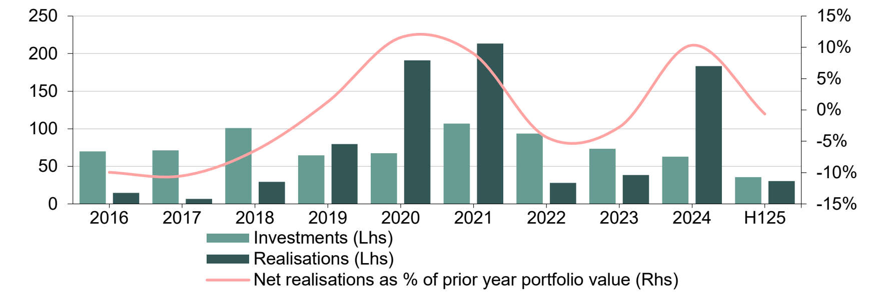
IP Group

Pfizer-Metsera deal offers upside potential

There have been several announcements on technical and commercial progress across IP Group's portfolio this year. A recent highlight was Pfizer's announcement that it will acquire Metsera. IP Group has the potential to generate significant income from the intellectual property (IP) related to anti-obesity programmes that it owns and exclusively licenses to Zihipp, which Metsera acquired in 2023. Metsera's drug candidates represent a multi-billion dollar revenue opportunity, of which IP Group may receive a low-single-digit percentage amount of royalty income, on top of which it may collect technical and commercial milestone payments, as well as an earn-out related to its previous equity investment in Zihipp. Other notable announcements across IP Group's life sciences portfolio include Istesso's encouraging data, published in *The Journal of Pharmacology and Experimental Therapeutics*, and clinical trial progress of other holdings. We also note that three of IP Group's portfolio companies (Oxford Nanopore Technologies (ONT), Oxford Quantum Circuits and Oxa) were featured in NVIDIA's press release on building the UK's AI infrastructure.

Exhibit 1: IP Group's historical investment and realisations (£m)



Source: Company data, Edison Investment Research

Healthy realisations expected in the coming years

Despite the still-challenging funding environment for early-stage companies, especially in scale-up phase, IP Group remains confident in its realisation pipeline and reiterated the target of over £250m proceeds in FY25–27 (with £30.3m already realised in H125), which excludes any potential exit proceeds from ONT. This equals c 48% of IP Group's current market capitalisation and, assuming these exits are completed close to current carrying values, means that the current share price accounts for only a small part of the value of IP Group's remaining private holdings.

NAV assisted by ONT and by Hinge Health's IPO

IP Group's NAV in H125 was supported by the rising share price of ONT and the successful IPO and subsequent performance of Hinge Health (for which IP Group's lock-up expires in November 2025). This was offset by a net decline in the carrying values of private holdings, most notably Oxa Autonomy and Artios Pharma due to funding delays, and £14.2m of fx headwinds. This led to a slight 1.5% fall in NAV per share in H125 to 96.2p, which was more than reversed post reporting date by the continued strength of listed holdings, bringing IP Group's NAV to c 100p as of 12 September 2025 (last available data).

Investment companies
Listed venture capital

24 October 2025

Price		**58.00p**
Market cap		**£474m**
Shares in issue		889.9m
Code/ISIN		IPO/GB00B128J450
Primary exchange		LSE
AIC sector		N/A
Financial year end		31 December
52-week high/low	62.5p	34.5p

Fund objective

IP Group helps to create, build and support IP-based companies internationally. The group focuses on companies that meaningfully contribute to regenerative, healthier (life sciences) and tech-enriched (deeptech) futures. The group is mostly active in the UK, with an international footprint through investment platforms in Australia, New Zealand and the United States.

Bull points

- Provides unique exposure to impactful technology businesses based on management's extensive deal origination network and strong relationships with top universities.
- Diverse portfolio across life sciences, deeptech and cleantech, nurtured over 15 years with several potential catalysts on the horizon.
- Trading at a wide discount to NAV.

Bear points

- IP Group is yet to build a solid track record of NAV total returns.
- The investment cases for some of IP Group's holdings have a binary outcome.
- Uncertain venture capital market outlook as recovery is at an early stage.

Analysts

Milosz Papst	+44 (0)20 3077 5700
Dan Ridsdale	+44 (0)20 3077 5700

investmenttrusts@edisongroup.com
Edison profile page

IP Group may generate significant income from its anti-obesity IP

We note the potential significant income for IP Group from the IP it owns and exclusively licenses to Zihipp in the form of technical and commercial milestone payments, as well as tiered, low-single-digit percentage royalties on net sales of the licence products (half of which will be payable to Imperial College London under revenue share arrangements). Zihipp is a spin-off from Imperial College London and a former portfolio company of IP Group; it was acquired in 2023 by Metsera to obtain a next-generation obesity portfolio, with the deal consideration including an earn-out, which IP Group may potentially receive. Metsera has entered into a definitive agreement under which it will be acquired by Pfizer for up to $7.3bn, of which $4.9bn is in upfront cash. IP Group noted that it is entitled to receive future returns from several compounds, including Metsera's lead product, GLP-1 therapeutic candidate MET-097i (which requires injections only once per month instead of weekly), for which Metsera announced positive Phase IIb trial results on 29 September and intends to initiate a global Phase III programme in late 2025. Current Evaluate Pharma forecasts for MET-097 indicate first sales of $91m in 2028 on a risk-adjusted basis, ramping up to $1.5bn by 2032. The non-risk adjusted figure (ie expected revenue assuming the drug moves to commercial stage, based on an industry benchmark probability as per EvaluatePharma) is $554m in 2028 and $9.2bn in 2032 (we understand that peak sales may be higher than that). IP Group also holds the IP related to MET-097o (the oral form of MET-097i), as well as MET-233, a Phase II injectable amylin analogue with expected first sales in 2030, according to EvaluatePharma.

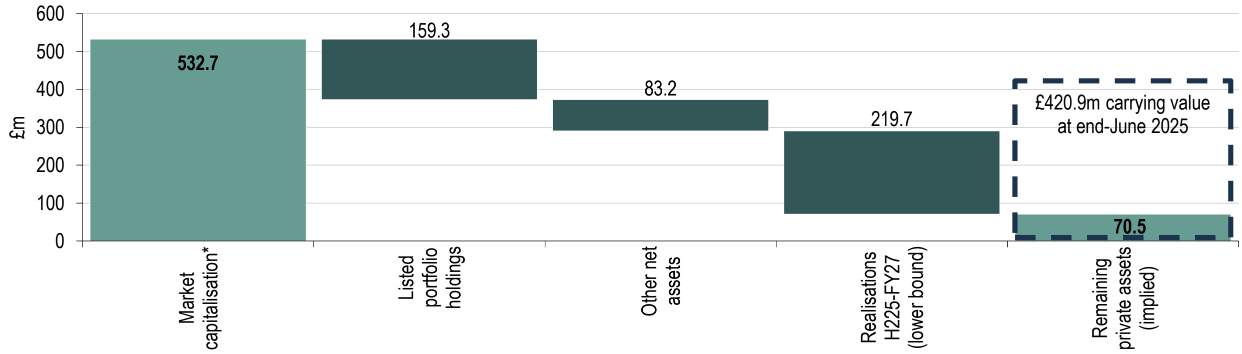
We note that Pfizer does not currently have any anti-obesity programme in progress after it discontinued development of its experimental weight-loss pill danuglipron in April 2025 due to safety concerns in clinical trials. Therefore, it will focus on the development of Metsera's drug candidates, which we believe strengthens the case for IP Group's future income from its IP. While Pfizer faces competition from other big pharma companies, we note the considerable size of the anti-obesity market, which Goldman Sachs forecast in May 2025 to reach $95bn in 2030. To illustrate the return potential for IP Group from its IP, every 1% payment for a single year based on the above-mentioned $9.2bn sale of MET-097 alone would equal $92m or c 13% of IP Group's entire market capitalisation at present. The present value of IP Group's royalty per every 1% of net sales would likely be much higher than that, given that it would be equal to the discounted value of cash flows occurring over many years. Importantly, under the current accounting treatment, this value is not captured in IP Group's NAV, except for the deferred consideration related to potential milestone payments (£1.6m at end-June 2025 according to a probability-weighted discounted cash flow model). Pfizer expects the transaction to close in the fourth quarter of 2025, subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals and approval by Metsera's shareholders.

Management confirmed FY25–27 realisation target of over £250m

IP Group continues to deliver a meaningful level of realisations with £30.3m in proceeds generated in H125, more than two-thirds of which came from four life sciences companies (Intelligent Ultrasound, Centessa, Abliva and Hinge Health). Importantly, management reiterated its target of delivering over £250m in realisation proceeds between FY25 and FY27, which excludes any potential exit proceeds from ONT and represents roughly 48% of IP Group's current market capitalisation. If we account for IP Group's listed holdings and net cash at end-June 2025 in line with the carrying value as of that date, we calculate that the current share price (which represents a 40% discount to end-June 2025 NAV) implies a fair value of IP Group's private holdings of c £290m (a 55% discount to their last carrying values).

IP Group was able to complete all its 2024 realisations in line with previous carrying values. While it still sees valuation pressure for some of its holdings (five of the 13 funding rounds completed in H125 were down rounds, though all were already reflected in 2024 valuations), management's confidence in the future realisations suggest good interest in several assets. Therefore, we consider it reasonable to assume that these exits will be carried out close to or above the current carrying values. This would imply that the market currently attaches minimal value to IP Group's private holdings that will be left after the completion of the targeted realisations (see Exhibit 2). While we acknowledge that part of IP Group's discount to NAV is likely because it is yet to build a solid track record in terms of NAV performance, we still consider the market price of IP Group's shares as conservative, especially in light of the recent developments around Metsera, which are not factored into IP Group's NAV.

Exhibit 2: IP Group's current share price accounts for a small part of the private investments left after the guided FY25–27 exits



Source: IP Group data, Edison Investment Research. Note: *Based on end-June 2025 share count.

IP Group's portfolio exits fuel continued NAV-accretive share repurchases, with a £25m programme completed in H125 (allowing the company to retire 6% of its share capital in H125) and a £20m extension programme in progress. Overall to date, IP Group has returned more than £140m of cash to shareholders via buybacks and dividends, and retired 15% of its capital. Management had announced, upon the release of IP Group's 2024 results, that it would allocate 50% of the FY25 exit proceeds (which it had estimated at roughly £50m) to share repurchases (vs c 20% historically), assuming IP Group's discount to NAV remains above 20%. Assuming 50% of the FY25 proceeds and 20% of the FY26 and FY27 proceeds will be used for share buybacks, we arrive at £65m worth of share repurchases, or roughly 13% of IP Group's current market cap, which we consider a sizeable amount. This is on top of the 15% capital already retired, as mentioned above.

Several other encouraging developments across IP Group's portfolio

ONT reports solid top-line growth and a lower adjusted EBITDA loss

With respect to developments across IP Group's listed holdings, we note that ONT, which at end-June 2025 made up 14% of IP Group's total portfolio (see Exhibit 4), delivered constant currency revenue growth of 28.0% y-o-y in H125, with double-digit percentage growth across all four market segments (research, clinical, applied industrial and biopharma). This supports its ambition to further scale the business through a revenue CAGR of over 30% from FY24–27, to expand its gross margin to above 62% in FY27, and to reach EBITDA and cash flow break-even points by FY27 and FY28, respectively (targets that were reiterated by the management upon the release of the H125 results). Gross profit increased by 24.0% y-o-y, while gross margin reduced to 58.2% in H125 from 58.8% in H124, though this reflects a 315bp impact from a one-off inventory charge, as well as 80bp of fx headwinds. Nevertheless, the adjusted EBITDA loss improved in H125 by 22% to £48m from £62m in H124, assisted by an operational efficiency programme in H125. ONT's management confirmed its FY25 guidance for revenue growth of 20–23% at constant currency, a gross margin of around 59% and adjusted growth in operating expenses of 3–4%. This should support a year-on-year improvement in the adjusted EBITDA loss versus FY24. IP Group's management considers the revenue guidance conservative given the solid traction in H125.

Hinge Health became another important listed holding for IP Group as it completed its IPO in May 2025, pricing its shares at $32 (at the upper end of the range) and enjoying a strong post-IPO performance, with its share price currently at c $50. The IPO was accompanied by IP Group's minor realisation of £1.8m, with $39.1m of unrealised value at end-June 2025 (c 5% of total portfolio value).

IP Group's holdings included in NVIDIA's vision for UK AI infrastructure

Across IP Group's deeptech and cleantech portfolio, there was positive news flow for IP Group following the UK visit of NVIDIA's CEO in September 2025, as three of its holdings were highlighted in NVIDIA's press release on building the UK's AI infrastructure and ecosystem:

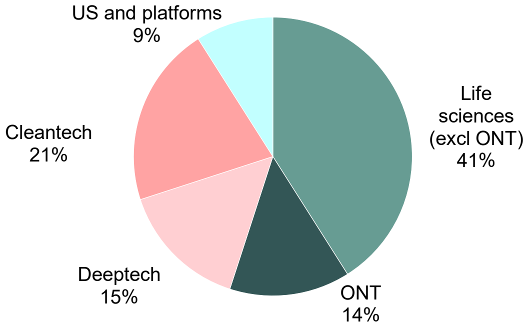
- ONT and NVIDIA will foster AI-driven drug discovery,
- Oxford Quantum Circuits and Digital Realty are establishing a quantum-AI centre in collaboration with NVIDIA, and
- Oxa expanded its use of NVIDIA technology and NVIDIA announced that it will invest in Oxa.

Moreover, we note that, following the recent pivot to become an IP-rich technology provider, First Light Fusion published a white paper introducing its new concept called FLARE (Fusion via Low-power Assembly and Rapid Excitation). According to the company, FLARE overcomes some of the engineering challenges of inertial fusion and offers the potential to reach a gain (defined as the energy output per unit of energy input) of up to 1,000, visibly above the threshold for fusion energy to become a competitive energy source and compared to the current record of c 4x set at the National Ignition Facility in April 2025.

Hysata, a developer of a novel capillary-fed electrolyser (a device that uses electricity to split water into hydrogen and oxygen) is approaching the commissioning of its 100kW demonstration system and running a field trial in Saudi Arabia.

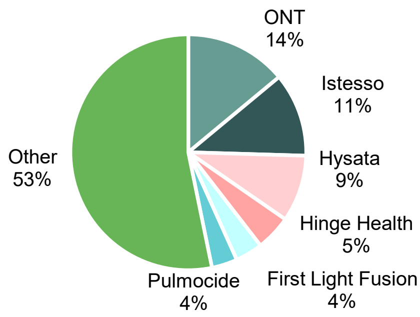
Finally, we note the recent acquisition of one of IP Group's smaller deeptech holdings, Monolith (which is building an interface between AI and engineering test labs), by NASDAQ-listed CoreWeave.

Exhibit 3: Breakdown of IP Group's portfolio at end-June 2025 by sector



Source: IP Group data

Exhibit 4: IP Group's portfolio breakdown at end-June 2025 by major holdings



Source: IP Group data

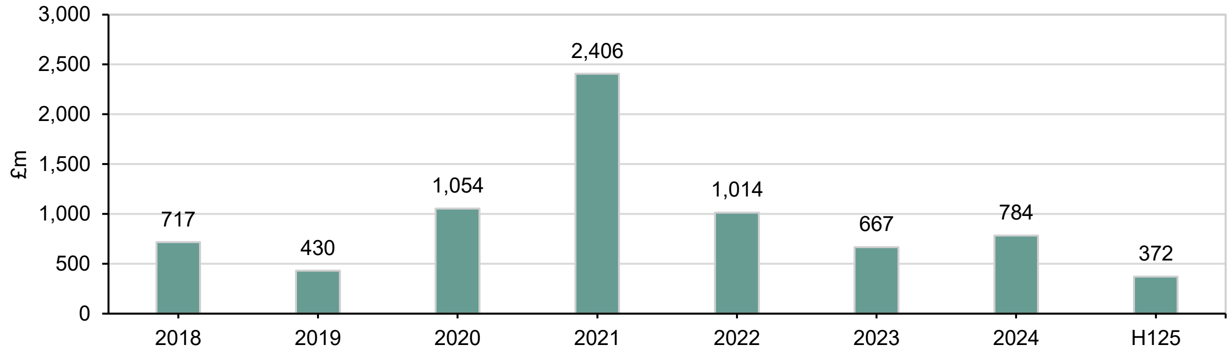
Progress of IP Group's private life sciences holdings

There were several notable developments across IP Group's private life sciences holdings beyond the above-mentioned Pfizer-Metsera deal recently. **Istesso** published encouraging data in the peer-reviewed monthly *The Journal of Pharmacology and Experimental Therapeutics*, demonstrating its new class of orally administered investigational medicines elicit tissue repair in fibrotic, autoinflammatory and autoimmune conditions. The published data is preclinical and therefore still early stage, but we consider it good news as it provides initial support for the company's plans for additional clinical studies for leramistat, focused on tissue repair and fibrosis (see our February 2025 update note for further details). **Pulmocide** reported positive safety data and good progress in its Phase III trial recruitment for opelconazole for invasive pulmonary aspergillosis, with expected release of trial data in 2026. We also note the solid reported and expected revenue growth of **Genomics**, a company that developed a unique rapid genetic screening platform that enables a prevention-first approach to healthcare by using its risk prediction tools to ensure more people are on the right screening, diagnosis and treatment pathways. **Artios Pharma** reported encouraging data from its Phase I/IIa trial for its lead drug candidate, the ATR inhibitor alnodesertib. IP Group highlighted that the company is funded for its forthcoming Phase II expansion study. Moreover, it recently announced that it received the FDA's Fast Track designation for alnodesertib in ATM-negative metastatic colorectal cancer. IP Group also highlighted that both **Enterprise Therapeutics** and **Iksuda** are due to report key clinical data in the next six to 12 months, which are likely to result in valuation updates.

Cash runways robust across the portfolio

Overall fund-raising across IP Group's portfolio (ie investments made by IP Group and other investors) reached £372m in H125 (91% equity and 9% debt), broadly in line with £380m in H124 and compared to c £1.0bn per year on average in 2018–24 (see Exhibit 5). We note that of the H125 figure, £199m relates to Hinge Health's IPO.

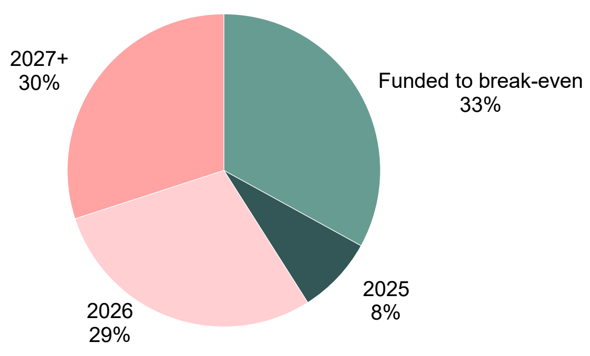
Exhibit 5: Total capital raised across IP Group's portfolio



Source: IP Group data

Post reporting date, there was a $28m oversubscribed Series B round from one of IP Group's smaller holdings OXCCU, an Oxford University spin-out developing a one-step process to convert waste carbon into sustainable aviation fuel. Notable new investors include Orlen VC, Safran Corporate Ventures, International Airlines Group, Hostplus and TCVC. Management highlighted in the interim report that availability of capital remains a challenge, in particular for companies in scale-up phase. That said, cash runways across IP Group's portfolio are generally solid, with only 8% of holdings (valued at more than £4m) by value needing to raise funding in H225 and 29% in 2026, and the rest having a cash runway until at least 2027 or funded through to break-even (see Exhibit 6).

Exhibit 6: IP Group's portfolio by cash runway



Source: IP Group data. Note: Includes holdings with a fair value of more than £4m.

IP Group itself remained disciplined in capital deployment, with £35.7m invested across 21 companies in H125 (88% into existing companies), including First Light Fusion (£5.0m), Fortify Solutions Cambridge (£3.7m), AccelerComm (£3.0m), Intrinsic (£2.5m) and Ultraleap (£2.5m). The follow-on investment in First Light Fusion consisted of a convertible loan to extend the company's cash runway while it is searching for third-party capital. IP Group's management highlighted that the company made good progress towards securing external funding in H225 or early 2026. IP Group's balance sheet position remains robust, with £237.3m of gross cash and deposits, or £111.3m net of borrowings, at end-June 2025. We also note the 12% y-o-y decline in IP Group's net overheads, in line with management guidance issued with the company's FY24 results. Management highlighted progress in attracting third-party capital, with £24m raised in H125 by ParkWalk (bringing the total external assets under management to £663m at end-June 2025) and good traction of scale-up capital discussions, with management confident in securing one new mandate before the announcement of the FY25 results.

EDISON

General disclaimer and copyright

This report has been commissioned by IP Group and prepared and issued by Edison, in consideration of a fee payable by IP Group. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or sol icitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom