



MARCH 2023

Valuations deep dive.



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contents.

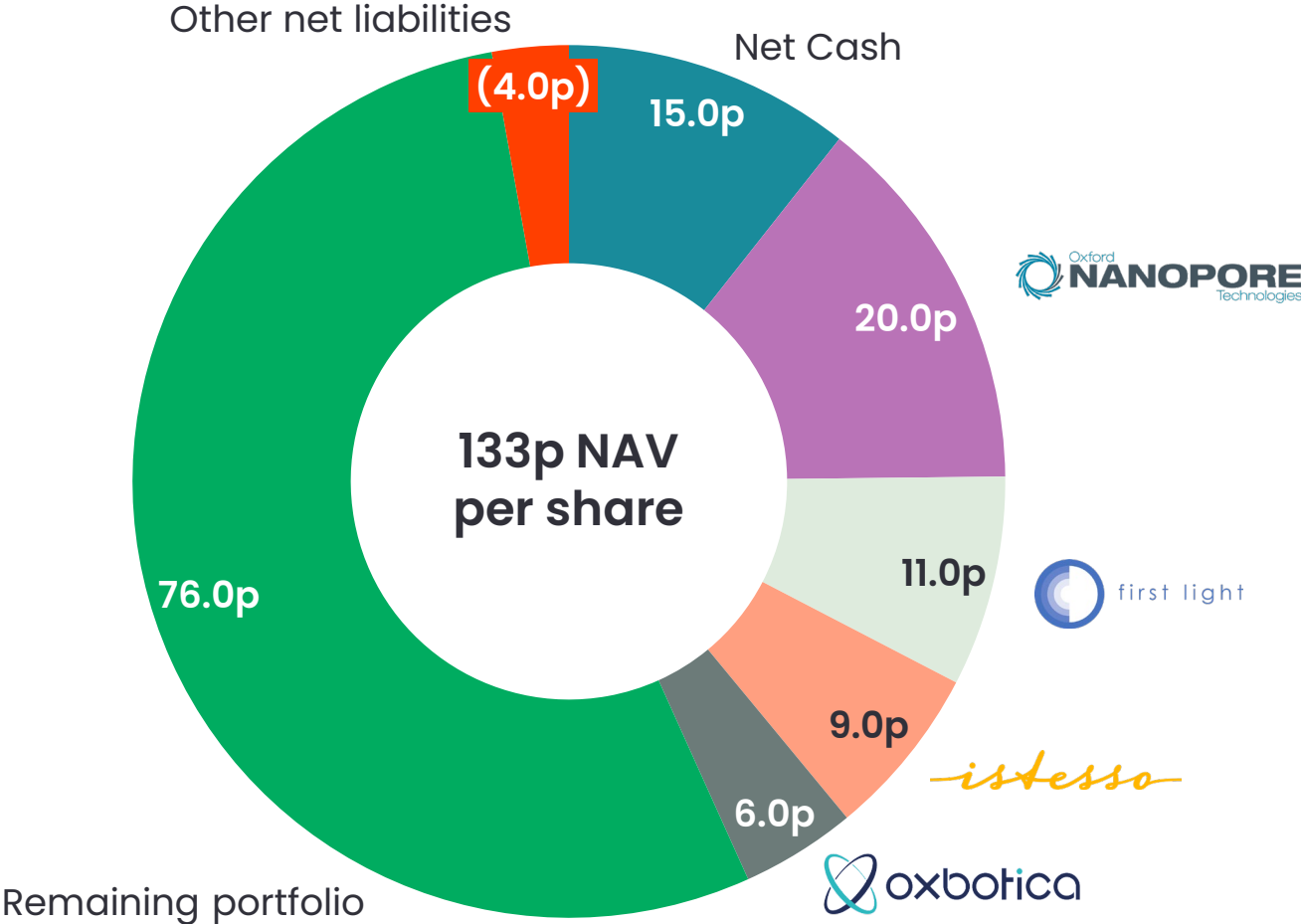
1. Introduction
2. Market context
3. IPG's valuation approach
4. Valuation disclosures
5. Valuation track record & summary



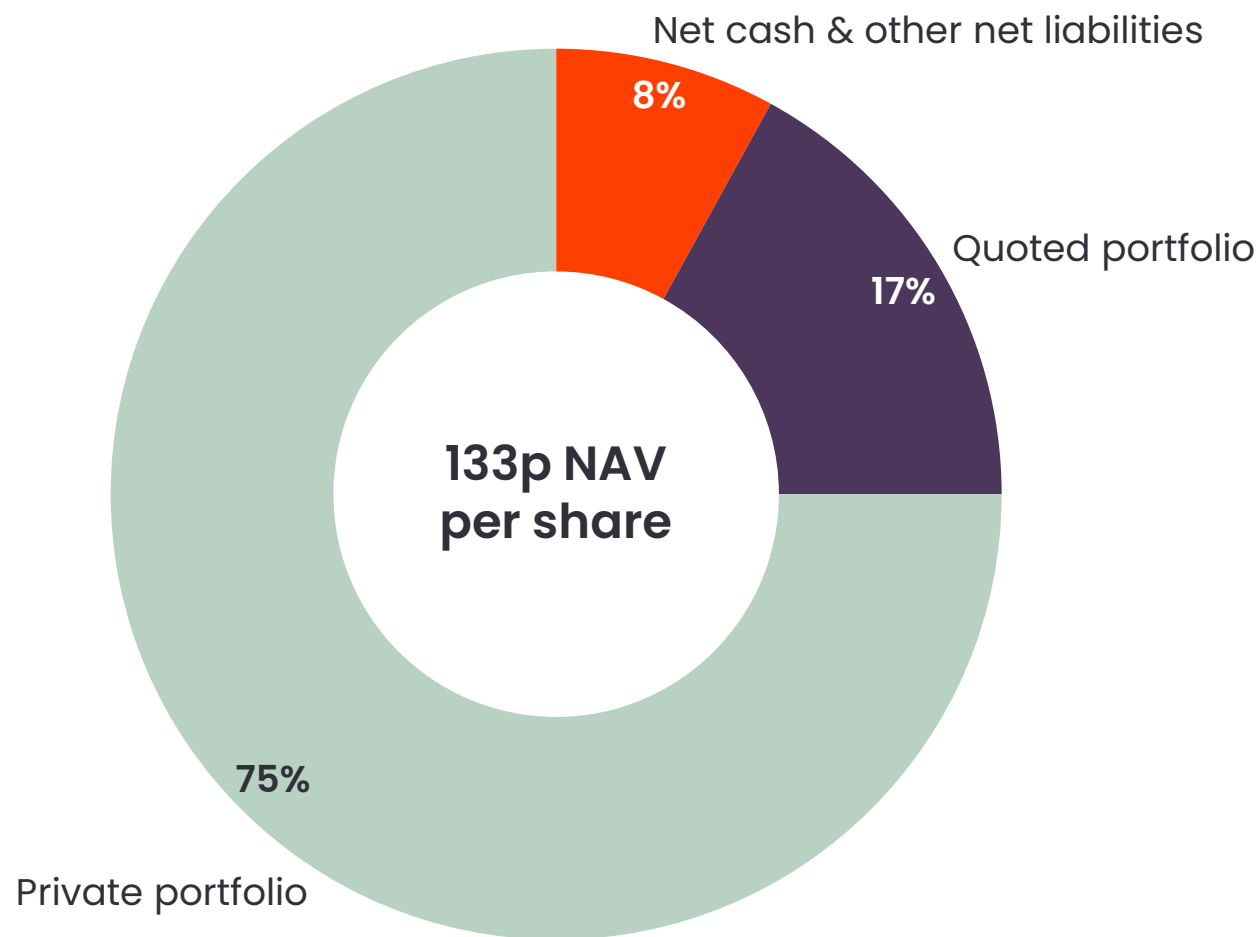
01.

Introduction

Discount to NAV.



Private portfolio valuations.





Key messages.

Thorough process incorporating best practice

Consistent, mildly cautious valuation approach

Realised gains on disposals provide evidence of cautious approach

Detailed, transparent accounts disclosures



02.

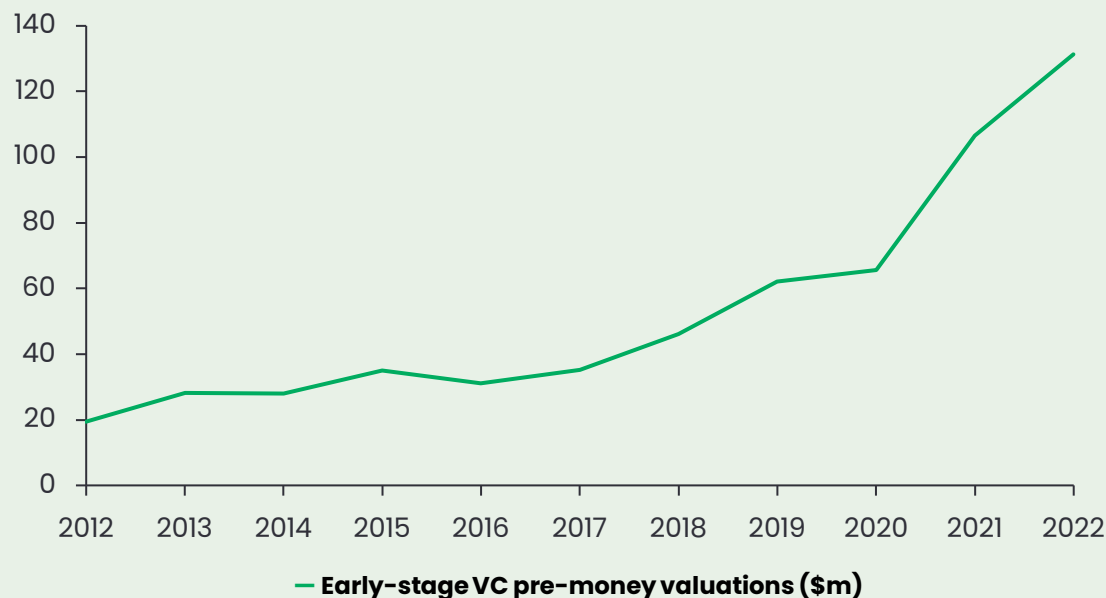
2022 market context

Pitchbook Annual 2022 US valuation report.

Early-stage valuations



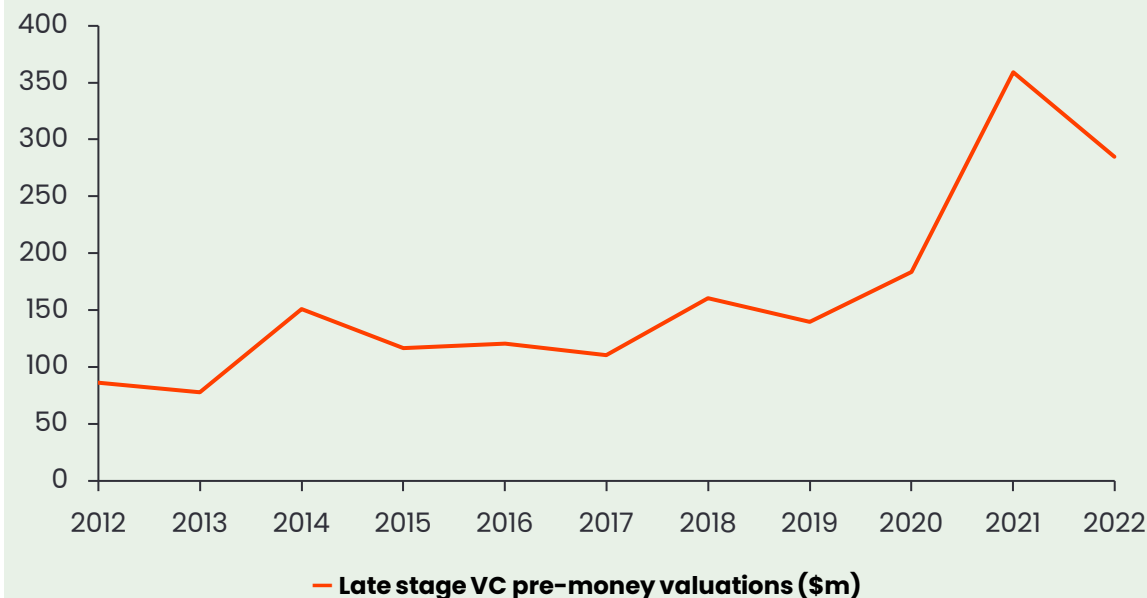
In their Q4/annual report, Pitchbook see the early stage financing valuations higher in 2022 than 2021, with some softening in the second half of the year



Late-stage valuations



Pitchbook see late stage financing valuations reducing from 2021 highs, although still above 2020 levels and with a wide dispersion of values indicating strong companies can still raise at higher valuations



Pitchbook Annual 2022 US valuation report: Sector Performance.

Within the thematic areas we operate in, valuations in Cleantech and Life Sciences were strong in 2022, with some weakness in Tech sub-sectors

Sector	Performance ¹	Relevance to IPG?
Cleantech	↑	High
Life Sciences	↑	High
Tech: Fintech	→	Low
Tech: Enterprise ²	↓	High
Tech: Consumer	↓	Low

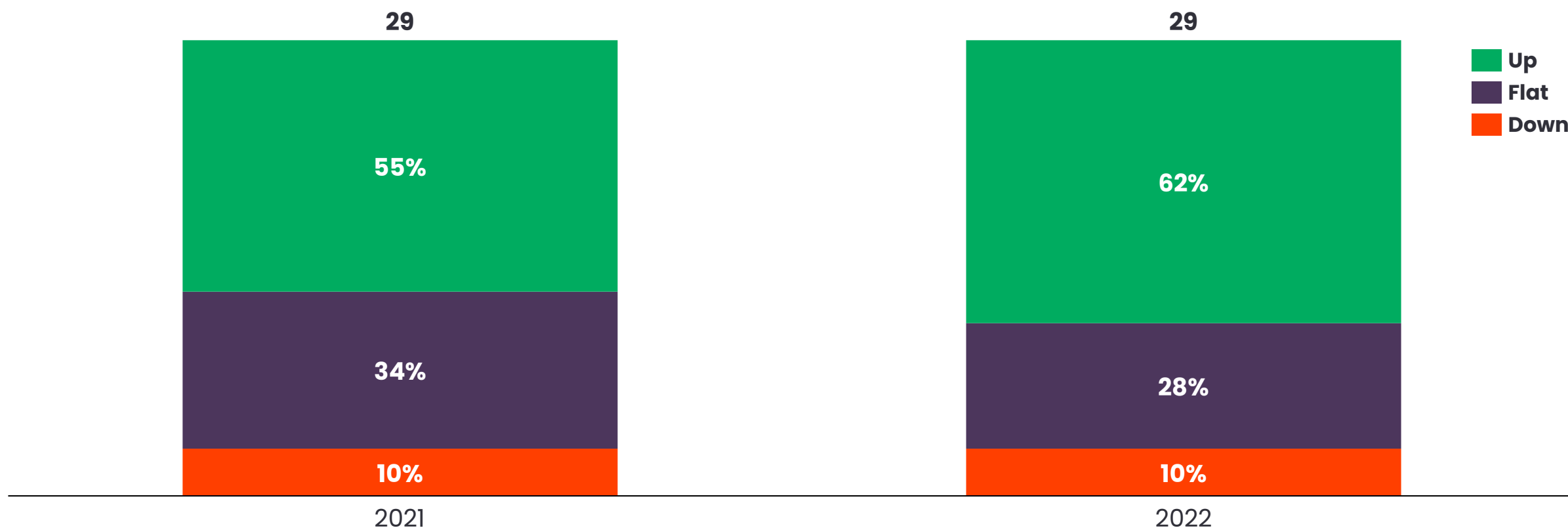
Source: Pitchbook

¹ Aggregate year on year change in valuations across venture growth, late stage, early stage and seed stages

² Enterprise tech comprises pursuing a business-to-business model

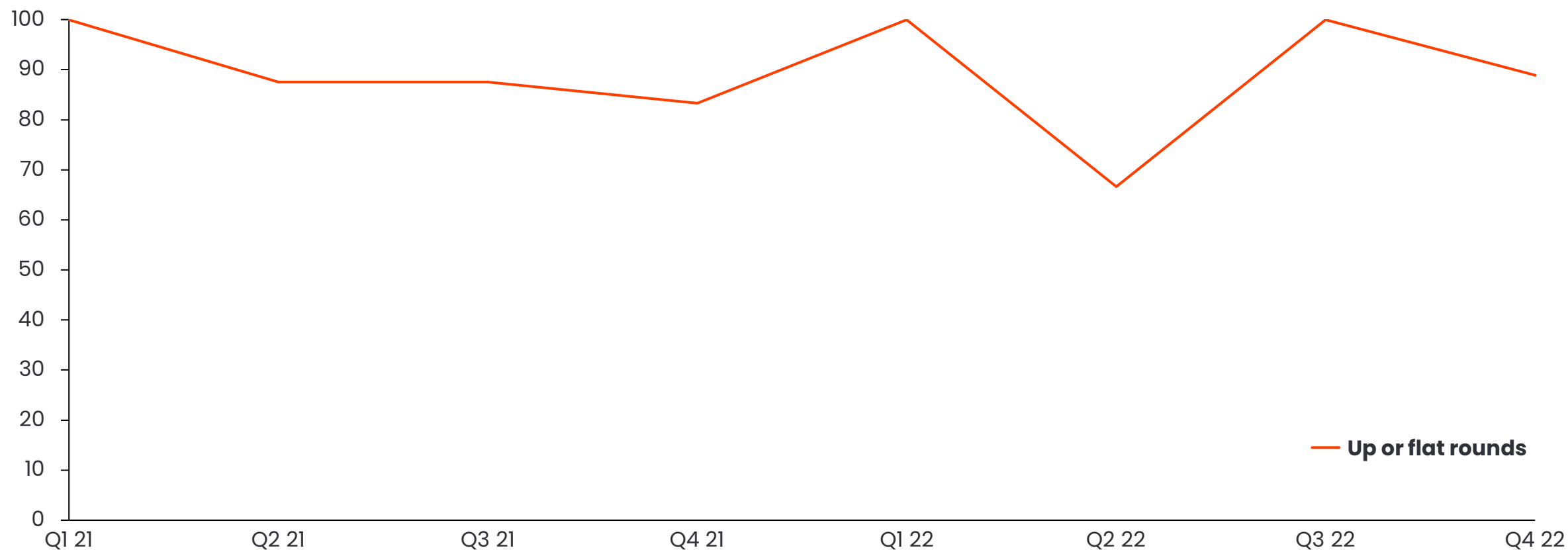
IPG portfolio in context.

Outcomes of funding rounds in our portfolio have been positive in 2022, with most taking place at higher or flat valuations versus the previous funding round. The data is more positive if expressed based on the value of IPG's investment in the companies in question



IPG portfolio in context.

There has been an obvious weakening in financing round values in the second half of 2022, with 100% of Q3 funding rounds taking place at a higher or flat valuation versus the previous funding round





03.

**IP Group's
valuation
approach.**

Fair value definition.

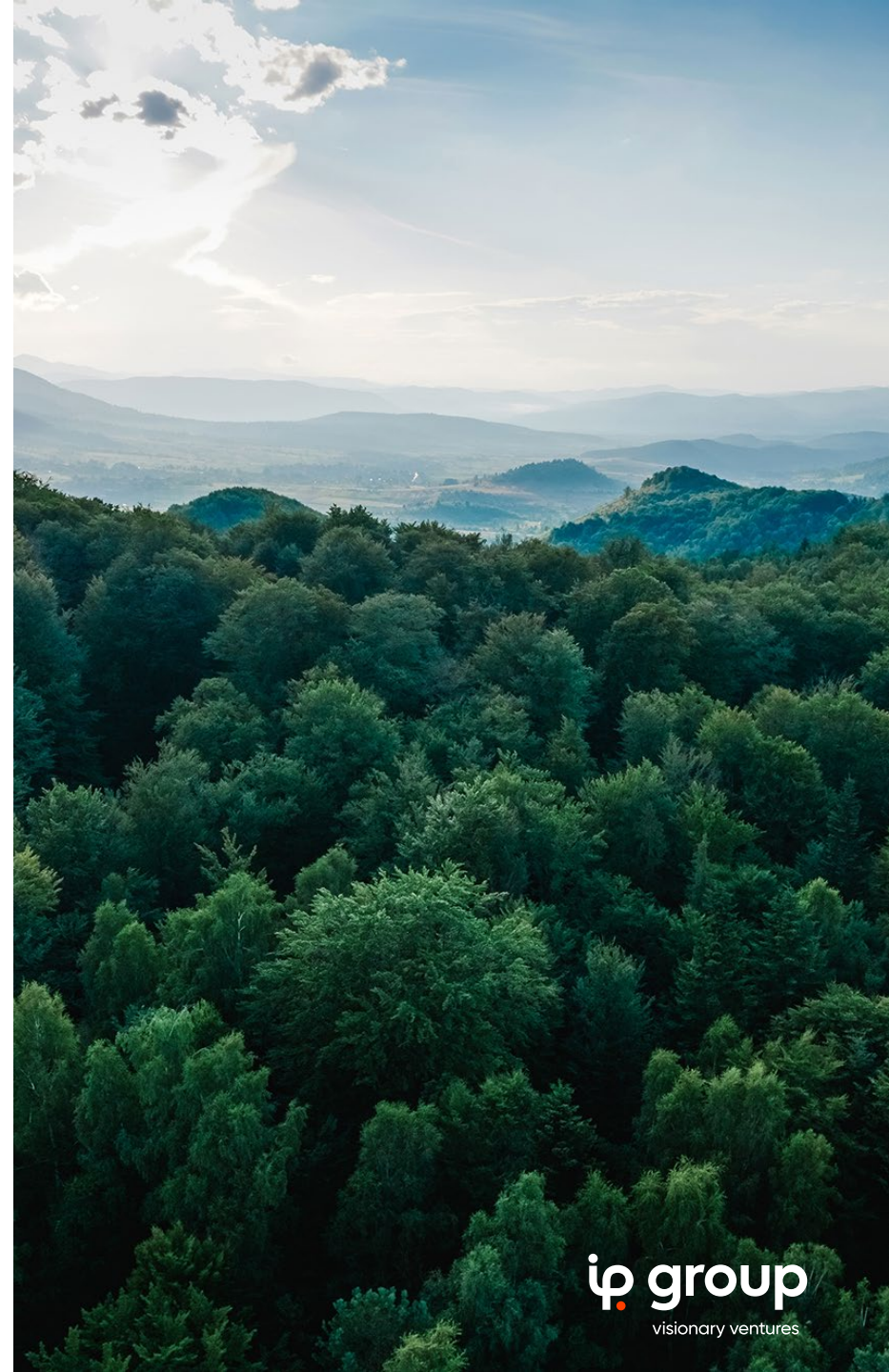
Fair value for accounting purposes is defined under **International Accounting Standards**, and expanded on within the **International Private Equity Valuation (IPEV)** guidelines which form the basis for market practice on valuations:

1.1

Fair Value is the price that would be received to sell an asset in an Orderly Transaction between Market Participants at the Measurement date.

1.2

A Fair Value measurement assumes that a hypothetical transaction to sell an asset takes place in the Principal Market or in its absence, the Most Advantageous Market for the asset.



Fair value definition.

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A Fair Value measurement assumes that a hypothetical transaction to sell an asset takes place in the Principal Market or in its absence, the Most Advantageous Market for the asset.



Fair value is an **estimate** based on a hypothetical transaction between market participants at the valuation date.

Our approach is aimed at arriving at a **best estimate** supported by as much relevant **evidence** as possible.

Valuation principles.



Thorough, well documented process



Use of multiple methods



Mildly cautious approach



Investment team input but are not responsible for valuations



Consistent application of policy



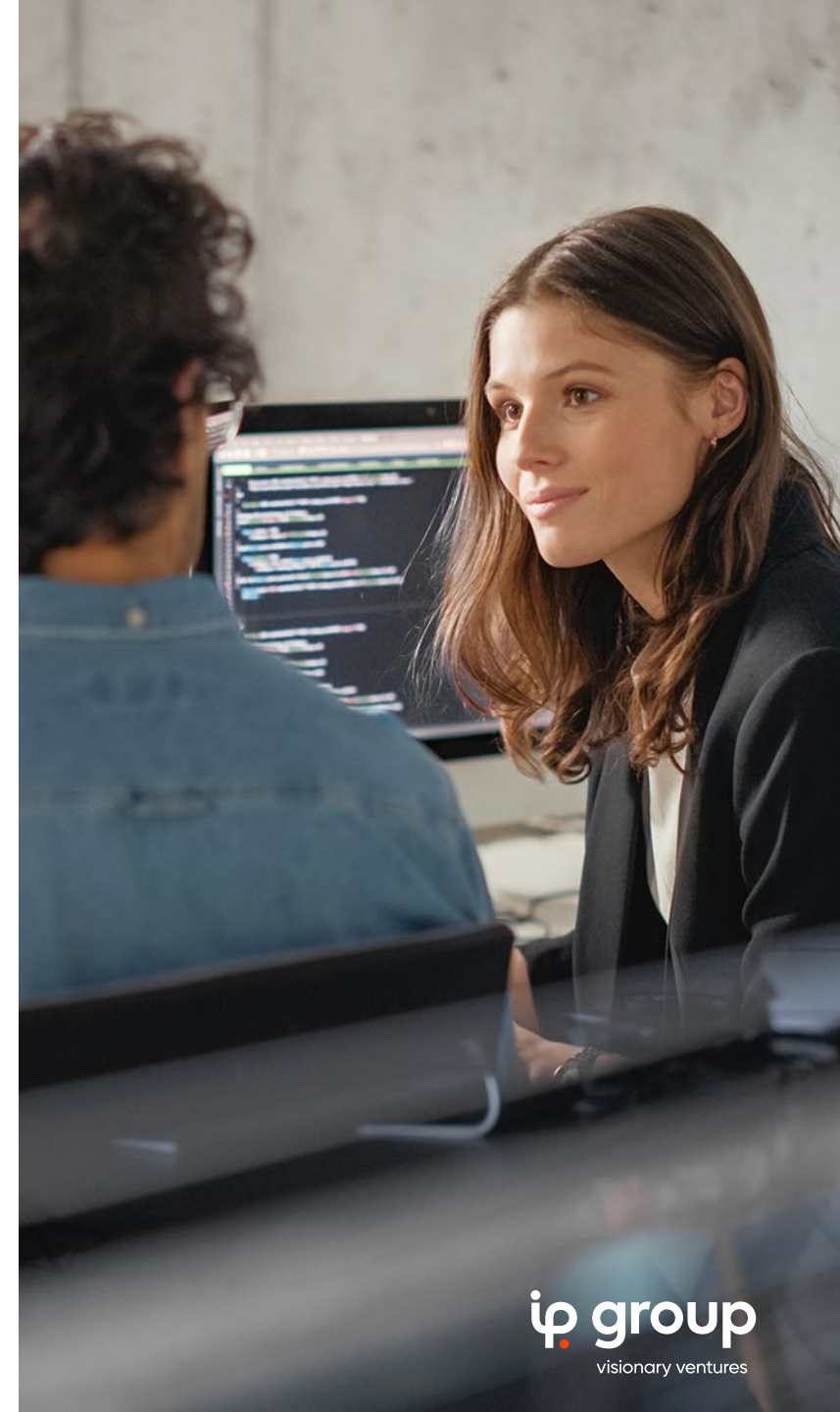
Multiple layers of challenge



Maximum use of market-based data



Transparent disclosure



Valuation principles.



Thorough, well documented process



Use of multiple methods



Mildly cautious approach



Investment team input but are not responsible for valuations



Consistent application of policy



Multiple layers of challenge



Maximum use of market-based data



Transparent disclosure

2022 Key stats*

301 internal valuations documented

18 external valuation reports

63 private valuation adjustments

4 valuation committees

4 audit & risk Committees

93% of portfolio value sampled for audit by KPMG

* Includes both Half-Yearly reporting and Annual Reporting processes

Valuation principles.



Thorough, well documented process



Use of multiple methods



Mildly cautious approach



Investment team input but are not responsible for valuations



Consistent application of policy



Multiple layers of challenge



Maximum use of market-based data



Transparent disclosure

● **Conservative approach**

* Includes Half-Yearly reporting and Annual Reporting processes

2022 Key stats*

301

internal valuations documented

18

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Consistent application of policy



Multiple layers of challenge



Maximum use of market-based data



Transparent disclosure

● Conservative approach ● Best practice elements

* Includes Half-Yearly reporting and Annual Reporting processes

2022 Key stats*

301

internal valuations documented

18

external valuation reports

63

private valuation adjustments

4

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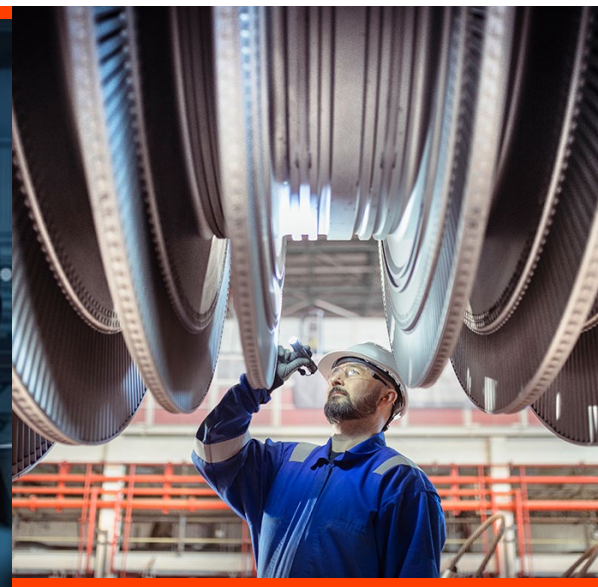
Our valuation capability.



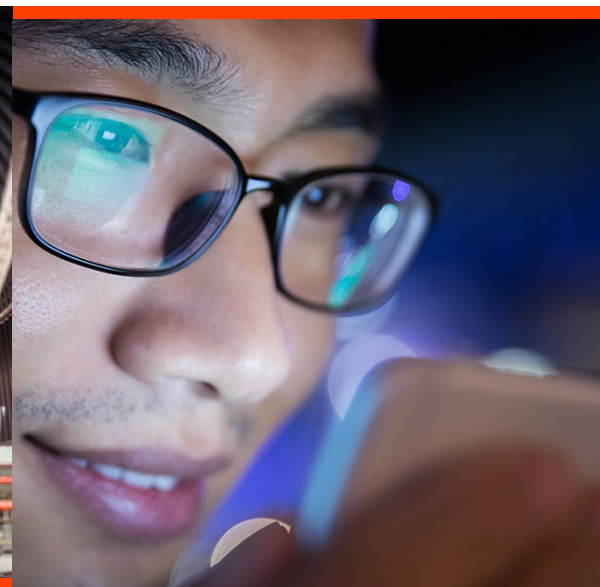
Longstanding expertise across our Board, investment and support teams



Close relationships with the majority of our portfolio companies giving us information and insight



Portfolio breadth by stage, sector and geography gives us an **extensive valuation dataset and history** to draw from



Plc **governance** and **risk management** processes

Valuation process.



PLANNING & RISK ASSESSMENT



Time since last funding round



Positive/negative milestones

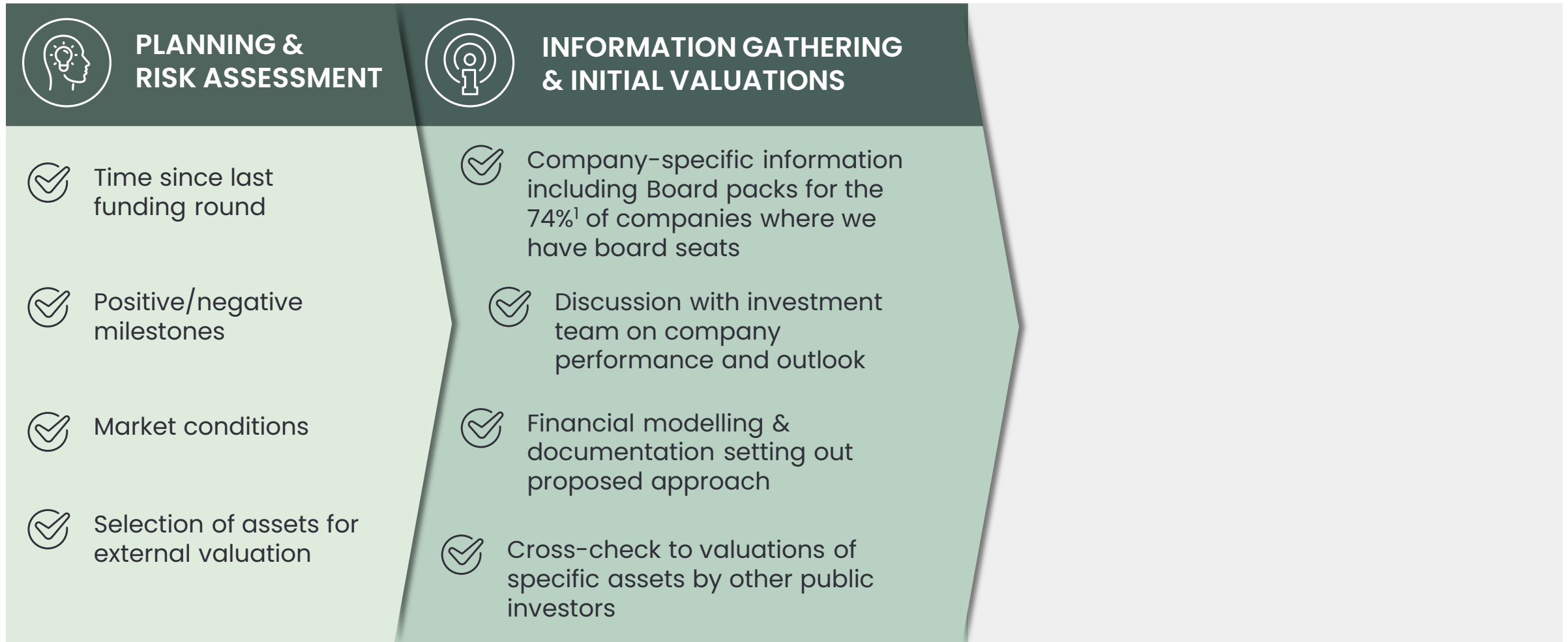


Market conditions



Selection of assets for external valuation

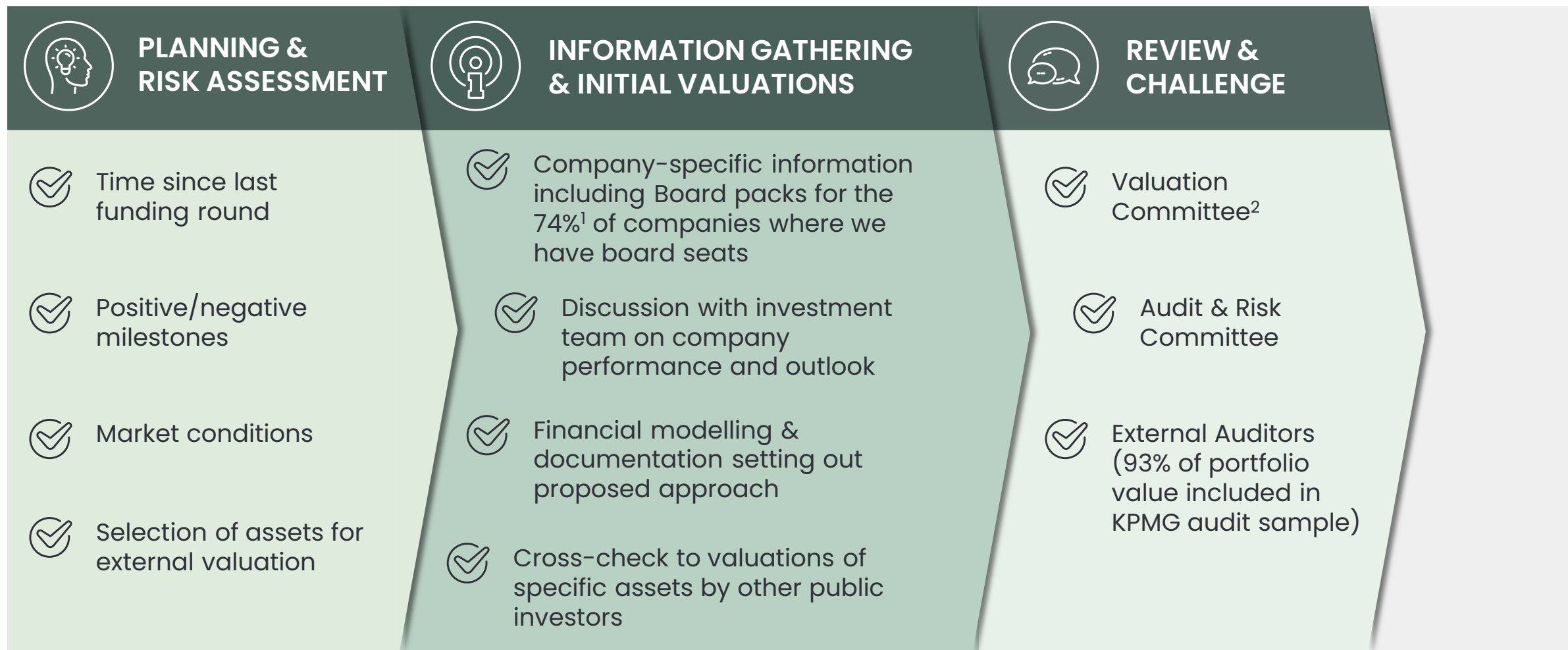
Valuation process.



¹ 74% of companies valued at > £5m

² Comprises CEO, CFO and Audit & Risk Committee Chair

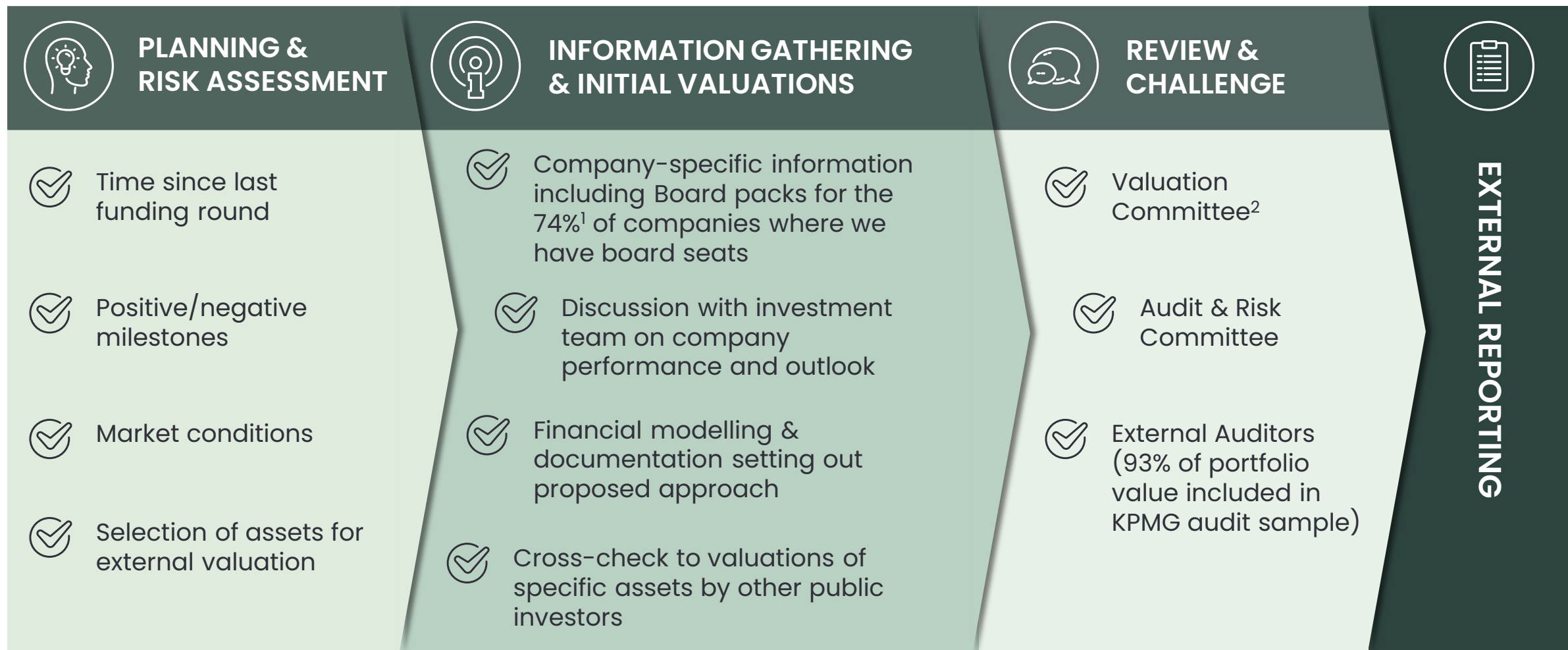
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Valuation process.



¹ 74% of companies valued at > £5m

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Use of external valuation specialists.



Used for larger, more subjective valuations



Kroll and Deloitte valued 10 of our largest companies at year end 2022



Valued at £481m or 47% of private portfolio

—
Independence

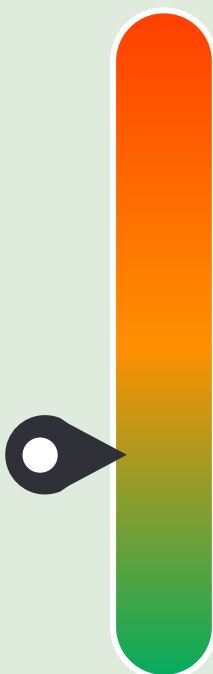
—
Market insight

—
Specialist technical expertise

Output

Our external valuation specialists provide a valuation range for each asset.

£442m
Total of selected points



£577m
Top of range

£485m
Middle of range

£392m
Bottom of range

Ranges above for equity investments only and do not include Istesso debt or LP interests

Relevant disclosures:



Top 20



External valuation ranges

Valuation approach.

Typical order of preference based on degree of market input ↓	Primary Approach	Description	Proportion of NAV
	Quoted market prices	Bid price at valuation date	17%
	Recent Financing	Last funding round price, without adjustment	30%
	Adjusted Financing	Valuation based primarily on recent financing price, adjusted upwards or downwards based on positive or negative performance	22%
	Future Market/ Commercial events	Near-term event, typically a funding round or exit which has documented terms but has not completed at the valuation date	3%
	Discounted Cashflow (DCF) Models	Estimate based on cashflow projections, probability and risk-weighted to the valuation date	7%
	Revenue Multiples	Estimate of company Enterprise Value based on actual or forecast revenue and a revenue multiple	6%

Valuation approach: recent financing.

Typically used when	Key Questions	Advantages	Other considerations
We have a recent financing and no indication that the valuation has changed subsequently	<ul style="list-style-type: none"> Is transaction at arms length including third party funding or distressed? Length of time since financing Is performance significantly positive/negative versus investment case? When is the next fundraising required? 	<ul style="list-style-type: none"> At least initially, will represent strongest market evidence for private valuations Early stage companies fundraise on a regular basis so recent fundraising data is often available 	<ul style="list-style-type: none"> Point at which recent financing is no longer appropriate is often subjective Preference structures can complicate application, although we have a standard PWERM approach to addressing this issue



30%

of NAV
(21% of which < 12 months)

Portfolio examples:



ieso

oxbotica

ip group
visionary ventures

Valuation approach: adjusted financing.

Typically used when	Key Questions	Advantages	Other considerations
We conclude that there has been a significant negative or positive change since the last financing and we have no alternative valuation technique to quantify the impact	<ul style="list-style-type: none"> Is performance significantly positive/negative versus investment case? Length of time since financing When is the next fundraising required? What metrics are available to help quantify the adjustment 	<ul style="list-style-type: none"> Underperformance and solvency risk can usually be readily evidenced Flexible and therefore capable of responding to changes in circumstances Models can be developed based on recent funding rounds to make adjustments less arbitrary 	<ul style="list-style-type: none"> We are typically cautious on using this approach to increase the value of assets Point at which recent financing warrants adjustment is often subjective The resulting change in valuation can be difficult to quantify precisely

* External valuation



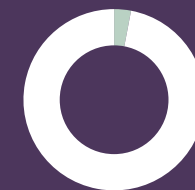
22%
of NAV

Portfolio
examples:



Valuation approach: future event.

Typically used when	Key Questions	Advantages	Other considerations
A significant event such as the sale of an investment, a fundraise or significant commercial deal which has documented terms is taking place but has not completed at the valuation date	<ul style="list-style-type: none"> • Nature of event e.g. fundraise/exit/commercial deal • How certain is the future event • How likely is it that the parameters will change • How strong is the evidence for the event 	<ul style="list-style-type: none"> • Allows incorporation of most up to date market-based evidence into the valuation • Prospective deal information may be much more relevant than, for example, the last financing price if significant time has elapsed 	<ul style="list-style-type: none"> • There may be a high level of uncertainty over the likelihood and value of the future event • Risk of overvaluing the asset if, for example, a potential deal is priced into valuation but then falls away • Care must be taken over cut-off



3%
of NAV

Portfolio examples:

In 2020:



(forthcoming financing completed Apr 21)

Valuation approach: discounted cashflow.

Typically used when	Key Questions	Advantages	Other considerations
A therapeutic company has achieved a value inflection point (positive trial data, pharma partnership)	<ul style="list-style-type: none">• Accuracy of cashflow forecasts (easier if deal parameters are known)• Accuracy of probabilities such as clinical trial success rates• Selection of appropriate discount rate	<ul style="list-style-type: none">• Typically only used for therapeutic assets given more quantifiable inputs• Market data may be available on recent deal transactions for therapeutic assets• Straightforward to quantify and understand sensitivity of valuation to inputs	<ul style="list-style-type: none">• Outside therapeutic assets it is typically difficult to provide market evidence to support inputs.• Even where market data is available there is typically a high degree of subjectivity around selection of inputs

* External valuation



7%
of NAV

Portfolio
examples:

*istesso**

Valuation approach: revenue multiples.

Typically used when	Key Questions	Advantages	Other considerations
Portfolio companies in full commercial rollout, without suitable recent financing	<ul style="list-style-type: none">• Selection of appropriate revenue metric (historic, forecast etc)• Choice of comparable company set and selection of multiple	<ul style="list-style-type: none">• Actual & forecast revenue data typically readily available• Some industries (e.g. software) see relatively standard multiples	<ul style="list-style-type: none">• Availability of appropriate comparable companies difficult/judgmental• Not typically appropriate to use for earlier stage companies

* External valuation



6%

of NAV

Portfolio examples:

FEATURE^{*}
SPACE

Valuation approach: statement from LP.

Typically used when	Considerations
We have a holding in an LP fund, rather than managing companies directly	<ul style="list-style-type: none">• For our LP fund holdings, the fund manager carries out their own valuation process in respect of the investment portfolio and provides a statement setting out the value of the Group's holdings• These are audited in their own right (typically in arrears)• Our valuation process includes the review of these reports to ensure we believe the methodology and specific valuation assumptions on material fund holding are appropriate• Where we deem it necessary, we source independent valuation advice on the specific underlying portfolio companies• Based on the outcome of external valuation work we will adjust LP statements downwards if necessary



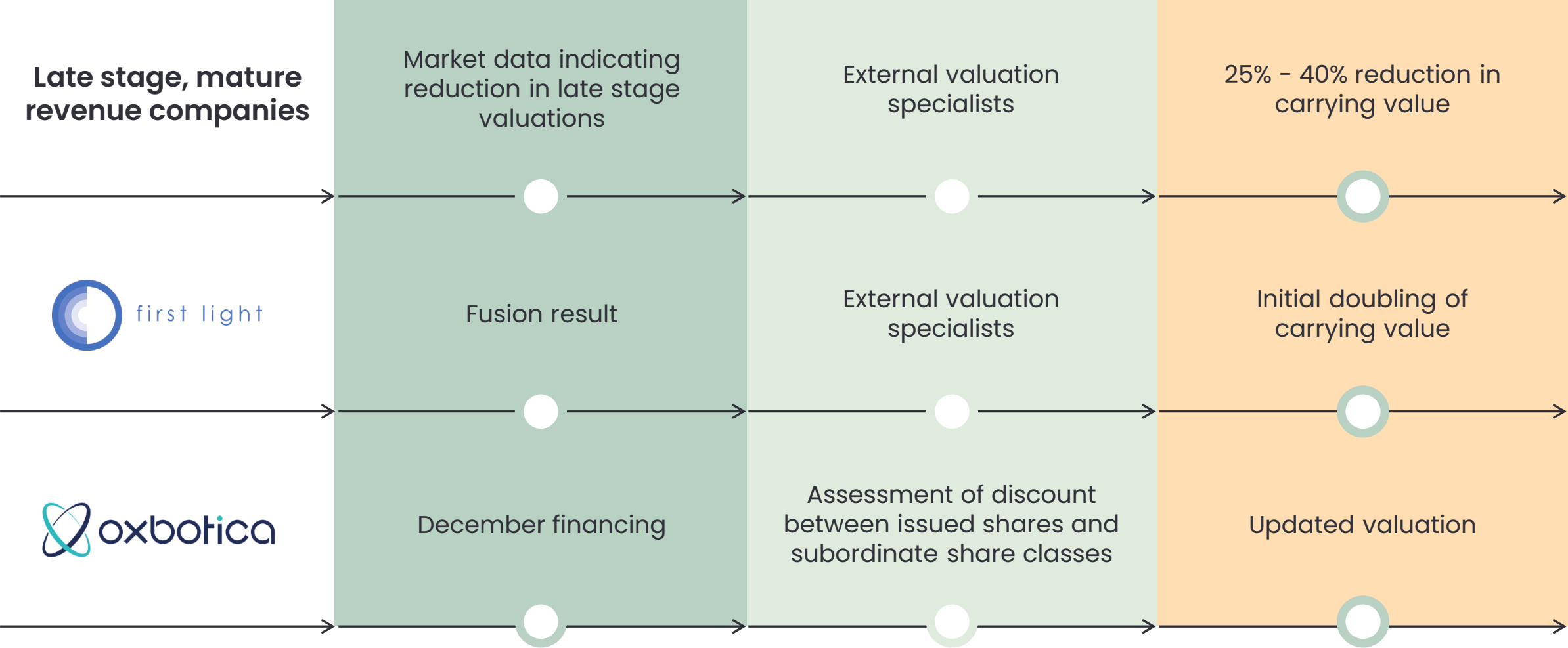
7%
of NAV

Portfolio examples:

IPG Cayman LP (the group's US platform)

UCL Technology fund

Practical application.





04.

Valuation disclosures.

Valuation disclosures.

Alongside core financial reporting data disclosed in IP Group's Annual and Half-Yearly reports, there are a number of disclosures intended to provide additional transparency on the Group's valuation approach



Top 20 company data



Portfolio fundraise data



Portfolio valuation basis



External valuation ranges

Valuation disclosures.

Disclosure	Location in accounts	Key info contained	Suggested use
Top 20 company data	Portfolio review section Note 13	Investment movements % holding Valuation basis Use of third party valuation specialists	Additional analysis on specific portfolio company considerations

Portfolio review, ARA p23-37, RNS p12-17:

Company name	Description	Group Stake at 31 December 2022 ¹ %	Net investment/(divestment) £m	Unrealised + realised fair value movement £m	Fair value of Group holding at 31 December 2022 ¹ £m
First Light Fusion Limited	Solving fusion with the simplest possible machine	27.5	–	57.3	114.5
Oxbotica Limited	Software to enable every vehicle to become autonomous	12.1	4.2	45.4	65.9
Bramble Energy Limited	The fuel cell company with Gigafactories	31.5	9.5	3.5	20.7
Nexeon Limited	Silicon anodes for next generation lithium-ion batteries	5.5	(3.5)	8.4	16.3
Other companies (11 companies)			8.5	–	26.4
Total			18.7	114.6	243.8

Accounts Note 13, ARA p217, RNS p61:

Company name	Primary valuation basis	Fair value of Group holding at 31 Dec 2022 £m
Oxford Nanopore Technologies plc	Quoted bid price	205.5
First Light Fusion Limited	*Adjusted funding	114.5
Istesso Limited	*DCF	95.6
Oxbotica Limited	Recent financing (< 12 months)	65.9
Featurespace Limited	*Revenue multiple	64.1
Hinge Health, Inc.	*Adjusted funding	53.6
Ultraleap Holdings Limited	*Adjusted funding	37.9
Garrison Technology Limited	*Future market/commercial events	27.7
Ieso Digital Health Limited	Recent financing (> 12 months)	21.8
Akamis Bio Limited	*Adjusted funding	21.3
Bramble Energy Limited	Recent financing (< 12 months)	20.9
Oxford Science Enterprises plc	Recent financing (< 12 months)	20.6
Crescendo Biologics Limited	Recent financing (< 12 months)	18.7
Hysata Pty Ltd	Recent financing (< 12 months)	18.7
Artios Pharma Limited	Recent financing (> 12 months)	18.3
Mission Therapeutics Limited	*Recent financing (> 12 months)	18.1
Nexeon Limited	Recent financing (< 12 months)	16.6
Salt Pay Co. Limited	*Adjusted funding	16.5
Microbiotica Limited	Recent financing (< 12 months)	16.1
Oxular Limited	Recent financing (> 12 months)	15.9
Total		888.3

* Third-party valuation specialists used for 31 December 2022 valuation. In these instances, the valuation basis is management's assessment of the primary valuation input used by the third-party valuation specialist.

Valuation disclosures.

Disclosure	Location in accounts	Key info contained	Suggested use
Total portfolio capital raised	Portfolio review	Total capital raised Capital invested by entities linked to IPG	Understand portfolio funding context
Up/Down/Flat rounds	Financial review	Number and percentage of funding rounds at higher/flat/lower valuations vs. previous funding	Understand portfolio funding dynamics

Portfolio review, ARA p24, RNS p11:

	2022		2021	
Portfolio capital raised	£m	%	£m	%
IP Group ¹	89.8	9%	102.6	4%
IP Group managed funds ²	35.6	4%	9.9	0%
IP Group plc shareholders (>1% holdings)	24.9	2%	147.1	6%
Institutional investors	249.7	25%	648.4	27%
Corporate, other EIS, individuals, universities and other	364.0	35%	1,473.3	62%
Capital into multi-sector platforms	250.0	25%	25.1	1%
Total	1,014.0	100%	2,406.4	100%

Financial review, ARA p41, RNS p21:

	Year ended 31 December 2022		Year ended 31 December 2021	
	No.	%	No.	%
Up round	18	62%	16	56%
Flat round	8	28%	10	34%
Down round	3	10%	3	10%
Total	29	100%	29	100%

Valuation disclosures.

Disclosure	Location in accounts	Key info contained	Suggested use
Portfolio valuation basis	Financial review Note 13	Portfolio value by valuation basis	Understanding of subjectivity of valuation approach

Financial review, ARA p41, RNS p21:

	Year ended 31 December 2022 £m	Audited Year ended 31 December 2021 £m
Quoted	228.7	662.7
Recent financing (<12 months)	289.8	388.6
Recent financing (>12 months)	117.8	71.6
Other: Future market/commercial events	40.7	39.5
Other: Adjusted recent financing price based on past performance	306.3	147.4
Other: DCF	97.7	85.6
Other: Revenue Multiple	77.9	19.2
Statements from LP	99.6	92.9
Total Portfolio	1,258.5	1,507.5

Accounts Note 13, ARA p219–220, RNS p63:

Valuation Technique	Fair value of investme nts 2022 £m	Variable inputs	Variable input sensitivity	Positive impact £m % of NAV	Negative impact £m % of NAV	Fair value of investme nts 2021 £m
Quoted	228.7	n/a	+/-10	22.9 1.7	(22.9) (1.7)	662.7
Recent financing <12 months	289.8	n/a	+/-10	29.0 2.1	(29.0) (2.1)	388.6
Recent financing >12 months	117.8	n/a	+/-10	11.8 0.9	(11.8) (0.9)	71.6
Other: Future market/commercial events	40.7	<ul style="list-style-type: none"> Estimated impact of future event Execution risk discount applied to future event (where positive) Scenario probabilities Discount rates Extent to which future event is indicative of facts and circumstances in existence at the balance sheet date 	+/-10	4.1 0.3	(4.1) (0.3)	39.5
Other: Adjusted recent financing price based on past performance*	306.3	<ul style="list-style-type: none"> Company-specific milestone analysis 	+/-10	30.6 2.2	(30.6) (2.2)	147.4
Other: Revenue multiple*	77.9	<ul style="list-style-type: none"> Estimate of future recurring revenues Selection of comparable companies 	+/-10	7.8 0.6	(7.8) (0.6)	19.2
Other: DCF*	97.7	<ul style="list-style-type: none"> Discount rate Clinical trial and drug approval success rates Estimate of value and structure of a potential pharmaceutical partnership Estimate of addressable market Market share and royalty rates Probability estimation of liquidity event 	+/-10	9.8 0.7	(9.8) (0.7)	85.6
Total	1,158.9			116.0 8.4	(116.0) (8.4)	1,414.6

Valuation disclosures.

Disclosure	Location in accounts	Key info contained	Suggested use
External valuation ranges	Note 13	Company-specific ranges Overall ranges for all external valuation	View of our selected valuation points overall and for specific companies

Accounts Note 13, ARA P221, RNS p63:



Within the 'Other: DCF' category above is Istesso Limited, whose equity is valued at £80.8m as at 31 December 2022 (2021: £80.8m). Our estimated range for the value of the Group's equity investment in Istesso based on this DCF model as at 31 December 2022 is £65.0m to £105.0m (2021: £66.3m to £106.0m).

Within the 'Adjusted valuation' category above is First Light Fusion Limited, whose equity is valued at £114.5m as at 31 December 2022 (2021: £57.3m). The valuation of this company involves an assessment against comparable companies and involves certain key assumptions around their comparability and First Light's assumed maturity value. Our estimated range for the value of the Group's equity investment in First Light Fusion based on this model as at 31 December 2022 is £92.5m to £185.8m (2021: The company was valued based on a recent financing price).

In addition to Istesso Limited and First Light Fusion Limited, eight other assets were reviewed by external valuers. The aggregate of the range of valuations they concluded upon for these assets was £234.7m–£286.5m, and we have selected points within these ranges which in aggregate total £246.7m.



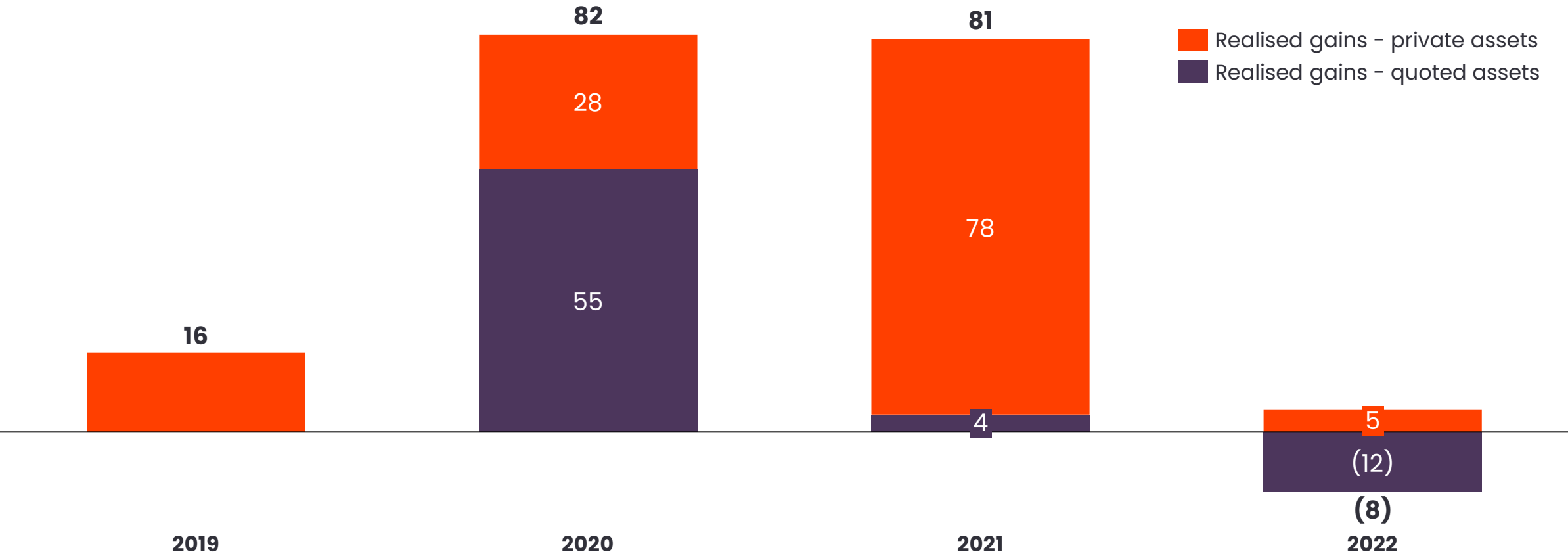


05.

Valuation track record and summary.

Realised gains.

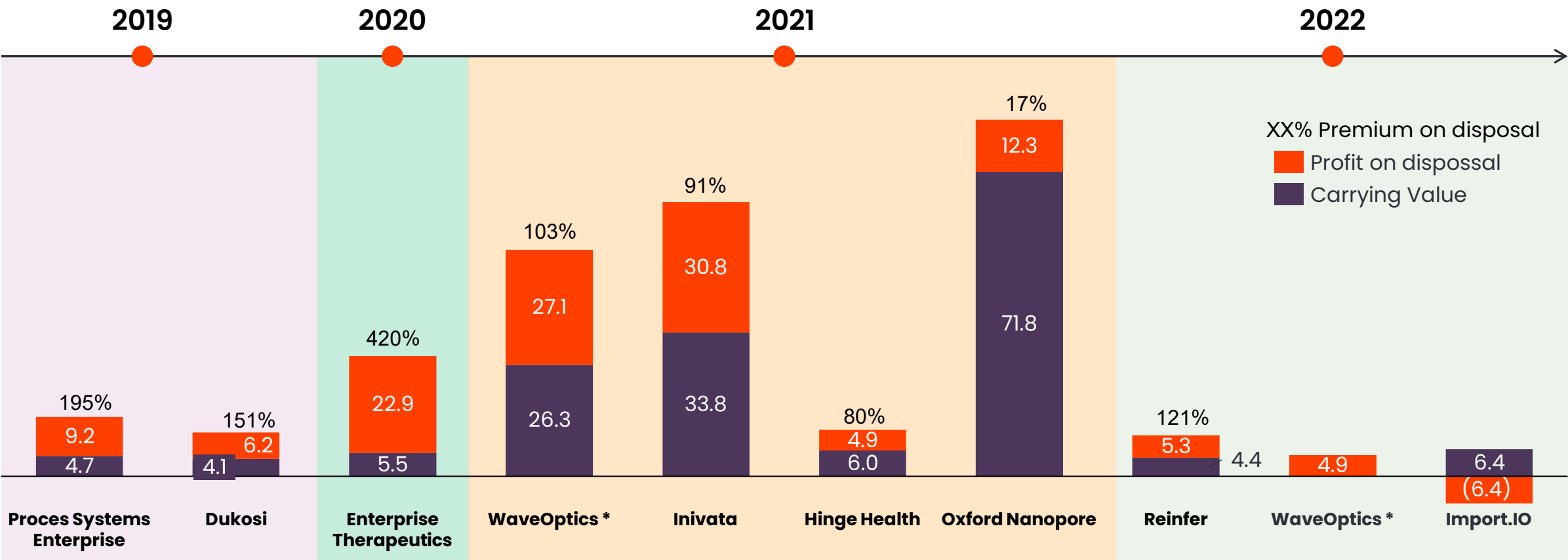
Over the last 4 years, IP Group has realised over £500m cash. In each of these 4 years, private assets have been realised at a premium over their carrying value every year:



2021 private assets includes gain on partial disposal of Oxford Nanopore at IPO

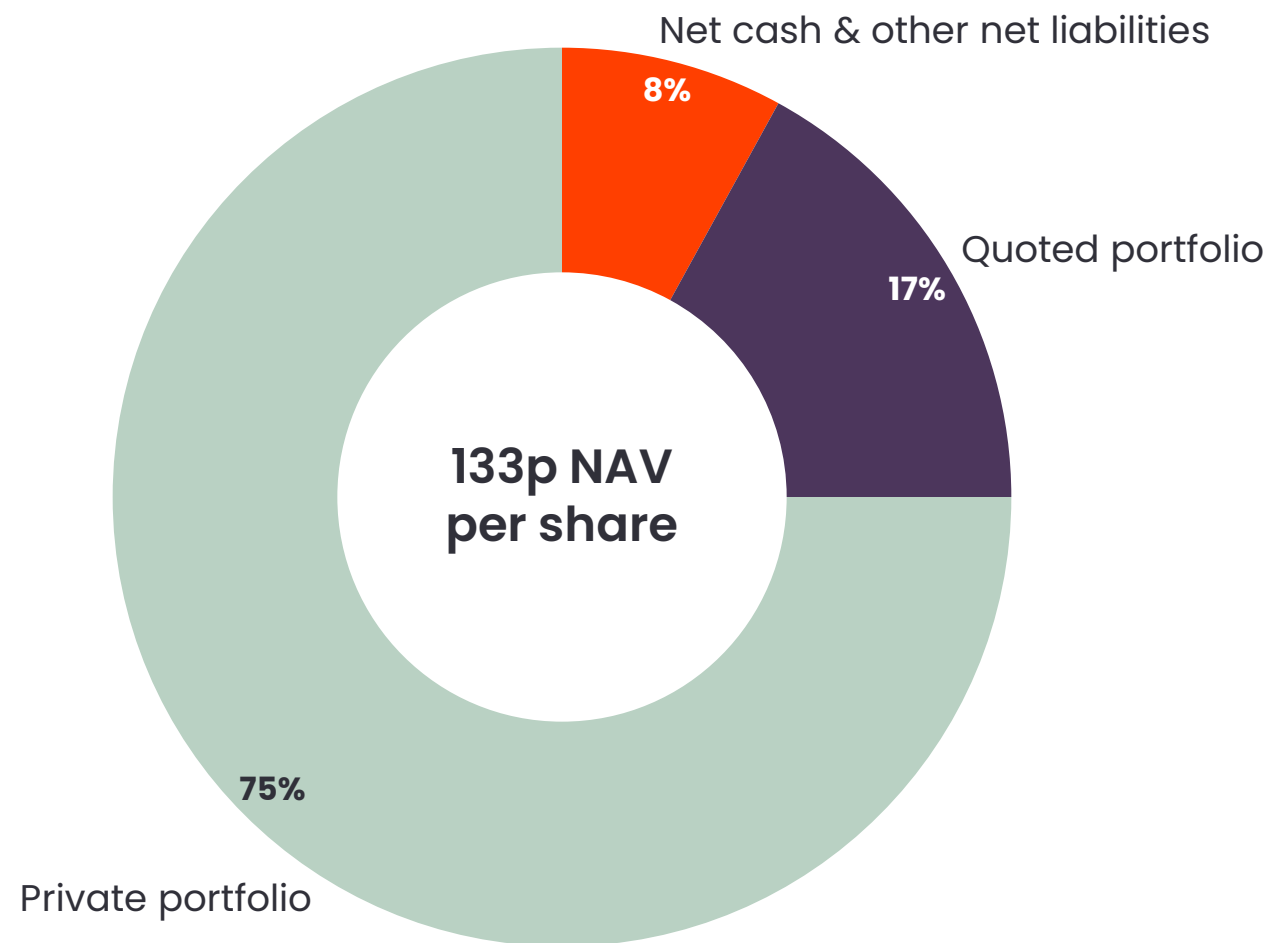
Significant realised gains by company.

With the exception of a single company sold at a loss in 2022, all significant disposals have taken place at an average premium of 76%, providing evidence of our conservative valuation approach

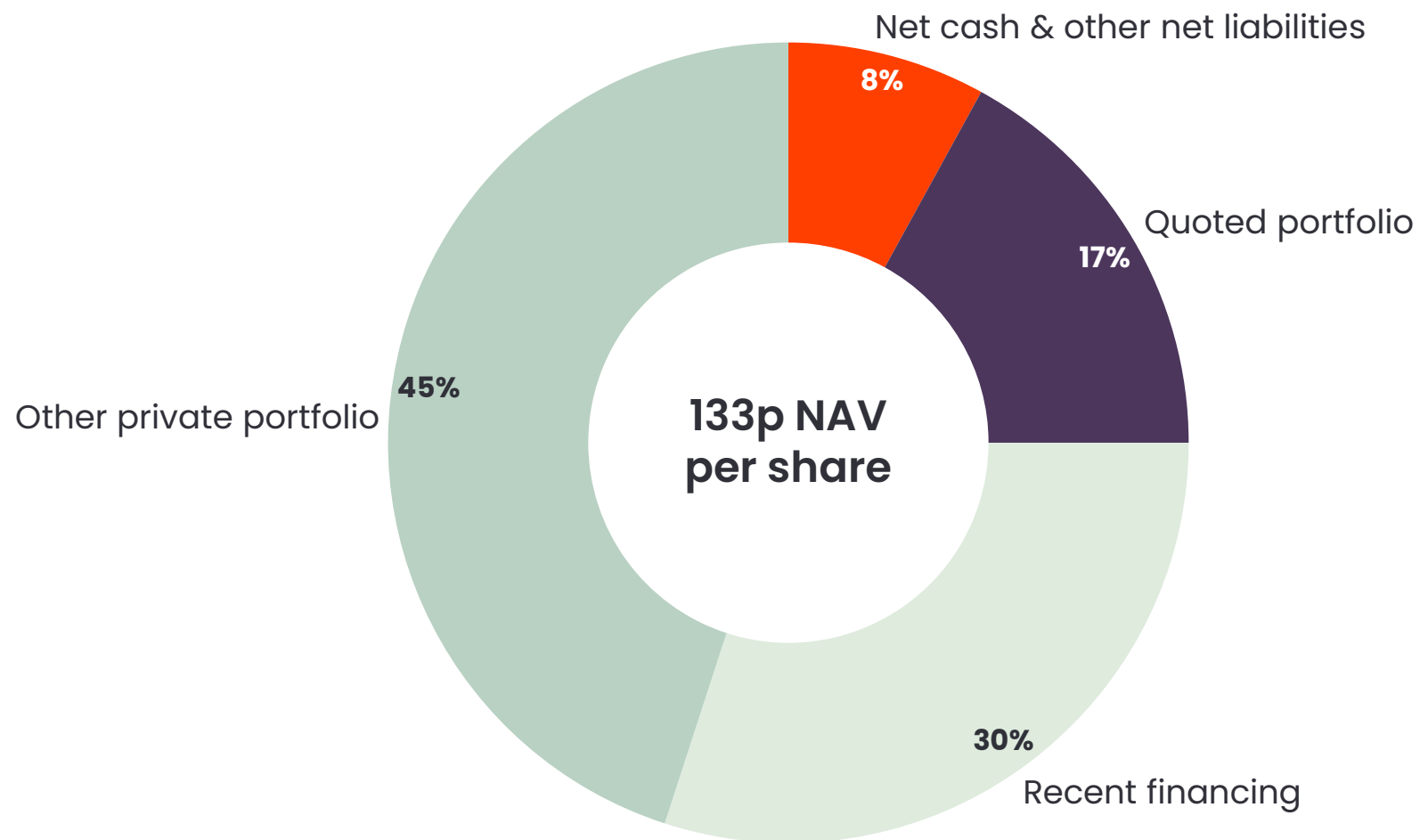


* Realised value for WaveOptics in 2021 included deferred consideration which has subsequently been valued upwards in 2022 for FX & unwinding of discounting

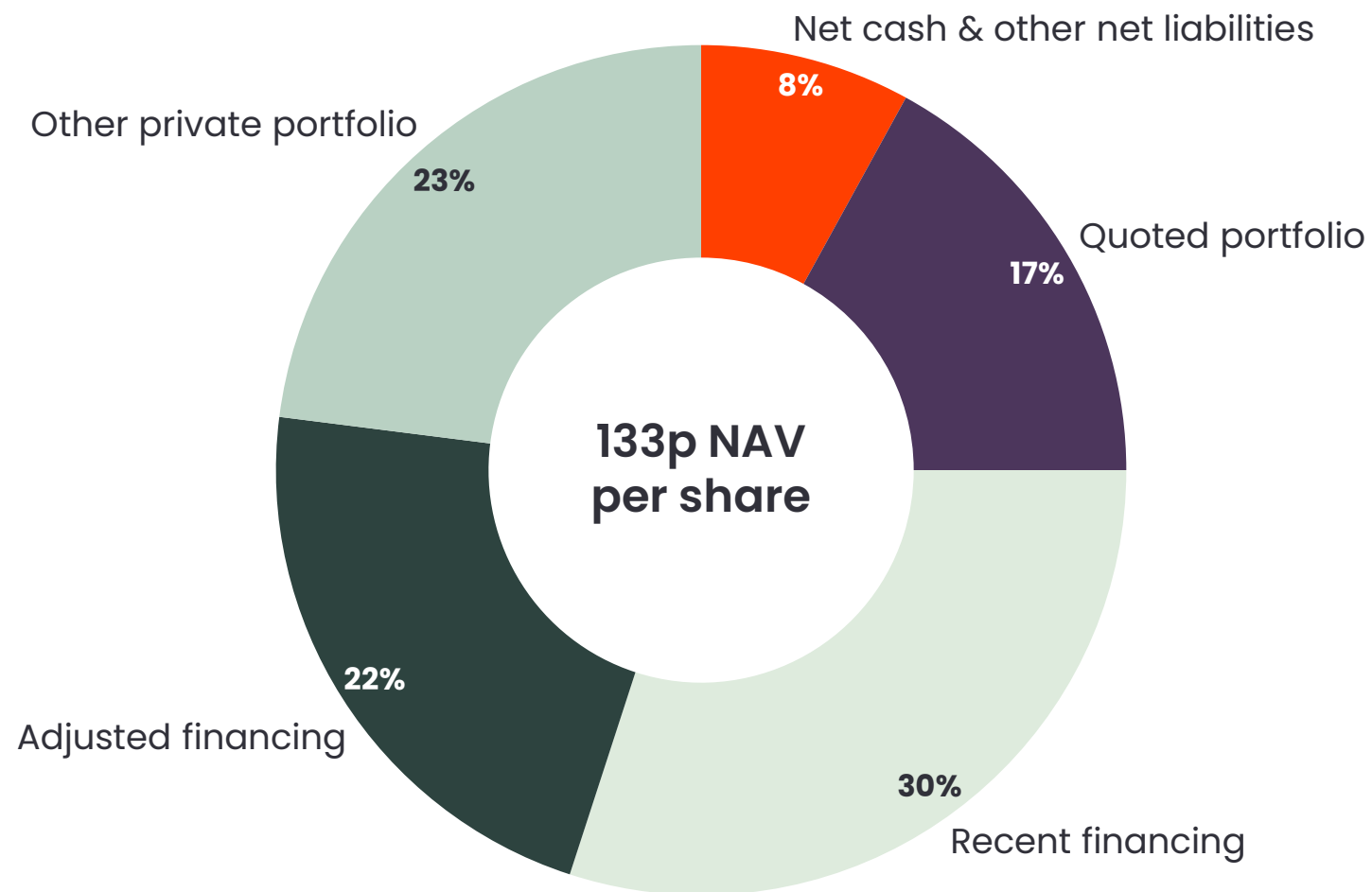
Private portfolio valuations.



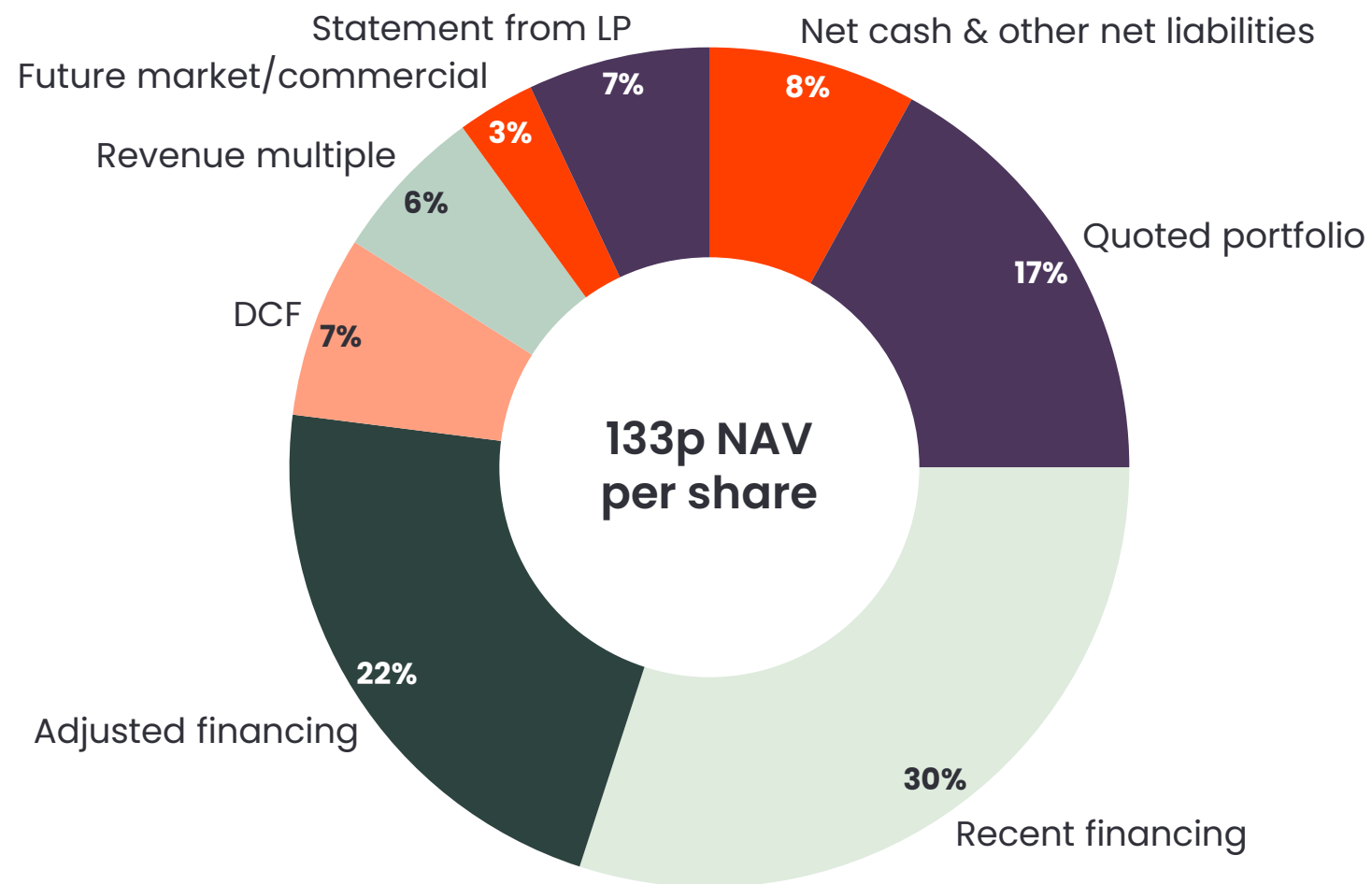
Private portfolio valuations.



Private portfolio valuations.



Private portfolio valuations.





Key messages.

Thorough process incorporating best practice

Consistent, mildly cautious valuation approach

Realised gains on disposals provide evidence of cautious approach

Detailed, transparent accounts disclosures

Upcoming events.

*FY results	March
*Valuation deep-dive	March
IP Group flagship science event	May
*AGM and investor update	June
*Parkwalk meet the portfolio event	June
*H1 results	August
*IP Group 'deeptech' conference (Asia)	September
Kiko/McKinsey event	TBC
*IP Group deeptech event	TBC
*IP Group cleantech event	TBC
*IP Group life sciences event	TBC

*Available to all shareholders



Q&A



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