

# Mercia Asset Management

## Successful exit of The Native Antigen Company

Portfolio exit

With the sale of The Native Antigen Company (NAC) for up to £18m in cash, Mercia expects to realise £5.2m (1.2p per share) for its 29.4% stake. This exit delivers another significant milestone in management's strategy to achieve an evergreen funding model. Management has confirmed that the group is profitable on a day-to-day basis following the acquisition of the NVM VCT management contracts (NVM) in December 2019. NVM, together with additional allocations from the British Business Bank (BBB), has lifted AUM to c £800m. Management's three-year strategy targets a sustainable, evergreen balance sheet with AUM of £1bn in FY22, with future investment commitments met through existing cash resources and realisations without the need for further recourse to the markets. Despite real progress, Mercia trades at 0.69x its September 2019 NAV, with the fee-earning funds business as further upside, not captured in an NAV-based calculation. FY20 results are due on 14 July 2020.

Year end	Net cash* (£m)	Direct investments (£m)	FuM (£m)	NAV (£m)	NAV per share (p)	P/NAV (x)
03/17	59.6	52.0	336.5	121.4	40.4	0.50
03/18	49.4	66.1	400.0	123.5	40.7	0.50
03/19	29.8	87.7	381.0	126.1	41.6	0.49
09/19	17.8	102.0	361.3	128.4	29.2	0.69

Note: \*Includes liquid securities but not funds held on behalf of EIS investors.

Mercia has announced the sale of NAC to LGC Group, a global leader in the life sciences tools sector, for a cash consideration of up to £18.0m. Mercia held a 29.4% holding in NAC and expects to receive initial cash proceeds of £4.8m, with up to a further £0.4m receivable in cash subject to working capital adjustments.

NAC was held at £2.7m on Mercia's balance sheet as at 30 September 2019, making it Mercia's 11th largest holding. The announcement noted that NAC's fair value had risen to £3.3m as at 31 March 2020, so the sale represents a gain of up to £1.9m on fair value and an 8.4x return on Mercia's direct investment in December 2014 – an IRR of 65%.

NAC is a leading supplier of reagents that enables research into vaccines and diagnostics for emerging and endemic infectious diseases. The company had announced the commercial introduction of its novel coronavirus antigens in February 2020. In early April, NAC and Oxford Genetics (OXGENE) (another Mercia portfolio company) announced the formation of a strategic partnership to scale up COVID-19 antigen production. This was followed by a £3m funding round for OXGENE in early May, prior to NAC's sale to LGC.

### Investment companies

10 July 2020

**Price** 20.25p  
**Market cap** £89m

Net cash (£m) at 20 March 2020	30.4
Shares in issue	440.1m
Free float	64.2%
Code	MERC
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	(1.2)	14.7	(39.2)
Rel (local)	3.3	10.6	(25.5)
52-week high/low	38.5p	13.8p	

### Business description

Mercia Asset Management is a regionally focused specialist asset manager. Its stated intent is to become the leading regional provider of supportive balance sheet, venture, private equity and debt capital in transaction sizes typically below £10m.

### Next events

Preliminary results	14 July 2020
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### Analyst

Richard Williamson +44 (0)20 3077 5700

[tech@edisongroup.com](mailto:tech@edisongroup.com)

[Edison profile page](#)

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