

IP Group

Impact + innovation at a compelling discount

IP Group trades at 0.54x its rebased end-May NAV of 139p per share, down 17% from the year end NAV/share of 167p. This prices in the public market fall in Oxford Nanopore Technologies (29p off IP Group's NAV per share in FY22 to date), while the private company portfolio saw fair value gains over the period. First Light Fusion mitigated the fall in NAV per share, with a valuation increase on achieving first fusion and management's expectation of a substantial up-round still ahead. Critically, IP Group remains well funded, with £251m of cash and deposits, providing comfort that it can support key investee companies, drive value from its portfolio and take advantage of the downcycle for new investments. Management recognises that realisations are likely to be few and far between if the current market backdrop persists.

Trading update from the AGM

The group deployed £46m of capital over the first five months of H122, with notable investments into Istesso (£10m) and Bramble (£9.5m), as well as other smaller investments, leaving the group with gross cash and deposits as at 31 May 2022 of £251m (FY21: £322m). IP Group's public portfolio saw a fair value reduction of £360m in the period, of which £309m related to Oxford Nanopore. The group saw fair value gains of over £60m in its private portfolio, principally, but not exclusively, from First Light Fusion.

At the AGM, although management's strategic priority is to conserve cash in the current straitened environment, IP Group renewed its approval to acquire up to 10% of its shares up to its AGM in 2023. Shareholders also approved a final dividend of 0.72p per share, payable to shareholders on 30 June 2022.

Attractive entry-point for longer-term investors

Despite IP Group's broad deep tech portfolio with no B2C exposure, IP Group trades at 0.54x NAV versus peers trading at 0.7x NAV on average. At these levels, underpinned by management's target of a 20% prospective five-year NAV CAGR, IP Group is potentially an attractive proposition for the longer-term impact investor.

Historical financials

Period end	Net cash* (£m)	Portfolio fair value (£m)	Hard NAV (£m)	NAV/share (p)	P/NAV (x)	Yield (%)
12/19	112.4	1,046	1,142	107.8	0.70	0.0%
12/20	203.0	1,163	1,332	125.3	0.60	0.0%
06/21	249.4	1,246	1,439	135.4	0.56	
12/21	270.1	1,415	1,738	167.0	0.45	2.0%

Source: Company accounts. Note: *Excludes funds held on behalf of EIS/VCT investors.

Listed venture capital

16 June 2022

Price 75.25p
Market cap £778m

Share price graph



Share details

Code IPO
 Listing LSE
 Shares in issue 1,034m

Business description

Founded in 2001, IP Group helps to create, build and support IP-based companies from partner universities. The group invests thematically, focused on companies that meaningfully contribute to sustainable (renewable), healthier (life sciences) and tech-enriched (deep tech) futures. The group has an international footprint, with investment platforms in Australia, New Zealand, the United States and China, as well as the UK. IP Group also owns the SEIS/EIS fund manager Parkwalk Advisors.

Bull

- With £251m of cash and deposits, IP Group is well capitalised to weather a downturn.
- Improving track record with management targeting 20% annual NAV growth over next five years.
- Steep discount to NAV for a mature, deep tech portfolio.

Bear

- Business model has taken 20 years to mature.
- Remains a relatively complex investment story.
- Future NAV progress reliant on a narrow range of companies.

Analysts

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