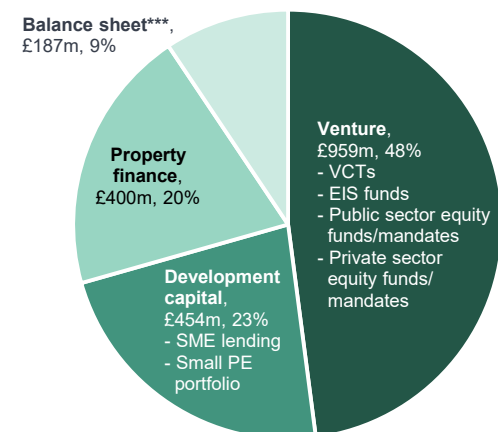
Mercia at a glance

History, market positioning, strategic focus

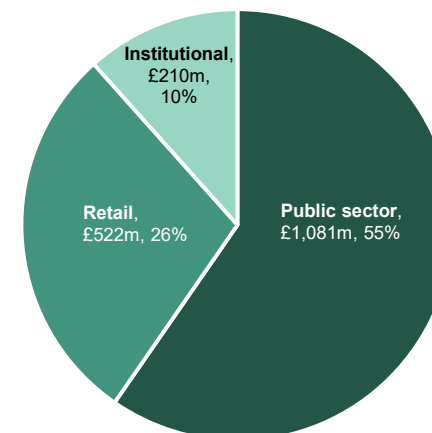
- Mercia was founded in 2010 and listed on AIM in December 2014. It has c.130 employees based in 11 offices across the UK.
- It is a specialist alternative asset manager. Mercia funds provide venture capital finance, debt finance (SME and property loans), and private equity, to high-growth UK SMEs based 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 c.£131m (NAV) of on-balance-sheet investments (with 70% realisation targeted by 2027), to deploy to grow its fund management business.

Split in AUM* and FUM**

AUM (incl. own funds) by asset class (100% = £2.0bn)



AUM by investor type (100% = £2.0bn)



Source: Company, as at 30 Sep 25. Totals may not sum to 100% due to rounding.
 *3rd party funds under management + net assets, the bulk of which is made up of on-balance-sheet 'direct' investments. **3rd party funds under management only. ***Includes cash of £35m

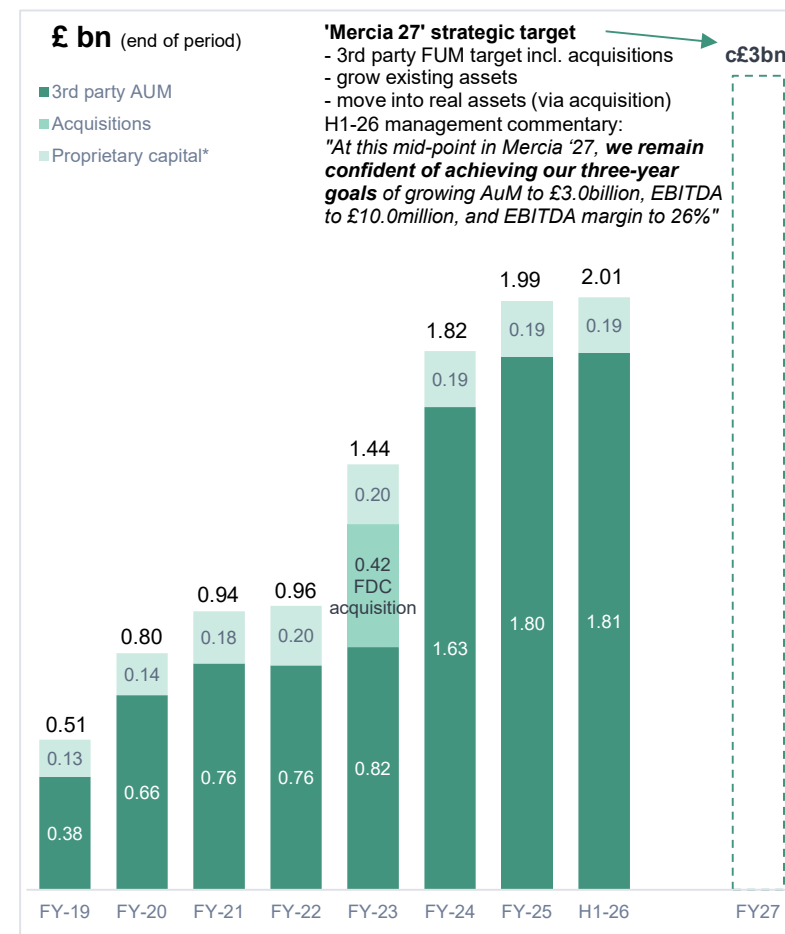
Assets under management

AUM slightly up with pipeline and outlook strong

Capital raises solid, significant capital returned to investors

- Third party FUM grew marginally over H1-26, ending the period on £1.81bn (31 Mar 25: £1.80bn). It was positively impacted by:
 - £47m of new capital raised by the three Northern VCTs (£34.8m) and EIS funds (£10.8m), plus £1.3m of VCT shareholder dividend reinvestment inflows.
 - An additional £5m of FUM awarded under the Northern Powerhouse Investment Fund I equity mandate.
 - Small increases in valuations across managed funds.
- FUM was negatively impacted by:
 - Final dividends of £10.1m paid out by the three Northern VCTs.
 - FDC Debt Fund, in its realisation phase, returning £18m to investors.
- **There were no redemptions.**
- The value of the on-balance-sheet portfolio of 'direct investments' increased to £131m from £126m with £5.5m of follow-on investments made (realisations and fair value movements were relatively small, see page 8).
- Net cash closed on £35m. This, plus the direct investment portfolio, makes up 'proprietary capital' used in the group's Assets under Management (AUM).
- **Post period end: Northern VCTs raised £38m in Nov 25 (part of a £50m raise); North East Accelerate Fund Launched with £35m FUM (Oct 25).**
- **The FUM pipeline is strong at £880m. As planned, it shows client diversification on track with £550m of the pipeline from institutional investors, £200m from the public sector, and £130m from retail investors.**

AUM growth history and target

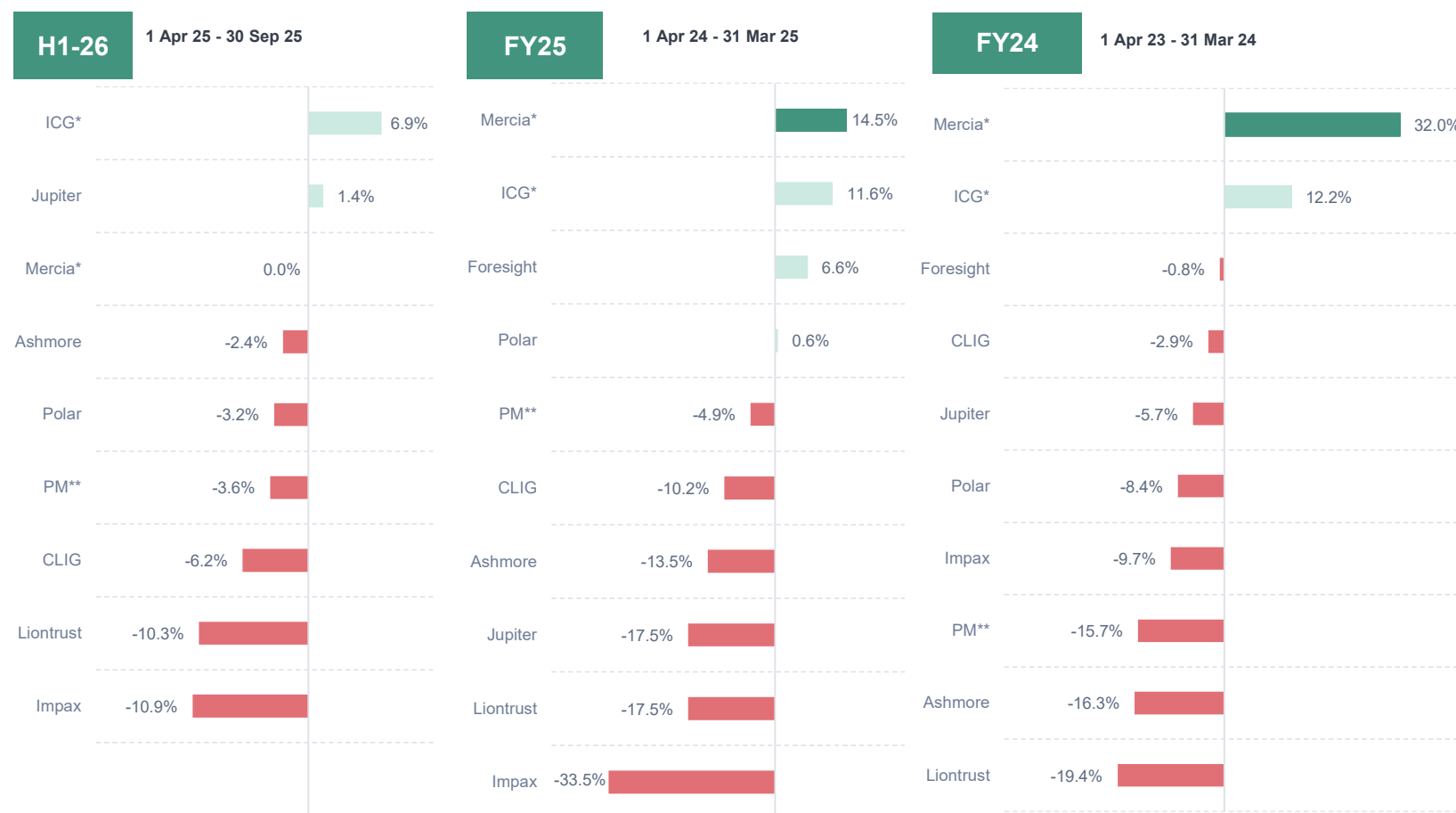


Source: Company, as at 30 Sep 25. Totals may not sum to 100% due to rounding.
 *Includes cash (£35m on 30 Sep 25)

Superior record of attracting and retaining capital

Compared to other small and medium sized London-listed asset managers (AUM < £100bn), Mercia has been a standout in terms of attracting and retaining assets with the **highest net flow rate in FY24 and FY25**. While Mercia was not top-of-the-pile again in H1-26, its net flows were still among the highest in the sector. It shows that Mercia has developed a range of highly attractive investment propositions.

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



Source: Company reports, ED analysis. *Mercia data 3rd party FUM only, ICG data for Fee Earning AUM only. ** = Premier Miton.

Capital deployment only slightly down, in contrast to much weaker UK VC environment

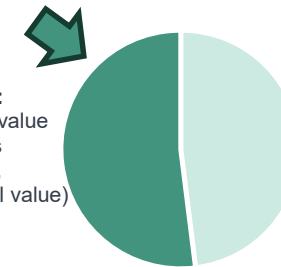
Capital deployment slightly down, bucking broader VC trend

- Mercia maintained reasonably solid momentum in capital deployment, with £95m of equity and debt funding deployed (H1-25: £133m; full-year FY25: £284m). This was invested into 83 businesses (H1-25: 86; full-year FY25: 165).
- These investments were made despite a muted VC investment environment in the UK (bottom chart). The UK VC market has seen depressed investment activity since late-2024. This indicates **Mercia is becoming a more significant and important player and is growing market share:**
- Mercia's £95m of capital deployment in H1-26 was split: £43m to venture investments, £33m to development capital (SME loans), and £19m to property finance.
- In line with its strategy, most of this capital was deployed to the UK 'regions' (ex-London).
 - £47m was deployed in the Midlands;
 - £27m in the North (including Scotland); and
 - £21m in the South (including London).
- **This shows how differentiated Mercia is compared to the bulk of VC funds. In 2024, London attracted around 58% of total UK deals by value.**
- Mercia ended H1-26 with £569m of liquidity or 'dry powder' in its managed funds on 30 Sep 25 so **we would expect continued strong momentum in capital deployment** (from Mercia's managed funds, not from its own balance sheet).
- We also expect to see the first moves into 'real assets' investment space soon.

UK Venture Capital market, capital deployed, 2024

Mercia's primary focus: ex-London

ex-London:
c£5bn deal value
c1050 deals
(53% of UK,
42% by deal value)



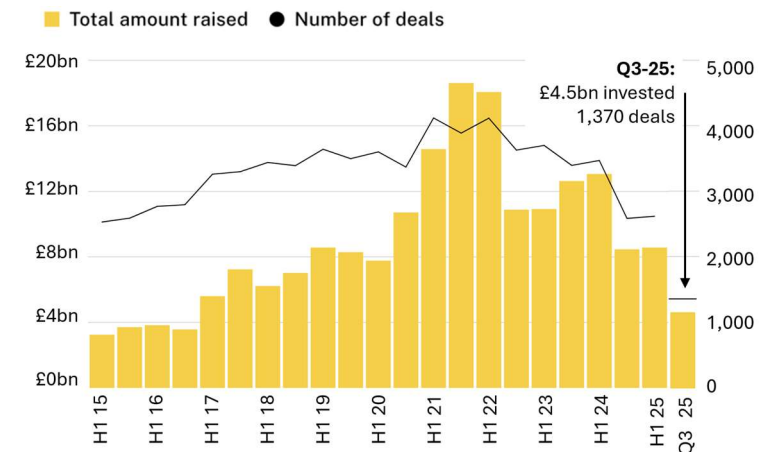
London:
c£7bn deal value
c950 deals
(47% of UK,
58% by deal value)

UK-wide

- £12.6bn invested in 2024 by VC & PE firms, crowdfunding platforms, angel networks, corporates, & universities
- "announced equity investments received by private companies headquartered in the UK, in all sectors" includes seed, venture, growth, and established company equity investments

Beaurest: *The Deal 2024*

Amount raised / Number of fundraising per half-year



Source: Beaurest, *The State of UK Investment Q3 2025*. Chart reproduced with permission.

H1-26 exits and exit-outlook

A quiet period for exits but outlook is good

- As already mentioned, Mercia intends to exit from most of its £131m (NAV) of on-balance-sheet direct investments. It is targeting 70% realisation by 2027, with much of this capital earmarked to be used to grow its fund management business.
- No exit deals were concluded during the period, but in H1-26 it has reported that: ***“Our direct investment portfolio continues to mature, with several companies having appointed advisers as we, and they, look to consider opportunities for potential realisation events.”***
- During H1-26 £0.35m was realised from the ongoing liquidation of the fully provisioned Impression Technologies.
- For its managed funds, Mercia reported: *“a modest number of full and partial exits within the funds’ portfolio (including the successful IPO of The Beauty Tech Group, a company from the Northern VCTs’ portfolio, post-period end)”*.
- This follows an FY25 which saw £26m realised from a steady stream of exits from Mercia’s funds (number of exits shown):
 - Regional venture: 13 (FY24: 10)
 - VCT: 8 (FY24: 4)
 - EIS: 5 (FY24: 4)
 - Private Equity: 2 (FY24: 2)

Source: Company

Exit environment solid but not booming

- In 2024, Mercia announced it would look to exit the bulk of its direct investments over three years. While the market for exits is still weaker than the recent peak in 2021, it is reasonably solid, with Mercia’s ambitions looking realistic.
- Indeed, ‘adjacent’ UK companies with larger portfolios than Mercia have achieved a steady stream of exits recently, for example:
 - **IP Group:** In the six months to 30 Jun 25 (HY25), total cash proceeds from exits were £30m (exceeding HY24 proceeds by 9x). This was from a total investment portfolio of 83 companies with an NAV of c.£900m. Management said: *“We remain confident of our target to deliver over £250m of exits between 2025 and 2027.”*
 - **Molten Ventures:** In the six months to 30 Sep 25, it delivered £62m in cash proceeds. This was from a total investment portfolio of 84 companies with an NAV of c.£1.4bn. Management said: *“In our full-year results published in June 2025, we reported strong realisations..., and I am pleased to report that this performance continued in the first half of FY26.”*
- Also, British Business Bank reports¹ that in the UK: *“data shows that there were a total of 223 exits involving UK VC-backed companies in 2024. While this was 2.6% lower than the 2023 annual total, there has been a general upward trend in quarterly volumes since the market bottom in 2023Q4...The value of exits from UK VC-backed companies totalled £6.9 billion in 2024, which was an 8.1% increase in comparison to 2023 levels.”*
- And a 2025 research report by Beauhurst and Charles Stanley says²: *“Looking ahead, early signs in 2025 suggest renewed momentum... the return of cash reserves into the M&A market is creating new opportunities for both strategic and financial buyers. Though hurdles persist, the UK exit landscape appears to be stabilising, with a shift toward more consistent and diversified results.”*

Source: ED research, company reports, ¹ British Business Bank, [Small Business Equity Tracker 2025](#), ² Beauhurst and Charles Stanley, [Exits in the UK Selling Up, Not Out 2025](#).

Limited changes to direct (on-balance sheet) portfolio in H1-26

Mercia is not making any new direct investments but is continuing to support existing investments through to exit. In this vein, it deployed £5.5m in H1 as follow on capital into existing direct investments. Fair value movements were mostly quite small, netting to a negative £340m fair value move. The most material of these were: Medherant with a FV increase based on the latest funding round following a positive clinical trial; negative moves for Both Netacea and VirtTrade with revenue growth not progressing as quickly as forecast. sureCore has continued to materially underperform and so has now been fully impaired.

Direct (on-balance-sheet) investment portfolio – six months to 30 September 2025, £'000

| | First investment | Net value 1/4/25 | Net cash invested | FV movement | Net value 30/9/25 | % held |
|----------------------------------|------------------|------------------|--------------------|--------------|-------------------|------------|
| Netacea Group Ltd | 2022 | 16,661 | 1,100 | (996) | 16,765 | 33.6 |
| Voxpopme Ltd | 2018 | 15,874 | - | - | 15,874 | 20.2 |
| Medherant Ltd | 2016 | 11,521 | - | 3,472 | 14,993 | 36.2 |
| Warwick Acoustics Ltd | 2014 | 11,934 | 1,000 | - | 12,934 | 31.7 |
| VirtTrade Ltd ¹ | 2015 | 11,547 | 1,500 | (1,639) | 11,408 | 61.4 |
| Eyoto Group Ltd | 2017 | 9,642 | 750 | - | 10,392 | 24.7 |
| Invincibles Studio Ltd | 2015 | 9,317 | - | - | 9,317 | 35.5 |
| Locate Bio Ltd | 2018 | 7,837 | - | - | 7,837 | 19.4 |
| Ton UK Ltd ² | 2015 | 6,609 | - | - | 6,609 | 40.4 |
| Aonic Founder SCS | 2023 | 5,700 | - | (165) | 5,535 | 1.3 |
| Axis Spine Technologies Ltd | 2022 | 4,000 | 1,009 | - | 5,009 | 15.2 |
| Pimberly Ltd | 2021 | 2,728 | - | 117 | 2,845 | 4.9 |
| Tozaro Ltd | 2020 | 2,734 | - | - | 2,734 | 11.2 |
| Nova Pangaea (Holdings) Ltd | 2022 | 2,250 | - | - | 2,250 | - |
| Forensic Analytics Ltd | 2021 | 1,750 | - | - | 1,750 | 6.7 |
| Uniphy Ltd | 2022 | 727 | - | 270 | 997 | 3.2 |
| Fortis Frontier plc ³ | 2016 | 952 | - | (272) | 680 | 13.1 |
| sureCore Ltd | 2016 | 1,398 | - | (1,398) | - | 20.0 |
| Impression Technologies Ltd | 2015 | - | (350) ⁴ | 350 | - | 65.1 |
| Akamis Bio Ltd | 2015 | - | - | - | - | 0.2 |
| Other direct investments | n/a | 2,779 | 471 | (79) | 3,171 | n/a |
| Total | | 125,960 | 5,480 | (340) | 131,100 | n/a |

Source: company. ¹ Trading as Avid Games. ² Trading as Intelligent Positioning. ³ formerly MyHealthChecked plc. ⁴ Cash realised from the ongoing liquidation of Impression Technologies (fully provisioned)

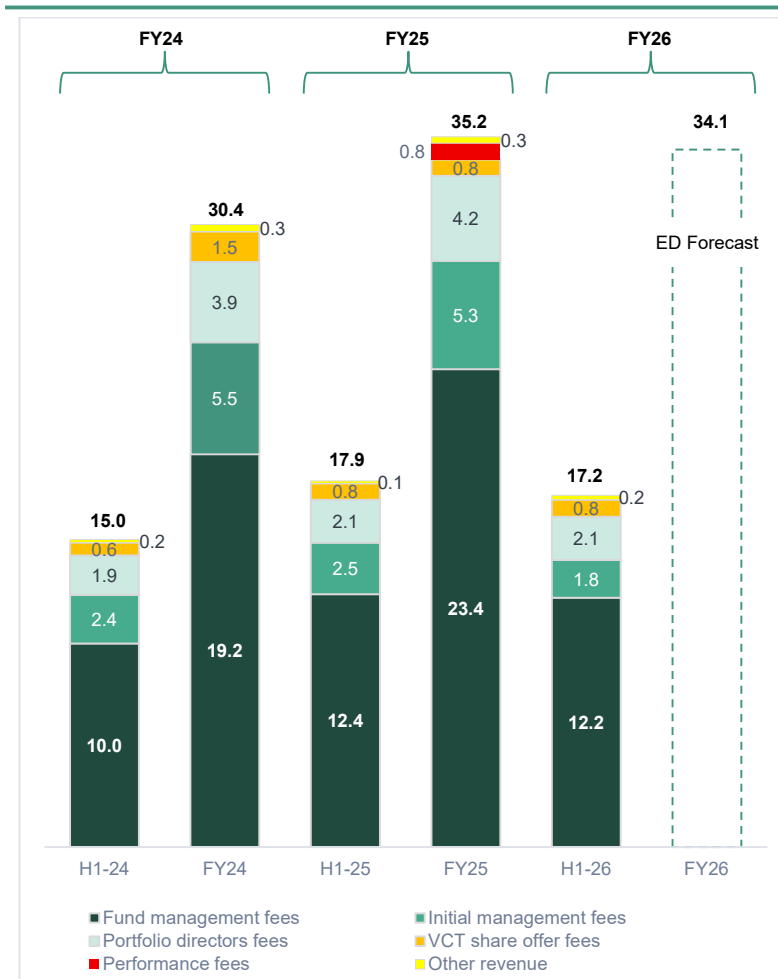
Analysis of H1-26 financials

Revenue slightly down on lower capital deployment, on track to meet forecast

No major y-o-y revenue changes other than initial fees

- H1-26 revenue fell 4% y-o-y to £17.2m, but **current FUM levels, and the pipeline of capital raisings and new mandates suggest it is on track to meet our previous full-year FY26 revenue forecast of £34.1m.**
- Fund management fees were a touch down from £12.4m to £12.2m. [These are typically a fixed % of FUM, paid by investors in funds/VCTs, and are mostly driven by average FUM levels.]
- With capital deployment down from £133m in H1-25 to £95m, initial management fees (fixed % of amounts invested, paid by investee companies) fell from £2.5m in H1-25 to £1.8m.
- Portfolio directors' fees (annual fees, paid by investee companies) were flat at £2.1m, with the portfolio being roughly the same size.
- VCT share offer fees ('% of funds raised' basis) were also flat at £0.8m, with the capital raised by the Northern VCTs not dramatically different y-o-y.
- Other revenue (Custodian fees and Business services fees) totalled £0.2m (H1-25: £0.3m).

Revenue breakdown, historical & forecast £m



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

EBITDA jumps 14% on continuing operational efficiencies

Impressively, costs fall during a scale-up period

- 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 *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.
- Impressively, in H1-26, adj. expenses fell 9% from £14.2m in H1-25 to £13.0m.** Cost reductions were made across staff-related, office, marketing, professional adviser and VCT share offer related costs.
- These material cost efficiencies coupled with just a small fall in revenue, **pushed EBITDA up 14%** from £3.7m in H1-25 to £4.2m.
- EBITDA margin increased y-o-y from 20.8% to 24.6%**, continuing the recent trend of margin improvement as the business scales and efficiencies are found.

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

| | H1-26 | H1-25 |
|--|----------------|----------------|
| Adjusted revenue (excl. perf. fees) | 17.20 | 17.91 |
| Staff costs (excl. perf. fee allocations) | (9.43) | (9.75) |
| Other admin expenses | (3.54) | (4.45) |
| Adj. expenses¹ | (12.98) | (14.19) |
| EBITDA | 4.22 | 3.72 |
| Net finance income | 0.69 | 1.10 |
| Adj. operating profit | 4.91 | 4.82 |



Source: Company reports. *Excluding performance fees

Statutory PBT slightly up to £2.5m

Lower finance income, FV move pegs back PBT increase

- Mercia's full statutory income statement is more complex and volatile, bringing back the abovementioned items which are excluded from EBITDA.
- Points to highlight include:
 - The fair value movement of the on-balance sheet portfolio was a negative move of -£0.34m (H1-25: +£0.19m). Per-company adjustments are shown on page 8.
 - The amortisation of intangible assets was unchanged at £1.5m
 - Share-based payment charges were down from £0.48m to £0.33m.
 - Depreciation was unchanged at £0.30m.
 - Net finance income was down from £1.10m to £0.69m.
- Profit before tax increased from £2.43m in H1-25 to £2.46m.
- Profit after tax decreased from £1.78m in H1-25 to £1.68m on a higher tax charge (£0.78m in H1-26 v £0.66m in H1-25).
- The tax charge comprised a corporation tax charge on taxable profits (£1.15m v £1.03m in H1-25), partially offset by the continued unwinding of the deferred tax liability in respect of the intangible assets which arose on the acquisition of FDC and the VCT fund management business (£0.37m in H1-25 and H1-26).
- Basic EPS moved from 0.41p in H1-25 to 0.39p in H1-26, while diluted eps moved from 0.40p to 0.38p.

Y-O-Y IFRS summarised income statements

| £m | H1-26 | H1-25 |
|-------------------------------|---------------|---------------|
| Revenue | 17.20 | 17.91 |
| Adj. admin expenses | (12.98) | (14.19) |
| Depreciation | (0.30) | (0.30) |
| FV move, direct investments | (0.34) | 0.19 |
| Share-based payments charge | (0.33) | (0.48) |
| Amort. Of intangible assets | (1.50) | (1.50) |
| FV move on def. consideration | (0.00) | (0.30) |
| Net finance income | 0.69 | 1.10 |
| Profit before tax | 2.46 | 2.43 |
| Tax | (0.78) | (0.66) |
| Profit after tax | 1.68 | 1.78 |
| Basic eps | 0.39p | 0.41p |
| Diluted eps | 0.38p | 0.40p |

Source: company reports

Balance sheet strong with net cash of £34m (27% of market cap)

Net assets largely unchanged, no debt

- Mercia maintains its exceptionally strong balance sheet, with net assets slightly down over H1-26 from £187.9m on 31 Mar 25 to £187.1m.
- **Net cash remained high at £34.5m (31 Mar 25: £40.1m), making up 27% of the group's market cap (on 29 Nov 25). Mercia has no borrowings.**
- Cash generated from operations (pre-tax) was £1.5m (H1-25: £4.0m), driven mainly by a £2.9m decrease in trade payables.
- The group **invested £5.5m into its existing portfolio of direct investments, which was largely responsible for the increase in NAV of on-balance-sheet investments to £131.1m (>100% of market cap) from £126.0m on 31 Mar 25.**

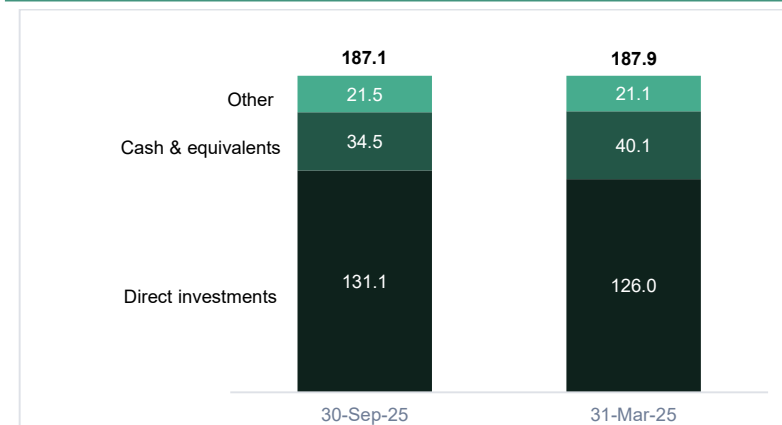
Source: Company

Dividend increased by 5%

- 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.
- An interim dividend of 0.39p per share is proposed (FY25: 0.37p).

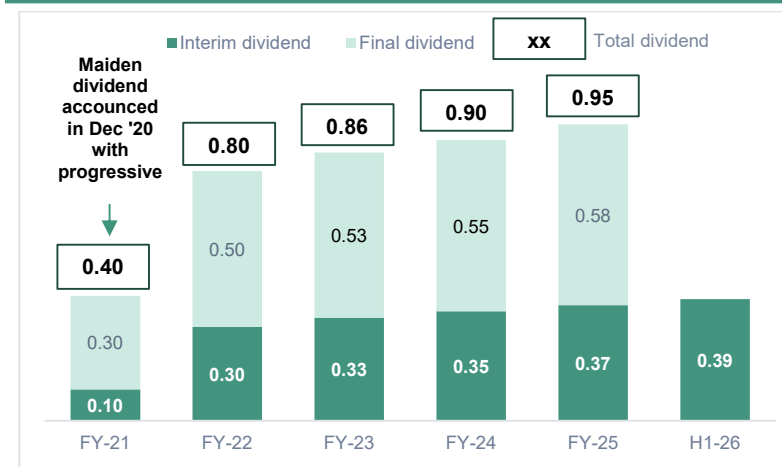
Source: Company

Summarised net asset composition, £m



Source: Company

Dividend history



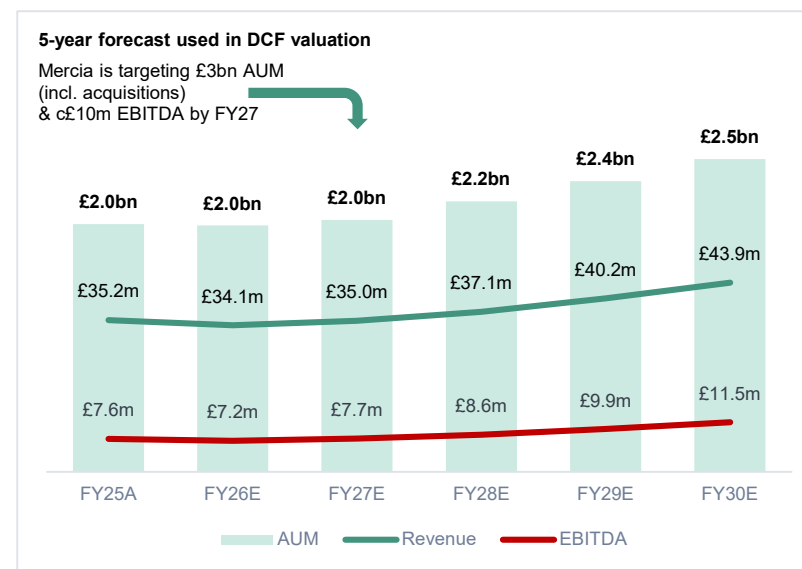
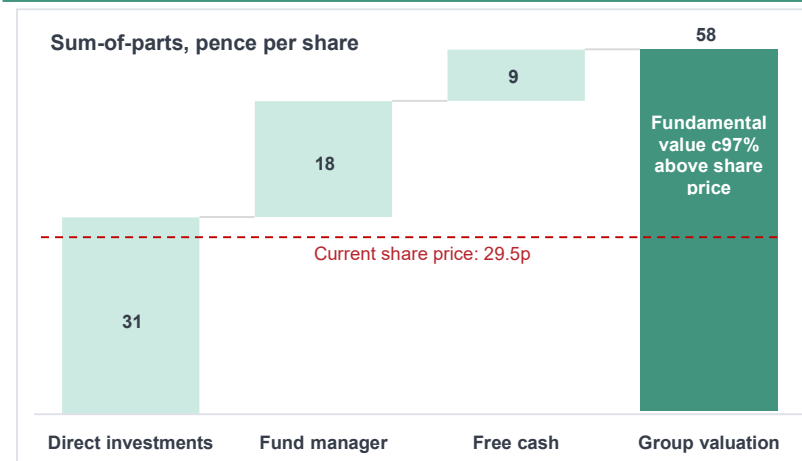
Source: Company

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

Underlying assumptions of valuations

- 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:
 - The fund management business, where fees are charged for managing funds for third party investors, which we value at 18p per share (based on a valuation of 10x EBITDA).
 - The direct investment portfolio, which is disproportionately large compared to most on-balance sheet investments of other asset managers, and which is valued at 31p per share (see page 8 and Appendix 1).
 - A cash pile of £34m which is also extremely large in relation to its size, translating to a per-share value of 9p.
- This methodology produces a **fundamental valuation of 58p per share, 99% above the 29.5p share price on 29/11/25.**
- 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 c£10m EBITDA by FY27 – an ambition the company has reiterated in its outlook statement contained in the H1-26 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%.
- This produces a slightly higher value of **67p per share**. Conservatively, we use the sum-of-parts value of **58p as our fundamental value**.

Sum-of-parts and DCF summaries



Source: Company historic data, ED forecasts and analysis

Appendix 1: Direct investment exits, % above NAV

Mercia has a long record of valuing portfolio businesses conservatively, with every single exit except one since IPO concluded at a premium to holding-NAV, with a weighted average premium of 41%. A portfolio NAV of £131m on 30 Sep 25 is > 100% Mercia's market cap of £127m (on 29 Nov 25). **This implies that the market is applying a huge 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 |
| Sherlock Biosciences | Dec '24 | £0.34m | nil | (-£0.34m) |
| Artesian Solutions | Oct '24 | £0.54m | £0.60m | +12% (+£0.06m) |
| 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

Summary financials

| Income statement | | | | | | | |
|---|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Year to 31 Mar (£m) | FY23A | FY24A | H1 25A | FY25A | H1 26A | FY26E | FY27E |
| Revenue (excl. performance fees) | 25.9 | 30.4 | 17.9 | 34.4 | 17.2 | 34.1 | 35.0 |
| Adjusted administrative expenses | (20.7) | (24.9) | (14.2) | (26.8) | (13.0) | (26.9) | (27.3) |
| EBITDA | 5.2 | 5.5 | 3.7 | 7.6 | 4.2 | 7.2 | 7.7 |
| Net finance income | 2.4 | 4.2 | 1.1 | 2.6 | 0.7 | 2.2 | 1.9 |
| Adjusted operating profit | 7.6 | 9.7 | 4.8 | 10.2 | 4.9 | 9.4 | 9.6 |
| Gross performance fees | - | - | - | 0.8 | - | - | - |
| IFRS Revenue | 25.9 | 30.4 | 17.9 | 35.2 | 17.2 | 34.1 | 35.0 |
| Adjusted administrative expenses | (20.7) | (24.9) | (14.2) | (26.8) | (13.0) | (26.9) | (27.3) |
| Performance fee costs | - | - | - | (0.6) | - | - | - |
| Depreciation | (0.3) | (0.5) | (0.3) | (0.6) | (0.3) | (0.6) | (0.6) |
| Realised P/(L) on sale of direct investments | (0.8) | 4.5 | - | (0.3) | - | - | - |
| FV movement in direct investments | 1.2 | (17.3) | 0.2 | 0.3 | (0.3) | - | - |
| Share-based payments charge | (1.0) | (1.0) | (0.5) | (0.9) | (0.3) | (1.0) | (1.0) |
| Amortisation of intangible assets | (2.3) | (3.0) | (1.5) | (3.0) | (1.5) | (3.0) | (3.0) |
| Movement in FV of deferred consideration | (1.5) | (0.5) | (0.3) | (0.5) | - | - | - |
| Operating P/(L) before exceptional items | 0.4 | (12.4) | 1.3 | 2.8 | 1.8 | 2.6 | 3.1 |
| Exceptional items | (0.4) | - | - | - | - | - | - |
| Operating profit/(loss) | 0.0 | (12.4) | 1.3 | 2.8 | 1.8 | 2.6 | 3.1 |
| Net finance income | 2.4 | 4.2 | 1.1 | 2.6 | 0.7 | 2.2 | 1.9 |
| Profit before tax | 2.4 | (8.2) | 2.4 | 5.4 | 2.5 | 4.8 | 5.0 |
| Taxation | 0.4 | 0.6 | (0.7) | (1.9) | (0.8) | (1.4) | (1.5) |
| Profit & total comprehensive income | 2.8 | (7.6) | 1.8 | 3.5 | 1.7 | 3.4 | 3.5 |
| Basic EPS, p | 0.6 | (1.7) | 0.4 | 0.8 | 0.4 | 0.8 | 0.8 |
| Diluted EPS, p | 0.6 | (1.7) | 0.4 | 0.8 | 0.4 | 0.8 | 0.8 |

Source: Company data, Equity Development.

| Balance sheet | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Year to 31 Mar (£m) | FY23A | FY24A | H1 25A | FY25A | H1 26A | FY26E | FY27E |
| Non-current assets | | | | | | | |
| Goodwill | 20.9 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 |
| Intangible assets | 18.2 | 15.2 | 13.7 | 12.2 | 10.7 | 9.2 | 6.2 |
| Property, plant and equipment | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 |
| Right of Use Assets | 0.8 | 0.7 | 0.9 | 0.7 | 1.1 | 0.7 | 0.7 |
| Investments | 136.6 | 116.9 | 120.9 | 126.0 | 131.1 | 126.0 | 74.0 |
| Sub-total NCAs | 176.6 | 154.0 | 156.8 | 160.1 | 164.3 | 157.2 | 102.2 |
| Current assets | | | | | | | |
| Trade and other receivables | 3.8 | 4.0 | 3.2 | 3.2 | 3.1 | 3.3 | 3.3 |
| Restricted cash | - | - | - | - | - | - | - |
| Short-term liquidity investments | 0.3 | - | - | - | - | - | - |
| Cash and cash equivalents | 37.6 | 46.9 | 46.2 | 40.1 | 34.5 | 40.6 | 93.8 |
| Sub-total CAs | 41.6 | 50.9 | 49.4 | 43.3 | 37.6 | 43.9 | 97.1 |
| TOTAL ASSETS | 218.2 | 204.9 | 206.2 | 203.5 | 201.9 | 201.1 | 199.3 |
| Current Liabilities | | | | | | | |
| Trade and other payables | (6.8) | (8.9) | (12.0) | (11.8) | (10.9) | (13.0) | (14.7) |
| Lease liabilities | (0.3) | (0.4) | (0.4) | (0.4) | (0.5) | (0.3) | (0.1) |
| Deferred consideration | (1.2) | (2.3) | (2.6) | - | - | - | - |
| Sub-total CLs | (8.4) | (11.5) | (15.0) | (12.2) | (11.5) | (13.2) | (14.8) |
| Non-current Liabilities | | | | | | | |
| Lease liabilities | (0.6) | (0.3) | (0.4) | (0.3) | (0.6) | (0.5) | (0.7) |
| Deferred consideration | (1.8) | - | - | - | - | - | - |
| Deferred tax liability | (4.5) | (3.8) | (3.4) | (3.0) | (2.7) | (2.3) | (1.5) |
| Sub-total NCLs | (6.9) | (4.1) | (3.9) | (3.4) | (3.3) | (2.8) | (2.2) |
| TOTAL LIABILITIES | (15.3) | (15.7) | (18.9) | (15.6) | (14.8) | (16.0) | (17.0) |
| NET ASSETS | 202.9 | 189.2 | 187.4 | 187.9 | 187.1 | 185.0 | 182.2 |
| EQUITY | | | | | | | |
| Share capital | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Share premium | 83.7 | 83.8 | 83.8 | 83.8 | 83.8 | 80.8 | 77.8 |
| Treasury reserve | - | (3.2) | (4.9) | (4.9) | (4.0) | (4.9) | (4.9) |
| Other distributable reserves | 63.3 | 59.3 | 57.0 | 55.4 | 51.9 | 55.4 | 55.4 |
| Retained earnings | 51.3 | 43.8 | 45.5 | 47.2 | 48.9 | 46.4 | 45.5 |
| Share based payments reserve | 4.6 | 5.6 | 6.0 | 6.5 | 6.5 | 7.4 | 8.5 |
| TOTAL EQUITY | 202.9 | 189.2 | 187.4 | 187.9 | 187.1 | 185.0 | 182.2 |

Source: Company data, Equity Development

Cash flow statement

| Year to 31 Mar (£m) | FY24A | FY24A | H1 25A | FY25A | H1 26A | FY26E | FY27E |
|--|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Operating activities | | | | | | | |
| Operating profit | 0.0 | (12.4) | 1.3 | 2.8 | 1.8 | 2.6 | 3.1 |
| Adjustment for: | - | - | - | - | - | - | - |
| Depreciation of property, plant & equipment | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Depreciation of right-of use assets | 0.2 | 0.4 | 0.3 | 0.5 | 0.2 | 0.5 | 0.5 |
| Loss/(profit) on sale of direct investment | 0.8 | (4.5) | - | 0.3 | - | - | - |
| Fair value movement in direct investments | (1.2) | 17.3 | (0.2) | (0.3) | 0.3 | - | - |
| Share-based payment charges | 1.0 | 1.0 | 0.5 | 0.9 | 0.3 | 1.0 | 1.0 |
| Amortisation of intangible assets | 2.3 | 3.0 | 1.5 | 3.0 | 1.5 | 3.0 | 3.0 |
| Movement in fair value of contingent consideration | 1.5 | 0.5 | 0.3 | 0.5 | - | - | - |
| Working capital adjustments: | - | - | - | - | - | - | - |
| Decrease/(increase) in receivables | (1.1) | 0.8 | 0.7 | (0.0) | 0.2 | (0.0) | (0.0) |
| (Decr)/incr in trade and other payables | (0.7) | 1.5 | (0.5) | 1.7 | (2.9) | 1.7 | 1.7 |
| Cash generated from operations | 3.0 | 7.9 | 4.0 | 9.4 | 1.5 | 8.8 | 9.4 |
| Corporation tax paid | (1.8) | (0.8) | 0.2 | (0.7) | (1.5) | (2.6) | (2.2) |
| Net cash from operating activities | 1.2 | 7.1 | 4.2 | 8.7 | (0.1) | 6.2 | 7.2 |
| Investing activities | | | | | | | |
| Sale of direct investments | 3.7 | 26.7 | - | 0.6 | - | 8.0 | 60.0 |
| Purchase of direct investments | (20.8) | (19.9) | (3.9) | (9.7) | (5.8) | (8.0) | (8.0) |
| Investee company loan repayment | 0.1 | 0.3 | - | - | 0.4 | - | - |
| Investee co. loan redemption premium & interest received | 2.0 | 2.3 | - | 0.6 | 0.0 | 0.5 | 0.4 |
| Interest received on cash deposits | 0.4 | 1.8 | 1.1 | 2.1 | 0.7 | 1.7 | 1.4 |
| Purchase of property and equipment | (0.1) | (0.1) | (0.1) | (0.1) | (0.2) | (0.1) | (0.1) |
| Acquisition of subsidiary | (7.0) | (1.5) | - | (2.7) | - | - | - |
| Cash acquired with purchase of subsidiary | 2.9 | - | - | - | - | - | - |
| Purchase of VCT fund management business | (2.1) | - | - | - | - | - | - |
| Decrease/(increase) in short term liquidity investments | 5.0 | 0.3 | - | - | - | - | - |
| Net cash used in investing activities | (15.8) | 9.9 | (2.9) | (9.3) | (5.0) | 2.1 | 53.7 |
| Financing activities | | | | | | | |
| Proceeds of issue of shares | - | - | - | - | - | - | - |
| Transaction costs relating to the issue of Ordinary shares | - | - | - | - | - | - | - |
| Dividends paid | (3.7) | (3.9) | - | (4.0) | - | (4.2) | (4.3) |
| Interest paid | (0.0) | (0.1) | (0.0) | (0.1) | (0.0) | (0.1) | (0.1) |
| Pmt of lease liabilities and initial direct costs | (0.2) | (0.4) | (0.2) | (0.5) | (0.2) | (0.5) | (0.5) |
| Redemption of subsidiary undertaking pref. shares | - | - | - | - | - | - | - |
| Purchase of own shares | - | (3.2) | (1.8) | (1.8) | (1.0) | (3.0) | (3.0) |
| Proceeds from exercise of employee share options | - | 0.0 | 0.1 | 0.1 | 0.7 | - | - |
| Net cash from / (used in) financing activities | (3.9) | (7.6) | (2.0) | (6.3) | (0.6) | (7.7) | (7.8) |
| Net (decr)/incr in cash & equivalents | (18.5) | 9.4 | (0.7) | (6.8) | (5.6) | 0.5 | 53.1 |
| Cash & equivalents beginning of year | 56.0 | 37.6 | 46.9 | 46.9 | 40.1 | 40.1 | 40.6 |
| Cash & equivalents at end of year | 37.6 | 46.9 | 46.2 | 40.1 | 34.5 | 40.6 | 93.8 |

Source: Company data, Equity Development

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