

Tern PLC (TERN)

28-Jan-2020 / 07:00 GMT/BST

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28 January 2020

Tern Plc ("Tern" or the "Company") 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 Company and its principal portfolio companies following the Company's and portfolio companies' year end on 31 December 2019.

2019 has been a year of validation for Tern's investment strategy, evidenced both through the achievement of additional third-party funding in an investee company and through the implementation of key commercial initiatives across the portfolio.

On 30 October 2019, Tern announced the completion of a successful Series A fundraising of £4.3 million by FVRVS Limited ("FundamentalVR"). This fundraising was completed at a valuation which resulted in a 27% uplift on the initial £1.9 million investment made by Tern in FundamentalVR during 2018 and attracted a syndicate of leading strategic and financial investors. The fundraising resulted in an increase in the carrying value of Tern's investment in FundamentalVR but, more significantly, is expected to facilitate significant commercial progress by FundamentalVR in 2020.

On 13 January 2020, Tern announced the achievement by InVMA of an order commitment for its industry critical AssetMinder product worth £817,000 over a two-year period. This is a very significant milestone for InVMA and was achieved as a result of the re-positioning of InVMA from a service to a product business, in which Tern has been instrumental.

Tern now has a genuinely diversified portfolio of investments in high growth companies, with each of its principal portfolio companies having a disruptive technology in a global market and they are all at very exciting stages of their respective developments. Furthermore, each of Tern's principal portfolio companies is working with world class partners to accelerate the adoption of their products which the Directors of Tern believe will provide significant prospective value enhancements.

The Directors of Tern are confident that its portfolio companies will achieve further milestones during 2020, some of which may result in revaluations to the carrying values of investments and consequent increases in the net asset value ("NAV") of Tern. Management also continues to review new investment opportunities.

Al Sisto, CEO of Tern, said:

"FundamentalVR's syndicated Series A funding was an important recognition of the company's progress and a validation of Tern's business model. Each of our principal portfolio companies demonstrated the market viability of their product offerings during 2019. We expect our portfolio companies to achieve further value enhancing events during 2020 and hope to see increases in the NAV of Tern as a result."

2019 portfolio performance

The aggregate turnover of Tern's principal* portfolio companies for the year ended 31 December 2019 is anticipated to be 27% ahead of the turnover achieved in 2018.

This figure was adversely affected by some delays in commercial orders that were expected during Q4 2019, which are now anticipated early in 2020. These, together with InVMA's January 2020 contract win, are expected to contribute to a rapid start to 2020.

The growth in turnover, customers and partners achieved by Tern's principal portfolio companies was supported by a 31% increase in aggregate employees across the portfolio in 2019, compared to 2018 which the Directors believe will provide a strong foundation for growth in 2020.

** Principal portfolio company growth excludes Seal Software Group Limited and Push Technology Limited, in which Tern has a <1% holding and minimal influence.*

FundamentalVR

Tern holding: 26.9%

Sector: Healthcare IoT

Invested Since: May 2018

Tern's shareholding in FundamentalVR is 26.9% and following the fundraising announced in October 2019, this holding had a valuation of £3.0 million.

On 30 October 2019, FundamentalVR announced a £4.3 million Series A fundraising, including a £0.5 million convertible loan note conversion by Tern, at a post-money valuation of £11.3 million. This validated the Tern business model, as it represented an increase in fair value within a year

from Tern's most recent previous investment and involved the introduction of trade and financial investment investors to this portfolio company, thereby reducing the risk profile of Tern's investment.

In December 2019, FundamentalVR announced that it had secured another significant new contract (worth £0.5 million) to create a Virtual Reality Haptic Simulation platform for a new customer, a global pharmaceutical company. As a result, FundamentalVR's technology is now being used by an array of customer groups including clinics and medical centres, device companies and pharmaceutical companies.

InVMA Limited ("InVMA")

Holding: 50%

Sector: IoT enablement

Invested Since: September 2017

Tern has a 50% holding in InVMA and as at 30 June 2019, this holding had a valuation of £1 million.

In January 2020, InVMA announced that it had secured an initial order commitment worth £817,000 over a two-year period to provide its AssetMinder solution to a global, multi-billion Euro revenue supplier to the industrial and construction sectors. This order commitment was achieved with close support and mentoring from Tern and represents a significant strategic relationship for InVMA which validates the AssetMinder solution and reinforces the company's strategy of becoming a provider of IoT products and services rather than a services company.

Wyld Networks Limited ("Wyld Networks")

Holding: 100%

Sector: IoT enablement

Invested Since: June 2016

Tern has a 100% holding in Wyld Networks and as at 30 June 2019, this holding had a valuation of £78,000. Tern also has a short-term loan balance of £0.5 million.

Wyld Networks has been building on its framework contract with Delta-T Devices, to build a network of meshed smartphones and IoT devices at the edge of the network in enterprise communication and IoT, improving operational efficiencies in healthcare, smart factories and transportation.

Device Authority Limited ("DA")

Tern holding: 56.8%

Sector: Security

Invested Since: September 2014

Tern has a 56.8% holding in DA, which specialises in IoT security, and as at 30 June 2019, this holding had a valuation of £12.3 million.

DA continues to work with and develop product sales via its active partner base. Additionally, the company expanded its ability to penetrate the enterprise IoT markets with the addition of its Microsoft Azure IoT central connector in December 2019. This enables an end-to-end service offering in the cloud with enhanced security. This key enhancement to KeyScaler is designed to optimise and leverage the investment in IoT deployments by Microsoft Azure's large customer base which represents an important new segment for Device Authority growth.

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ISIN: GB00BFPMV798
Category Code:PFU
TIDM: TERN
LEI Code: 2138005F87SODHL9CQ36
Sequence No.: 42957
EQS News ID: 962027

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