



# Full year results

31 December 2019

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# Overview

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## Summary of 2019

- Significant headwinds in the year (WIM, Brexit etc)
- Continued focus in the UK on portfolio rationalisation and realisations
- Hard NAV<sup>1</sup> of £1,142m or 108p per share at FY19 (FY18: £1,218m or 115pps)
- Record portfolio realisations of £80m, exceeding portfolio investment of £65m
- Year end gross/net cash of £195m / £112m (2018: £219m / £121m)
- Strong performance in top three assets (ONT, Istesso, Ceres)

## Outlook for 2020

- Continued focus on self-sustainability across all business units
- Anticipate further commercial and technical updates from a number of companies over the coming twelve months

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<sup>1</sup> Hard NAV reflects Net Assets/Total Equity of £1,141.9m less goodwill and intangible assets (£0.4m)



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# Purpose, vision and strategy

Evolving GREAT IDEAS into WORLD-CHANGING businesses

# Context

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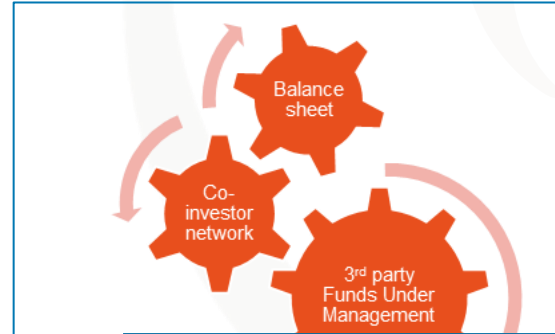
Purpose



Vision



Intellectual

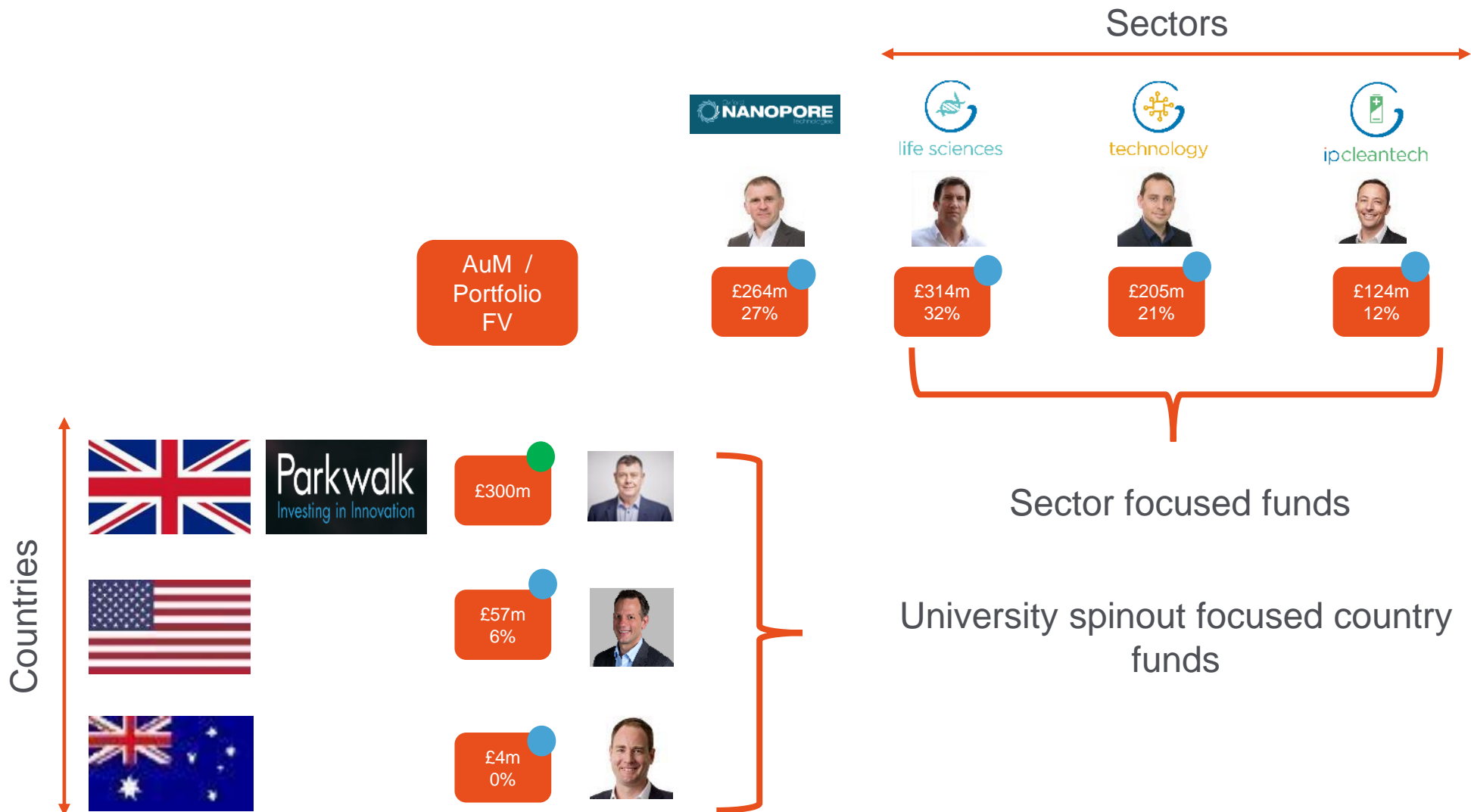


Financial



Human

# Business units

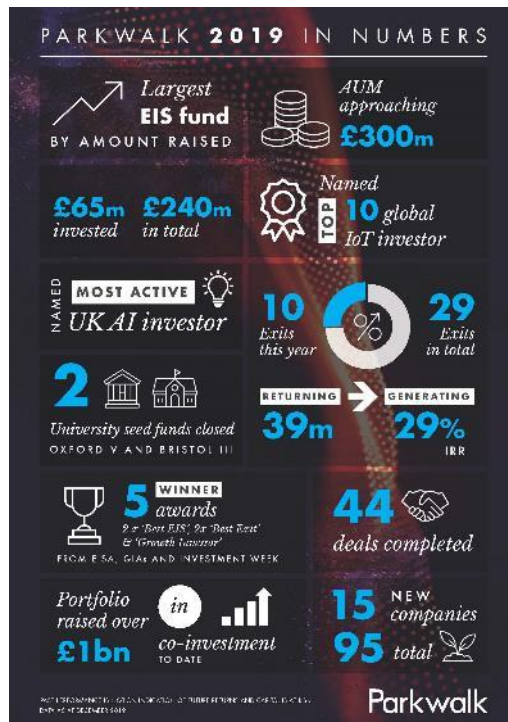
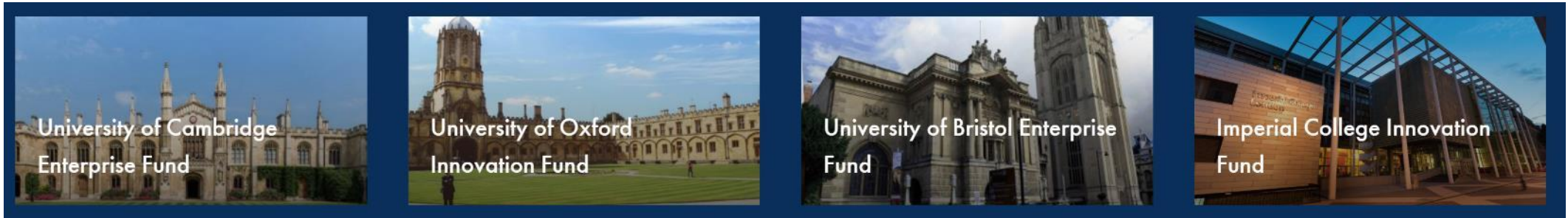


- Funds managing balance sheet capital
- Funds managing 3<sup>rd</sup> party capital only

## Multi-award winner



## Tier-one university partners





# Impact, ESG and stewardship



## IMPACT

Impact is a natural driver of scientific research

## ESG

Offsetting of carbon emissions  
30% club commitment  
Sustainability & ESG Policy  
Ethical Investment Framework  
Alignment to the UN's SDGs

## STEWARDSHIP

Data collected from portfolio companies on current ESG standards to set a benchmark for future measurement.  
Engaged with 49 companies representing 75% of 'focus' companies at 30 June 2019.

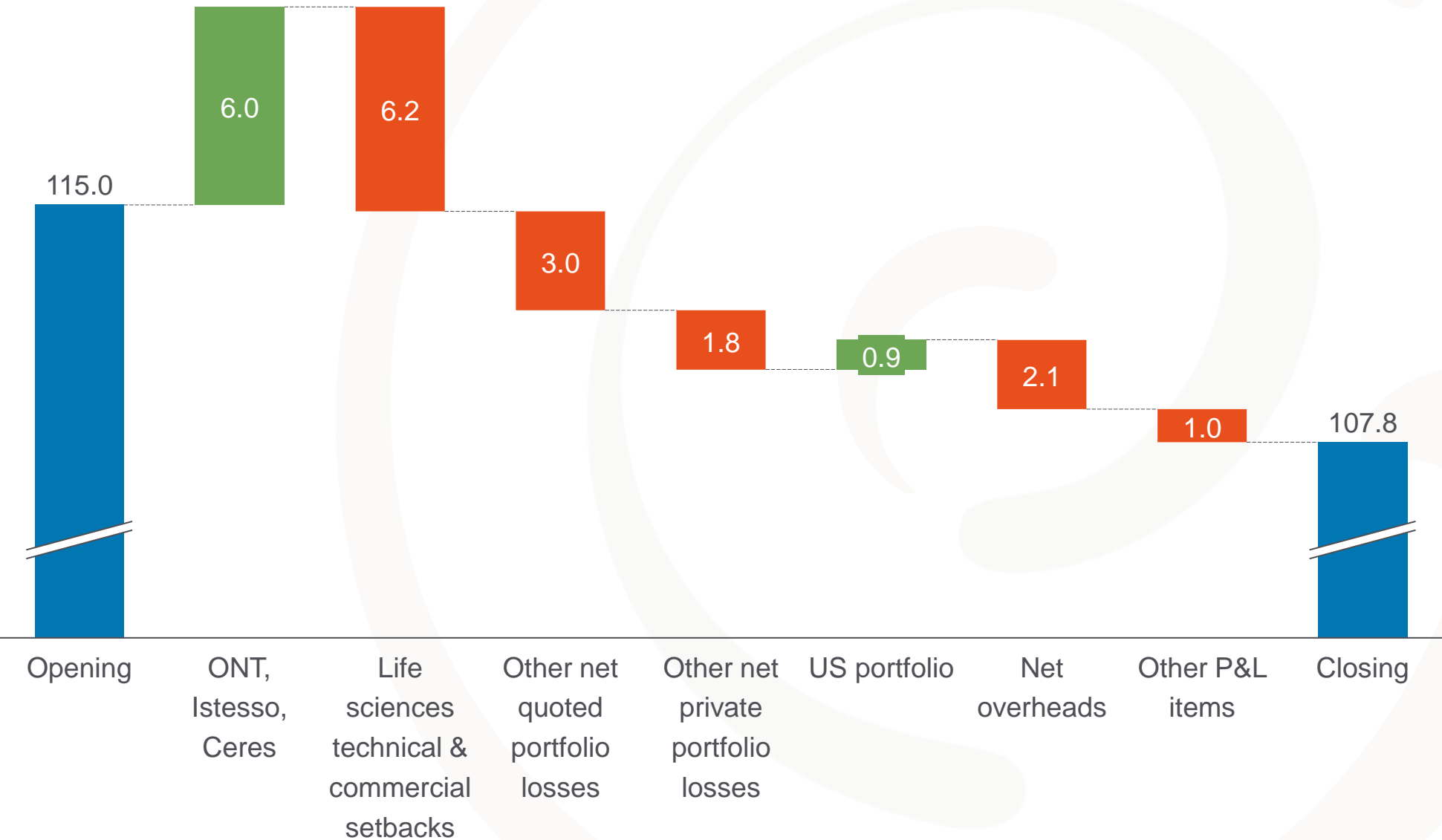


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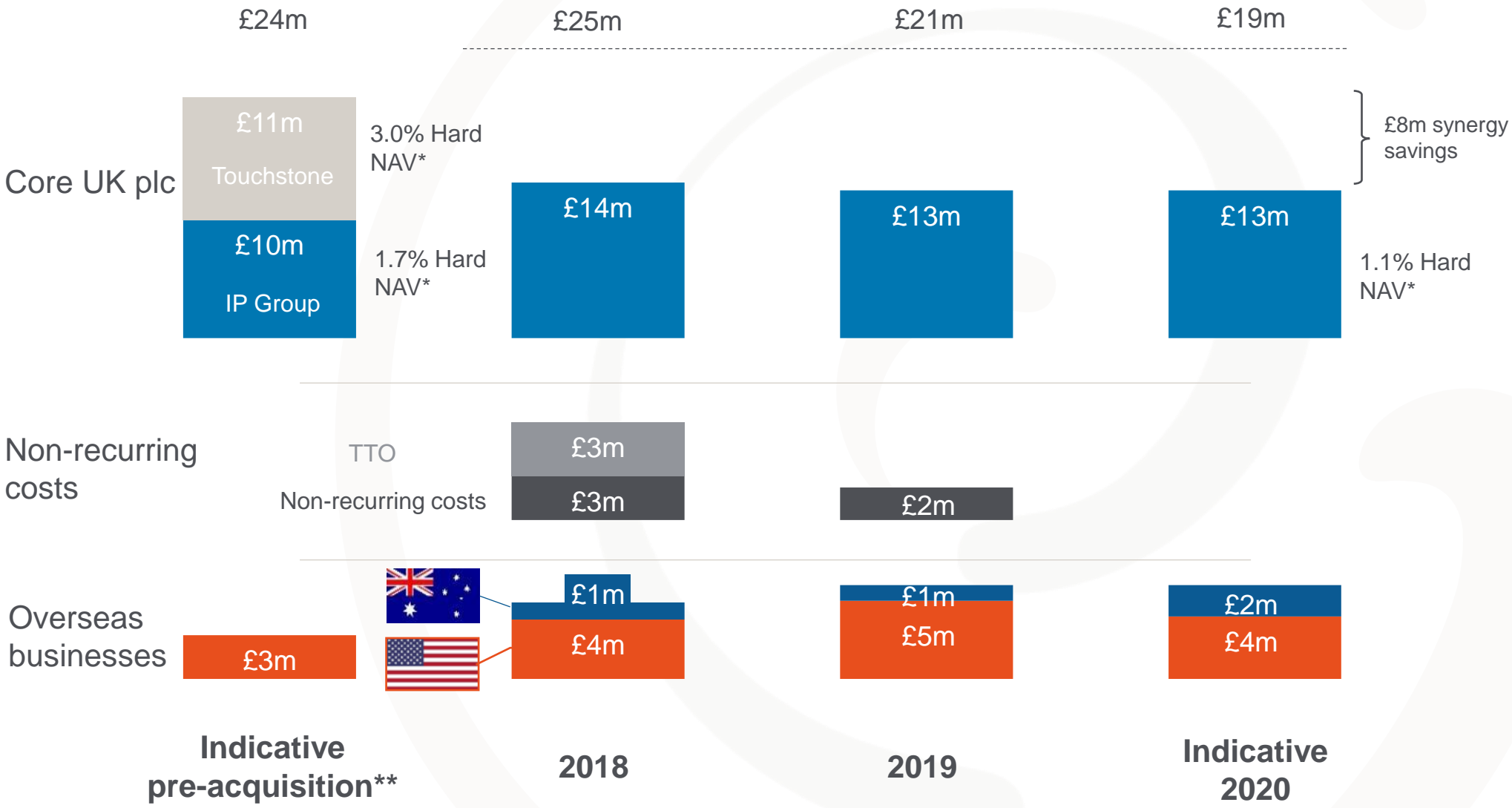
Results

Evolving GREAT IDEAS into WORLD-CHANGING businesses

# Results: Hard NAV per share waterfall



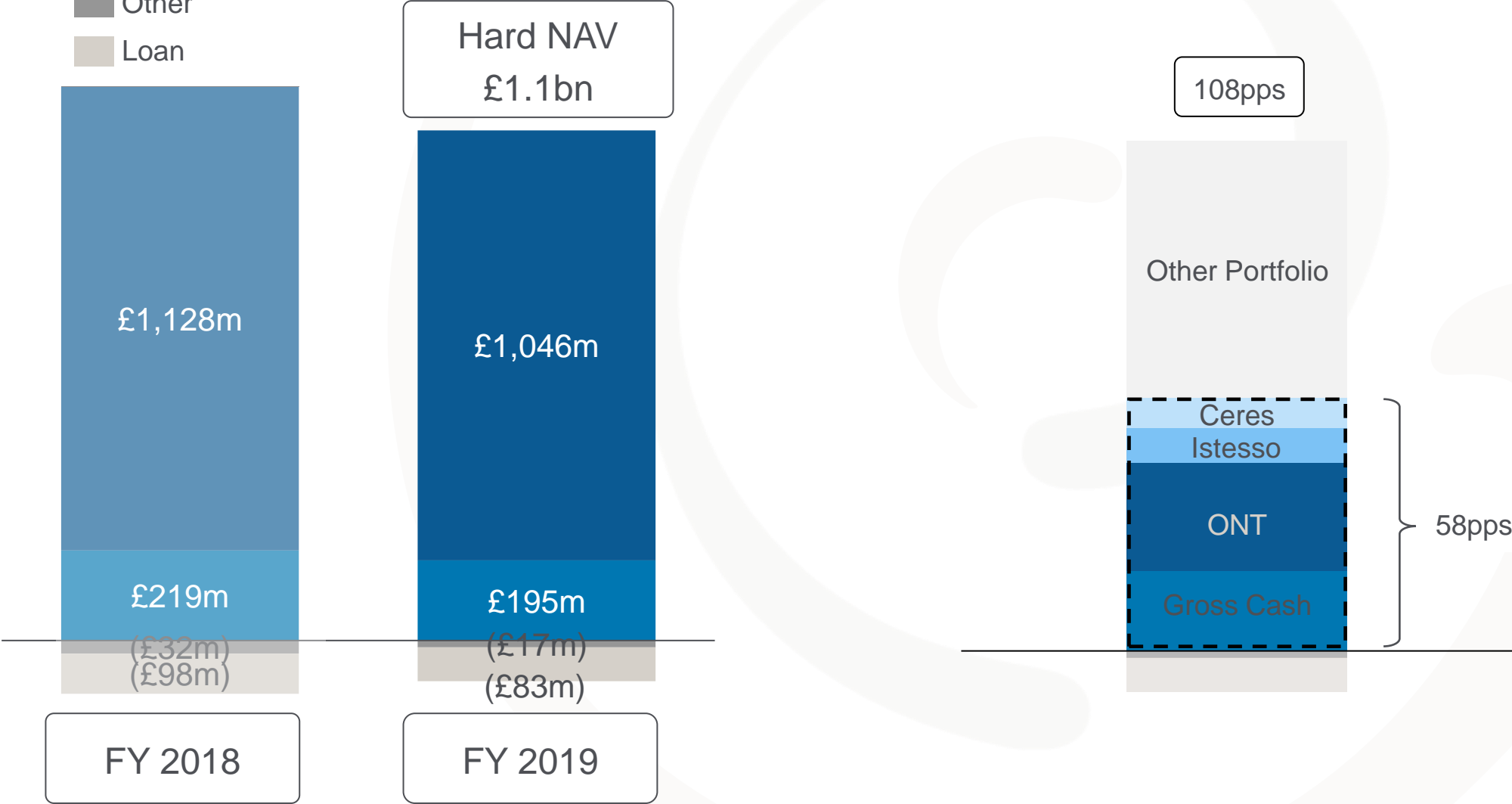
# Results: net overheads



\* Net operating costs as a % of opening Hard NAV (excluding US/Australian portfolio NAV), Touchstone Hard NAV stated using fair value of portfolio as restated.  
 \*\* Indicative pre-acquisition represents 12m run-rate basis for IP Group and Touchstone using last published results. Reflects other income less other administrative expenses excluding annual bonus costs, consolidated portfolio company costs and IFRS3 acquisition costs.

# Results: net assets

- Portfolio
- Cash and deposits
- Other
- Loan



# Results: cash flows

	2019 (£m)	2018 (£m)
A Operations		
Core Business	(22.2)	(25.5)
Working capital changes	14.1	7.8
	(8.1)	(17.7)
B Portfolio		
Investments	(64.7)	(100.9)
Realisations	79.5	29.5
Consolidated portfolio company costs	(5.4)	(2.6)
LPs and other	(8.0)	(4.6)
	1.4	(78.6)
Cash flow before financing	(6.7)	(96.3)
C Financing/Acquisitions		
Issue of equity	2.9	-
EIB Facility servicing	(17.4)	(8.0)
Deferred acquisition costs & other	(2.9)	(3.0)
<b>Net cash flow</b>	<b>(24.1)</b>	<b>(107.3)</b>
Opening Cash & Deposits	219.0	326.3
<b>Closing Cash &amp; Deposits</b>	<b>194.9</b>	<b>219.0</b>

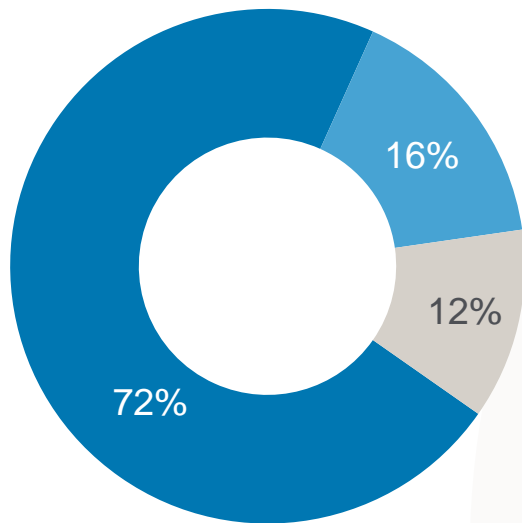


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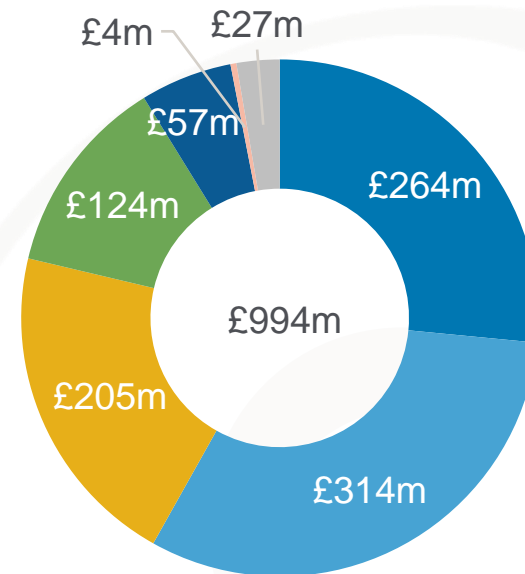
Portfolio

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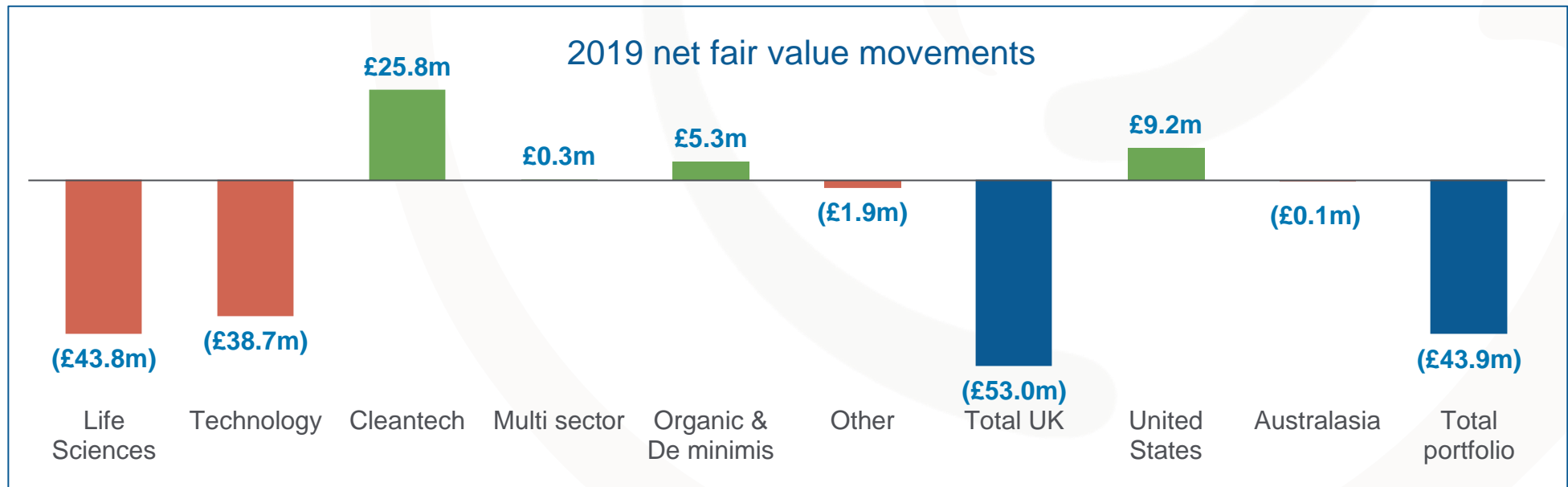
# Portfolio summary



■ Top 20 holdings  
■ Focus  
■ Other



■ ONT  
■ Life Sciences ex. ONT  
■ Technology  
■ Cleantech  
■ US  
■ Australasia  
■ Multi Sector





# ONT: strong growth continues

## Strong market drivers



- RT Step ~ 1 hr
- PCR ~ 3 hr
- Add Barcodes ~ 1.5 hr
- Add Adapter ~ 30 m
- Sequence ~ 1 hr
- Analyse ~ 1 hr

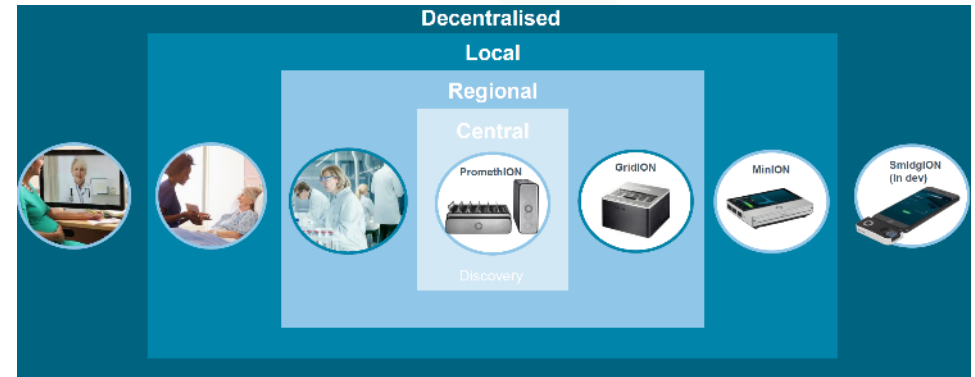
**8 hr**

RNA to answer

**Bill Gates** @BillGates  
 Fascinating... Nextstrain uses genetic data from viruses to help scientists track the spread of disease outbreaks. b-gat.es/2n71cPE

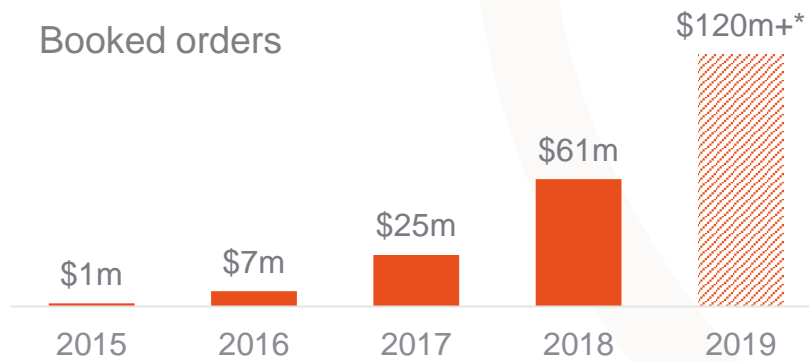


## Analysis of any living thing by anyone anywhere



## Strong growth continues

Booked orders



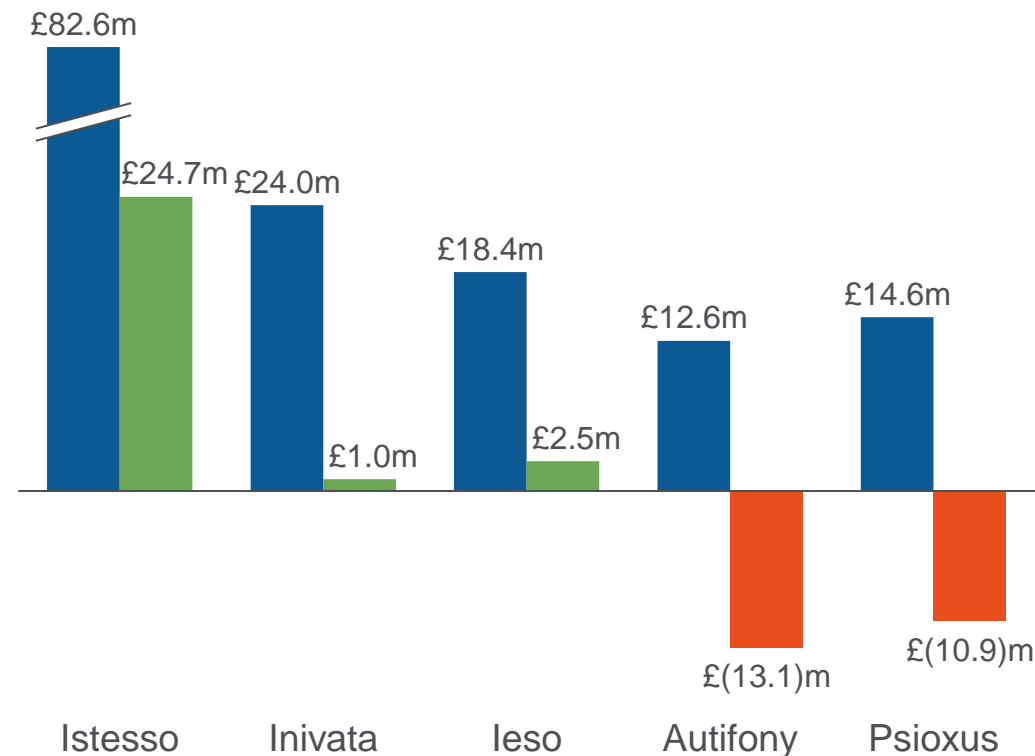
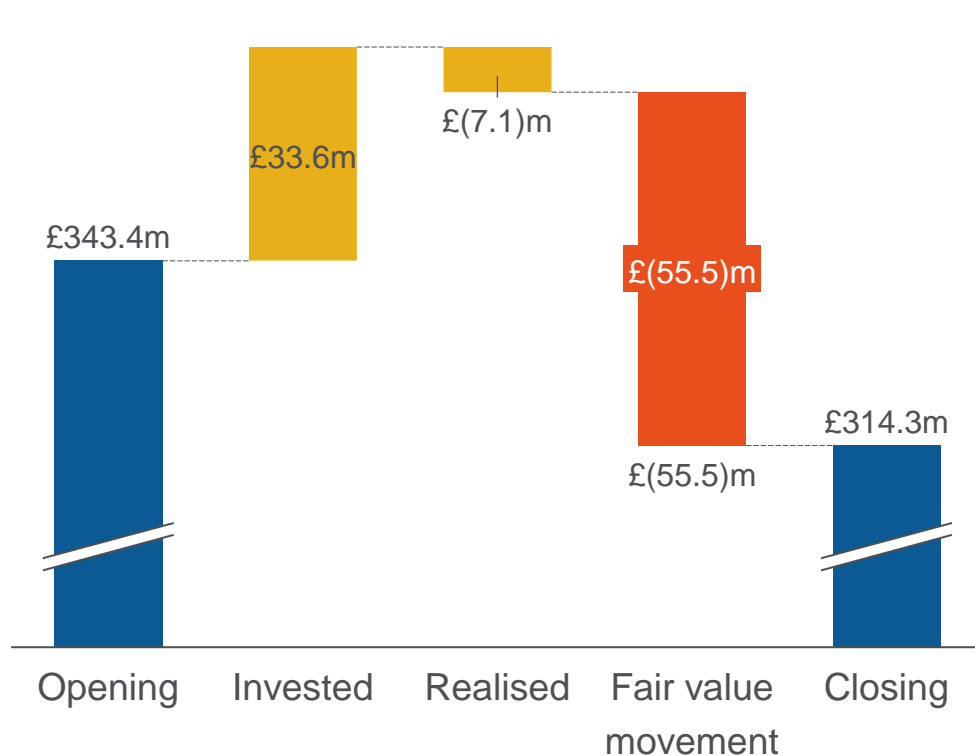
5

## Innovation



\* 2019 reflects management's current expectation for booked order intake

# Life Sciences Portfolio – Excluding ONT



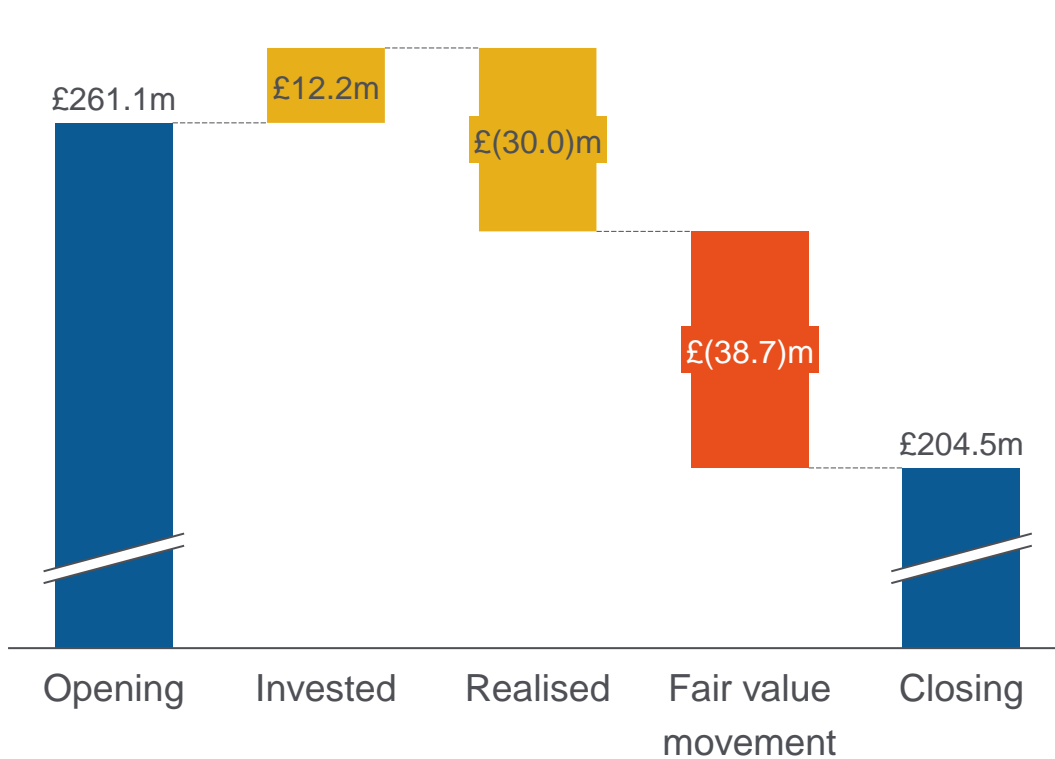
## 2019 Key Events

- Financing, partnering and technical setbacks experienced by **Autifony**, **PsiOxus**, **Topivert**, **Creavo** and **Cell Medica**
- **Istesso** announced positive headline data from its investigational drug for rheumatoid arthritis
- **Diurnal** filed applications for Alkindi in the US and Chronocort in Europe
- **Pulmocide** generated promising data from its novel agent for treating fungal infection from lung transplant

## 2020 Expectation

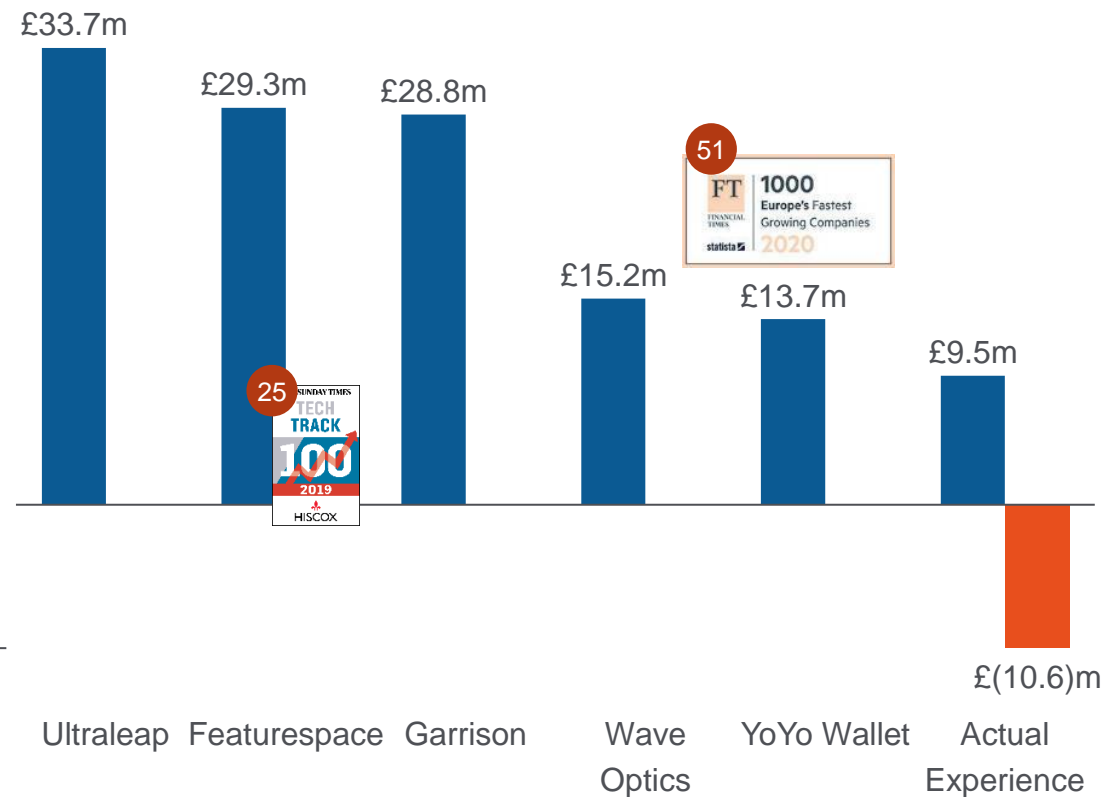
- Continued rationalisation to result in a smaller, more focussed but diverse portfolio, each company with 'NASDAQ potential'
- Potentially value-enhancing inflection points for several companies, including **Diurnal**, **Microbiotica** and **PsiOxus**

# Technology Portfolio



## 2019 Key Events

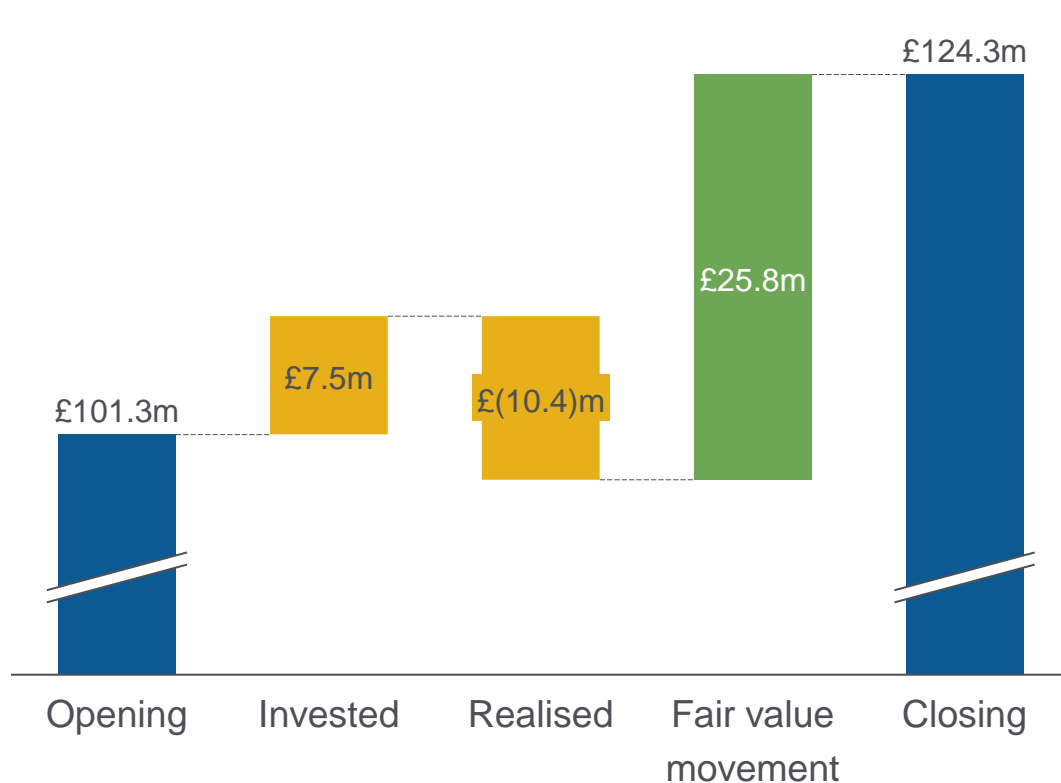
- Sale of **PSE**, generating £13.8m proceeds
- **Ultraleap** acquisition of Leap Motion
- **Featurespace** and **Yoyo** strong revenue growth
- Significant fair value reductions: **Actual Experience**, **Econic**, **Impression**



## 2020 Expectation

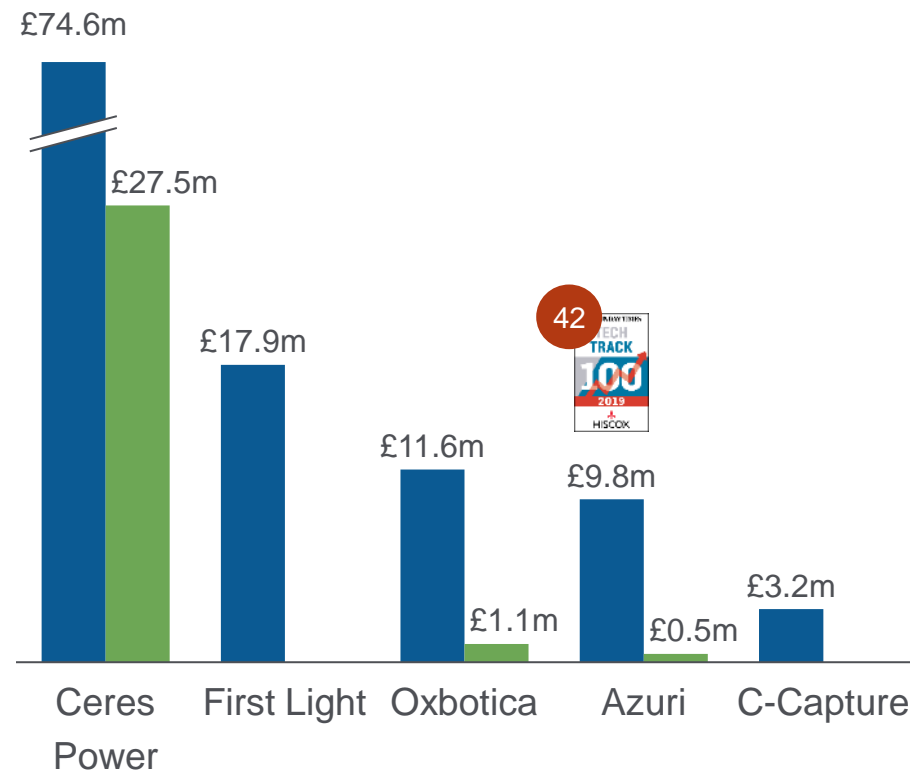
- **Featurespace** revenue growth
- **Ultraleap** commercial success
- **Wave Optics** partnering and commercial progress

# Cleantech Portfolio



## 2019 Key Events

- **Ceres Power** £8m strategic partnership with Doosan, New fuel cell manufacturing factory, Weichai milestone
- Sale of **Dukosi**, generating £10m proceeds (£5m deferred)
- **C-Capture** £2m round led by BP Ventures and Drax Research & Innovation, and £5m government grant
- **First Light** built 'machine 3' but fusion not (yet) achieved



## 2020 Expectation

- **Ceres Power** £78m investment from Bosch, taking holding to c.18%, IPG £22m proceeds
- **First Light** reactor will be fully operational, and significant modelling advancements
- **Oxbotica** progressing commercial partnerships



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Summary

Evolving GREAT IDEAS into WORLD-CHANGING businesses

# Summary

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# Appendices

# 1 - Board

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**Sir Douglas Flint**  
Non-executive Chairman

Previously Group Chairman of HSBC, spent 15 years as HSBC's Group Finance Director, joining from KPMG where he was a partner



**Alan Aubrey**  
Chief Executive Officer

Corporate finance background (partner KPMG)  
Deep expertise of building technology businesses  
Co-founder Techtran Group Ltd; bought by IP Group



**David Baynes**  
Chief Operating Officer

Finance and venture background  
Co-founder Fusion IP plc.; bought by IP Group



**Greg Smith**  
Chief Financial Officer

Accounting background  
Previously KPMG and \$3bn fund of hedge funds



**Mike Townend**  
Chief Investment Officer

Capital markets background  
Previously MD European Equities, Lehman



**Angela Leach**  
Company Secretary & Group Legal Counsel

Background in corporate, commercial and IP law  
Previously CMS Cameron McKenna and Memery Crystal



**Professor David Begg**  
Senior Independent Director

Professor of Economics, Imperial College London. Former Economic policy advisor to the Bank of England and Visiting Professor at M.I.T.



**Dr Elaine Sullivan**  
Non-executive Director

27 years' international pharmaceutical industry experience including Eli Lilly and AstraZeneca



**Heejae Chae**  
Non-executive Director

CEO of AIM-listed Scapa Group plc, a global supplier of products for healthcare and industrial markets



**Dr Caroline Brown**  
Non-executive Director

Background in corporate finance, advising global corporations and governments. Experience in managing early stage companies in energy and tech sectors.



**Aedhmar Hynes**  
Non-executive Director

Background in communications advising brands through digital transformation and technology disruption. Ranked among the 'PR Week' 50 most powerful communications professionals in the world.

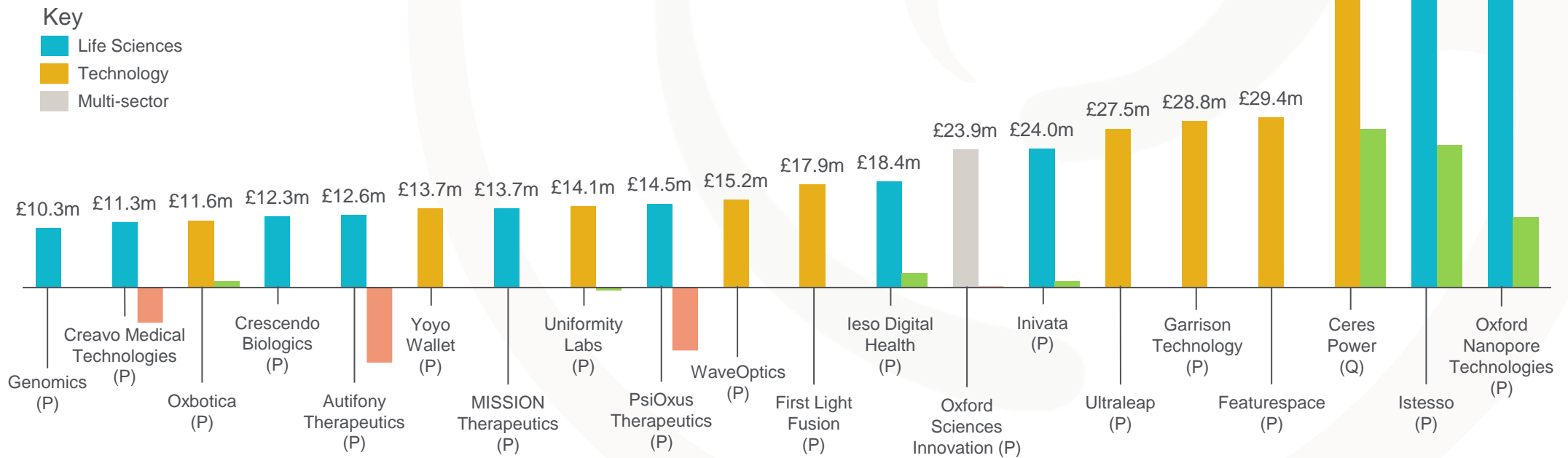


# 2 - IP Group's history



# 3 – Top 20 Holdings & fair value movement in FY 2019

Category	Life Sciences		Technology		Total		
	No	IPG FV (£m)	No	IPG FV (£m)	No	IPG FV (£m)	% of total
Top 20	10	463.5	9	232.8	19	696.3	70.0%
Multi-sector platforms					1	23.9	2.4%
<b>Total</b>					<b>20</b>	<b>720.2</b>	<b>72.4%</b>
<b>Total %</b>		<b>46.6%</b>		<b>23.4%</b>			



## 4 – Shareholder register

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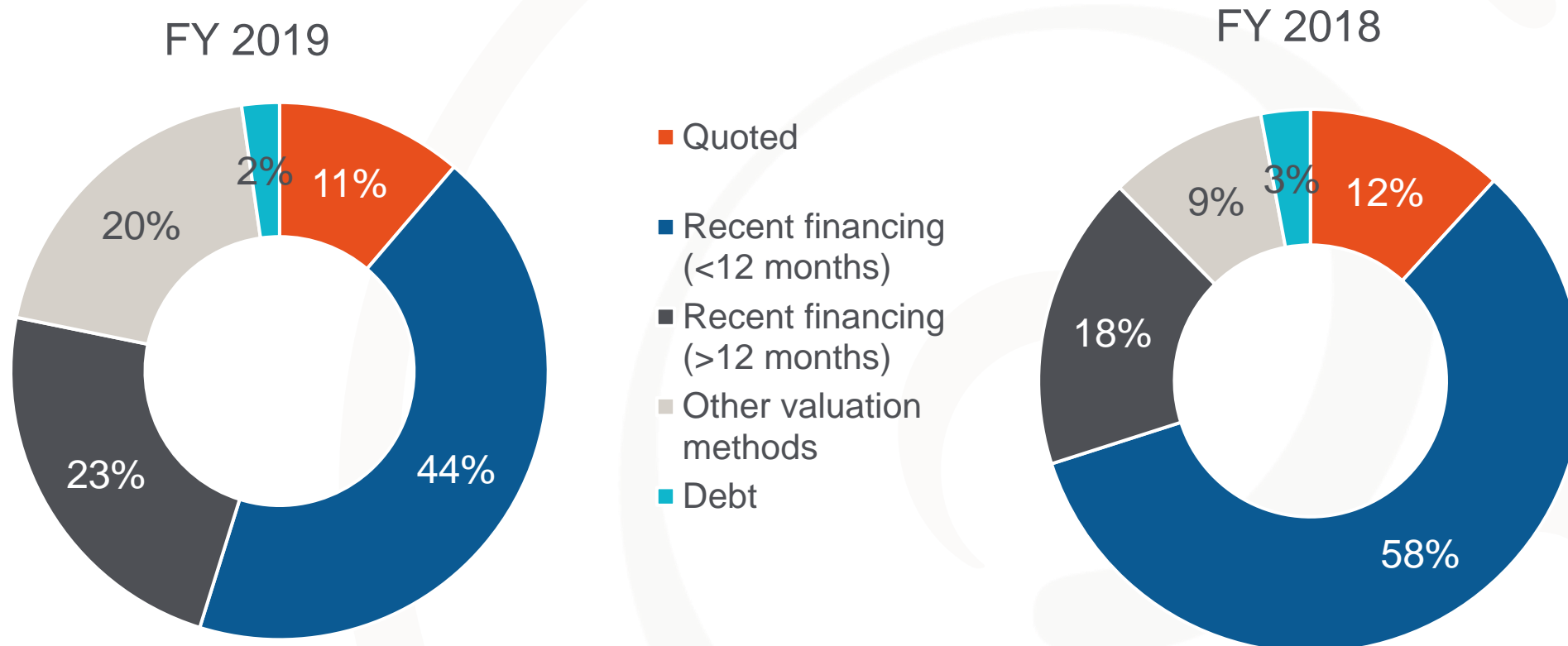
<b>Shareholder</b>	<b>% holding</b>
Invesco	16.5%
RPMI Railpen	15.3%
Lansdowne Partners	10.4%
Imperial College	5.2%
Baillie Gifford	4.5%
Lombard Odier	2.7%
TelstraSuper	2.5%
SocGen	2.5%
Legal & General Investment Management	2.4%
BlackRock	2.2%
<b>Total</b>	<b>64.3%</b>

As at 29 Feb 2020

## 5 – Summary income statement

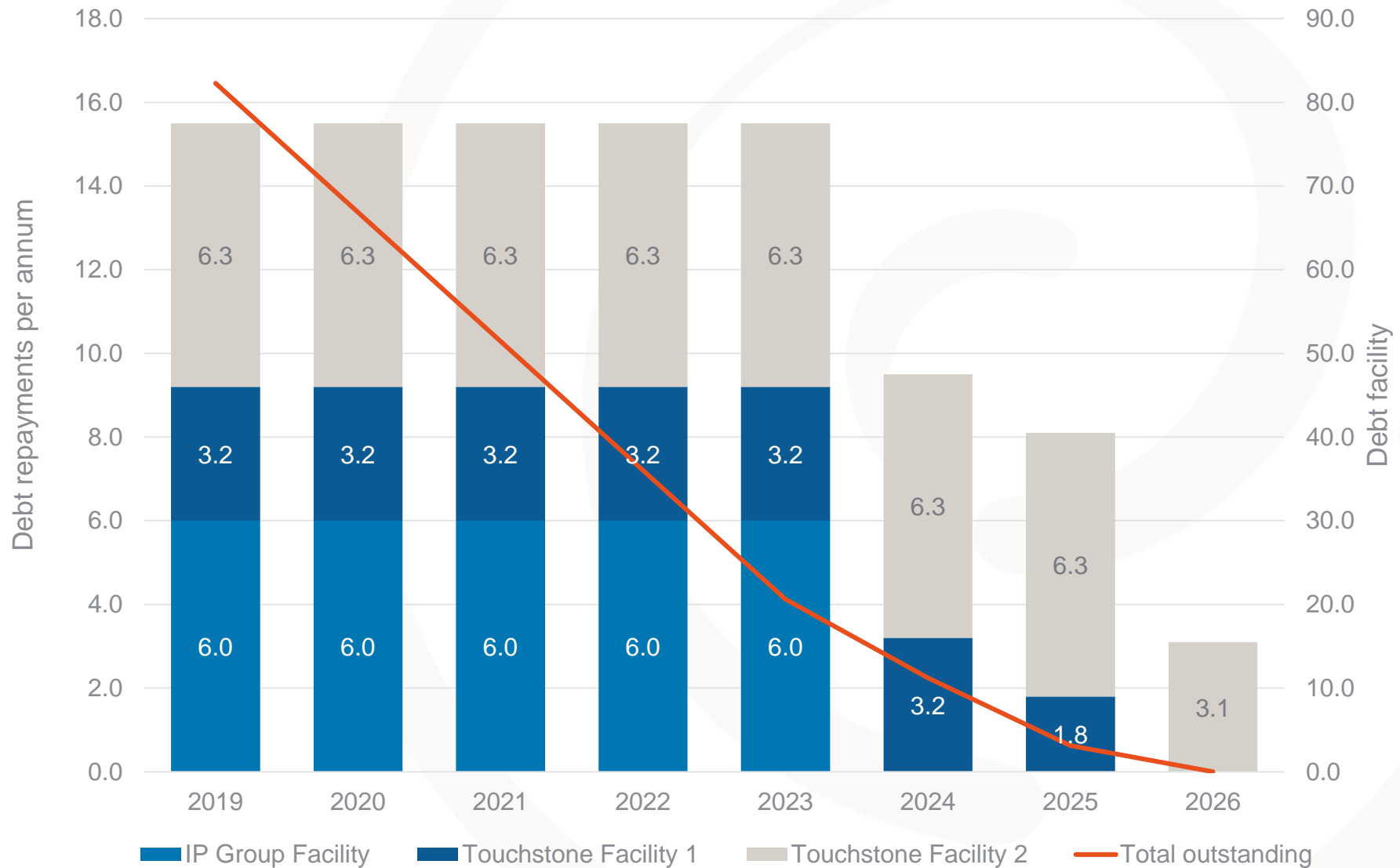
	2019 (£m)	2018 (£m)
<b>A Core business</b>		
<b>Movement in portfolio value including funds</b>	<b>(44.6)</b>	<b>(46.1)</b>
Income	8.6	9.9
Overhead (incl. incentives)	(31.2)	(35.9)
<b>Net operating costs</b>	<b>(22.6)</b>	<b>(26.0)</b>
Incentive costs (non-cash)	(1.0)	(0.8)
Consolidated portfolio company costs	(5.4)	(2.6)
<b>Loss from core business</b>	<b>(73.6)</b>	<b>(75.5)</b>
<b>B Non-operating and non-recurring items</b>		
Acquisition & restructuring costs including IFRS3 charge	(2.5)	(3.3)
Amortisation	(0.3)	(213.1)
Net interest	(2.4)	(1.8)
Taxation	(0.1)	(0.1)
<b>Loss after taxation</b>	<b>(78.9)</b>	<b>(293.8)</b>

## 6 – Portfolio valuation approach



- Group seeks to use observable market data as the primary basis for determining asset fair values where possible (bid price, recent financing rounds)
- Other valuation methods include: market-derived valuations adjusted to reflect considerations including (inter alia) technical measures, financial measures and market and sales measures; discounted cash flows and price-earnings multiples.
- The Group engages third party valuation specialists to provide valuation support where appropriate.

# 7 – EIB debt repayment profile







## 8 – Portfolio Reconciliation; Net & Gross

	Number	IPG FV (£m)
ONT	1	263.8
Life sciences exc. ONT	41	314.3
Technology	41	204.5
Cleantech	16	124.3
Multisector	2	26.7
<b>Total UK</b>	<b>101</b>	<b>933.6</b>
US	23	57.1
Australasia	8	3.7
<b>Net portfolio</b>		<b>994.4</b>
<i>De minimis &amp; organic</i>		13.0
Attributable to third parties/revenue share		38.2
<b>Total gross portfolio</b>		<b>1,045.6</b>

### Notes






1. Calculated by reference to the Group's holding in portfolio companies grossed up to reflect total company value

# 9 – News from the top ten companies

Company	Group fair value/ shareholding	Recent news flow
	<b>£263.8m</b> <b>16.7%</b>	<ul style="list-style-type: none"> <li>• Involvement of technology in genomic surveillance of coronavirus, ships 200 MinION sequencers to China.</li> <li>• Appoints John O’Higgins (fomer CEO of Spectris) as NED</li> <li>• Raises aggregate investment of £109.5m in new investment and secondary share sales</li> <li>• Introduces GridION Mark 1, new factory in Oxfordshire comes online.</li> <li>• Strategic collaboration with China’s GrandOmics to deliver 100,000 affordable nanopore long-read human genomes.</li> </ul>
	<b>£82.6m</b> <b>56.4%</b>	<ul style="list-style-type: none"> <li>• Announces headline results of Phase 2a study of its investigational drug, MBS2320, in rheumatoid arthritis to assess safety and tolerability. The primary objective was achieved, and drug met with no drug-related adverse events.</li> <li>• Completed a second close, adding a further £4m to the £6m raised in December and bringing the total amount to £10m.</li> </ul>
	<b>£74.6m</b> <b>18.6%</b>	<ul style="list-style-type: none"> <li>• Appoints Warren Finegold (fomer Vodafone exec) as NED</li> <li>• Bosch increases equity shareholding in Ceres Power to c.18%, raises £38m</li> <li>• Announces the successful development of its first zero-emission combined heat and power (CHP) system, designed exclusively for use with hydrogen fuel.</li> <li>• Ceres &amp; Weichai complete first prototype range extender for Chinese electric buses.</li> <li>• Signs £8m collaboration with Doosan Corporation to develop a SOFC power system for the Korean commercial building market.</li> <li>• Trading update - revenue and other operating income for the year ended 30 June 2019 to be approximately £16.5m (ahead of mkt expectations).</li> <li>• First product launch from partnership with Japan's Miura Co.</li> </ul>
<b>FEATURE SPACE</b>	<b>£29.4m</b> <b>22.3%</b>	<ul style="list-style-type: none"> <li>• Ranked in Tech Track 100 of fastest growing private tech firms by sales.</li> <li>• Completes £25m fundraising led by Insight Venture Partners while MissionOG also participated as a new investor. Also supported by existing investors IP Group, Highland Europe, TTV Capital, Robert Sansom and Invoke Capital.</li> </ul>
	<b>£28.8m</b> <b>23.4%</b>	<ul style="list-style-type: none"> <li>• Hires security veteran, Colin Mckinty to lead US operations</li> <li>• Included in Tech Nation’s Future Fifty 2019 programme</li> <li>• Awarded as Technology Pioneer by World Economic Forum</li> </ul>



# 10 – News from the top ten companies (cont.)

Company	Group fair value/ shareholding	Recent news flow
	<p>£27.5m 22.6%</p>	<ul style="list-style-type: none"> <li>• Ultraleap technology integrated in systems by Varjo Technologies (industrial VR) and Pimax (consumer VR)</li> <li>• Joins The Khronos Group, an open consortium of leading hardware and software companies creating advanced acceleration standards, and started participating in the OpenXR™ Working Group</li> <li>• Ultraleap launches following merger of Ultrahaptics and Leap Motion</li> <li>• Completes oversubscribed £35m fundraising, led by Mayfair Equity Partners</li> </ul>
	<p>£24.0m 28.2%</p>	<ul style="list-style-type: none"> <li>• Co-founder and CSO Nitzan Rosenfeld to receive 2020 Cancer Researcher Award from the European Association for Cancer Research and Pezcoller Foundation</li> <li>• Collaboration with EORTC for Phase II non-small cell lung cancer (NSCLC) study</li> <li>• Publishes novel approach to predicting patient response to immune checkpoint inhibitors (ICI) in advanced non-small cell lung cancer (NSCLC).</li> <li>• Announces start of a randomized phase III clinical trial to evaluate time to appropriate treatment in patients with suspected metastatic lung cancer, using Inivata's InVisionFirst®-Lung liquid biopsy test compared to standard of care tissue biopsy.</li> <li>• Signs distribution agreement with IPS Genomix to provide cancer patients &amp; partners in the Middle East &amp; Africa with its InVisionFirst®-Lung and InVisionSeq™ liquid biopsy tests.</li> <li>• Positive results for prospective study in first-line metastatic NSCLC patients comparing InVisionFirst™-Lung to tissue comprehensive genomic profiling.</li> </ul>
	<p>£23.9m 3.2%</p>	<ul style="list-style-type: none"> <li>• In 2019, OSI invests further £58.2m into portfolio companies, leading on 32 investments</li> <li>• Total number of investments stands at 78 with a total portfolio value of £290.6m</li> <li>• NAV rises to 118p vs 116.1p, cash and deposits of £173.7m</li> <li>• Appoints Chris Chambers, long-time OSI board member and investor, as new Chair</li> </ul>
	<p>£18.4m 46.6%</p>	<ul style="list-style-type: none"> <li>• Joins Tech Nation's Future Fifty 2019 programme</li> <li>• Launches world's first AI-enabled mental health treatment platform</li> <li>• Launches clinical research trial to treat depression &amp; anxiety in patients with Type II Diabetes</li> </ul>
	<p>£17.9m 35.9%</p>	<ul style="list-style-type: none"> <li>• UKAEA confirms viability of First Light Fusion's concept at heart of fusion energy reactor design</li> <li>• Appoints GE's Andreas Lush as NED</li> <li>• Working with Mott MacDonald to produce a design vision for a commercial fusion reactor.</li> </ul>

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IP Group was set up with a mission to evolve great ideas, mainly from our partner universities, into world-changing businesses. We achieve this by systematically helping to create, build and support outstanding intellectual property-based companies.



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