

Tern PLC (TERN)

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22 November 2018

Tern Plc (AIM: TERN) Portfolio Update

Tern Plc (AIM:TERN), the investment company specialising in the Internet of Things ("IoT"), is pleased to provide an update on the activities of the Group and its key portfolio companies since the publication of its Interim Results, which were issued on 17 September 2018.

Tern has strengthened its portfolio during 2018 with £2.5m invested in the year to date. Of this, a total of £1.9m was invested in FVRVS Limited ("Fundamental VR") for a 34.7% equity position. £1.1m of this total investment was delivered since 30 June 2018. A further £0.6m was invested into InVMA in tranches up to 10 July 2018 to maintain Tern's 50% equity position. In addition, Tern has provided loans totalling £0.9m in 2018 to Device Authority Limited ("DA"), maintaining its 56.8% equity stake and bringing the convertible loan balance to £1.3m.

Since 30 June 2018, Tern has raised £2.9m, bringing the total cash raised in the year to £6.0m and resulting in a cash balance of £2m at 31 October 2018. This compares to the Directors' estimate of the annual operational cash burn of Tern of approximately £0.9m. Cash not used for operational purposes is intended to be used to invest in the current investment portfolio and new investee companies as suitable opportunities arise.

Al Sisto, CEO of Tern, said:

"Our portfolio companies' progress represents our efforts to seek out the most promising IoT companies, provide them with operating capital and nurture them with our direct support and access to leverage our network of resources. We help them build high performance teams to execute on their growth strategies to scale and prepare for their next round of funding or exit. With this in mind, we are particularly pleased with the rapid progress reported from our new investment, FundamentalVR, which has secured a joint development agreement with the Mayo Clinic and gained industry recognition via numerous awards."

"We are also delighted to note the launch of new solutions between DA and Comodo. We believe that customer engagements created by such partnerships provide our portfolio companies with the scale to accelerate their growth and value creation for Tern and its shareholders."

"I am pleased to report that our fundraising activities since the beginning of 2018 have been successful in scope and have positioned us well to support our existing investments in their journey to disrupt and innovate an array of vertical IoT segments and the ability to further diversify our portfolio of investments if a new opportunity is presented. We continue to work towards realising value from the successes of our portfolio companies."

"We thank all the employees of our portfolio companies for their dedication and our shareholders for their support."

FundamentalVR

FundamentalVR is a leading virtual reality ("VR") training and data analysis technology platform. FundamentalVR's award-winning platform combines immersive VR with cutting-edge haptics (the sense of touch) to create low-cost and scalable "flight simulator" experiences, offering a new way to allow skills development for surgeons. Tern took an initial 18.8% holding in FundamentalVR in May 2018 to fund the transformation of its 'closed' system into a scalable SaaS delivery system, which was envisaged to facilitate the company's expansion in the USA - a core strategic market for FundamentalVR.

Subsequently, Tern increased its holding in FundamentalVR to 34.7% in October 2018 to help accelerate and support FundamentalVR's strategic objective of becoming the leading SaaS based immersive surgical simulation and data gathering platform provider.

The additional £1.1m investment from Tern in October 2018 followed Fundamental VR's signing of a three-year term joint development agreement with the Mayo Foundation for Medical Education and Research ("the Mayo Clinic"). This was aimed at accelerating FundamentalVR's progress in building out its procedures portfolio and also included the current release of the Fundamental Surgery platform showcasing live in the Mayo Clinic's world-renowned simulation centres located in Arizona, Florida and Minnesota.

In addition to this agreement, since the interim report for the six months to 30 June 2018, FundamentalVR has:

- Been named by Time Magazine as one of the best inventions in 2018;
- Launched its Fundamental Surgery virtual reality software in the U.S. both for training and for experienced spine and orthopaedic surgeons;

- Announced the launch of Fundamental Surgery in Australia and New Zealand;
- Won "Most Impactful Breakthrough" at the Auggie Awards held at the Augmented World Expo. This prestigious award recognises excellence in the use of immersive technology in a variety of industries and use cases; and
- Placed the Fundamental Surgery platform into University College London Hospital (UCLH).

FundamentalVR released its results for the year to 31 December 2017 in May 2018, announcing a loss for the year of £247,921.

DA

Tern has a 56.8% shareholding in DA, which is an award winning, industry-recognised, international business which delivers innovations in IoT security. Traditional identity authentication models ("IAM") and cyber security platforms are data centre centric and not suitable to protect IoT applications and secure the devices and data that use them. DA's KeyScaler platform has been specifically designed to solve this issue, protecting the IP of the application and the data of the enterprise that use these IoT deployments.

Since Tern's initial investment over three years ago, DA has expanded its product portfolio, world class team and partner network.

DA released its 2017 results in early October 2018, announcing losses of £1.75m for the year to 31 December 2017, which were for the UK company only. The unaudited consolidated losses for this period for DA and Device Authority Inc combined, would have been of the order of £2.9m. Tern, along with its co-investors Alsop Louie Partners and George Samenuk, have provided US\$2.9m in working capital, through a convertible loan note facility, to support DA's continued commercial progress and success.

Since Tern's interim report for the six months to 30 June 2018, DA has:

- Announced a new IoT solution for private PKI networks with Comodo CA, now called Sectigo;
- Announced a new solution to secure enterprise blockchain infrastructure;
- Entered into a technology partnership with TeamViewer, a global connectivity powerhouse, to improve the connectivity and security of IoT applications, devices and data around the world and at leading IoT event in Amsterdam showcased a secure Industrial water pump use case;
- Issued a new software release that introduced broader support for Comodo CA (Sectigo) and IdenTrust (part of HID Global), offering customers greater flexibility and integration ease with Certificate Authorities for enabling automated certificate provisioning and management for IoT devices; and
- Been selected as the IoT device and data trust solution for a critical medical device manufacturer due to launch its product in 2019.

InVMA Limited ("InVMA")

Tern has a 50% holding in InVMA, which delivers IoT applications based on the industry leading PTC/Thingworx development platform, delivering real business value and competitive advantage to its customers. InVMA released its 2017 results in September 2018, announcing losses of £280,492 for the fourteen months to 31 December 2017.

In June 2018, semiconductor giant Arm Technologies acquired Stream Technologies, which has been the IoT connectivity partner of choice for InVMA for three years. InVMA and Arm Technologies became partners, enabling InVMA to offer enterprise customers with a robust end-to-end IoT platform for managing, connecting, provisioning and updating devices that is easily scalable and flexible.

Since the interim report for the six months to 30 June 2018, InVMA has:

- Acquired the intellectual property and other assets of AMIHO Technology of Cambridge, with management support from Tern. The AMIHO software acquired will enable InVMA customers to integrate the TrIoT software and radio reference design into their products to enable them to robustly connect on the LoRA and M-Bus protocol-based networks. These networks, for example, provide the backbone for long range and low power sensors including remote sensor and smart metering applications;
- Secured contracts to enable a leading Aerospace and Defence company, and a global lift manufacturing company to use digital technology to transform their Production Processes and Product Offerings respectively;
- Secured two new channel partners: *XL Group* and *iaconnects*. These partnerships will extend InVMA's reach into the oil and gas and facilities management sectors respectively;
- Enhanced its turnkey asset performance management solution, AssetMinder(R) with an advanced, wireless condition monitoring solution enabling rapid retrofit of temperature and vibration measurement in safe or Atex-classified environments (ATEX directive consists of two EU directives describing what equipment and work space is allowed in an environment with an explosive atmosphere);
- Secured a contract for AssetMinder(R) on an initial 23 sites for critical asset monitoring for a UK public utility company, with their specialist channel partner, Drive Management Services; and
- Continued to deploy DA on its range of interface & connectivity hardware for AssetMinder(R).

flexiOPS Limited ("flexiOPS")

flexiOPS is a wholly owned Tern investment. It released its results for the 18 months to 31 December 2017 in March 2018,

announcing a retained profit of £232,389.

Since Tern's interim report for the six months to 30 June 2018, flexiOPS has focused on the growth and support of its 90% held subsidiary, Wyld Technologies Limited ("Wyld") and its ad-hoc mesh networking offering:

- The company has completed the initial productisation of its Wyld Mesh and Wyld Fusion product platforms;
- Since completion of the Wyld product platforms, the company has begun previewing the upcoming release with prospective customers in transportation, its initial targeted market, with success and are actively pursuing new opportunities; and
- Wyld has announced the appointment of a senior executive responsible for new business development, to accelerate the development of opportunities.

Other

Tern maintains a holding below 1% in both Seal Software Group Limited and Push Technology Limited.

****ENDS****

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