

TERN PLC

SOFTWARE AND COMPUTER SERVICES

9 March 2020

TERN.L

7.75p

Market Cap: £19.7m

SHARE PRICE (p)



12m high/low 14.3p/6.9p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£1.9m (as at 31/12/18)
Enterprise value	£17.8m
Index/market	AIM
Next news	Interim results
Shares in Issue (m)	254.3
Chairman	Ian Ritchie
Chief Executive	Albert E Sisto
Finance Director	Sarah Payne

COMPANY DESCRIPTION

Tern predominantly invests in software companies, with proven technology, based in the UK but with global ambition.

www.ternplc.com

TERN PLC IS A RESEARCH CLIENT OF PROGRESSIVE

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Fundraise for flexibility

Tern has raised £0.8m at a price of 6p, a c.20% discount to the previous price. That the group has managed to raise capital at all in the current climate is impressive, and management have shown a good level of involvement with some £113k of the total. The group continues to value its asset base very conservatively (always at most-recent third-party market valuation) so new investments take time to drive NAV growth, but Tern's whole rationale is to invest capital and expand – and today's news should assist with both over time.

- Fundraise details** The group has raised a total of £800,000 at 6p, a 23% discount to the prevailing price of 7.75p. Clearly a material discount has been required in order to complete the raise, but we are reassured by management's good level of participation, a total of £113k, and involving four of the main Board directors and senior management.
- Reason for the raise** Tern has detailed three reasons for the fundraise – facilitation of a new investment, flexibility for any follow-on investment, and a degree of working capital for the group. The group's requirements for working capital are relatively light, so we assume that the main drivers must relate to the potential new investment and/or follow-on funding.
- Timing and market conditions** The timing is clearly far from ideal, but presumably Tern management have determined that having funds on hand will enhance their negotiating position(s) with the various other parties, and although market conditions are very weak, there can be no certainty that they will normalise any time soon. The fact that the group has been able to raise any funds in the current climate at least points to strong levels of support amongst the shareholder base.
- Other recent news** The group enjoyed a small positive recently in the crystallisation of a modest historical investment in Seal Software (over 2x investment price, and roughly in line with recent valuations), and FundamentalVR itself completed a successful funding round in Q4 2019. Both FundamentalVR and InVMA have seen significant commercial orders, announced during December 2019 and January 2020.

Overall, while it is always frustrating to see a raise at a discount, the group clearly needed to demonstrate to parties with whom it is negotiating that cash is available. Management now has the flexibility to both take part in new investment opportunities and follow previous investments where appropriate. We look forward to further news and detail in the results, likely published around the end of March.

INVESTEE COMPANIES



FUNDAMENTALVR



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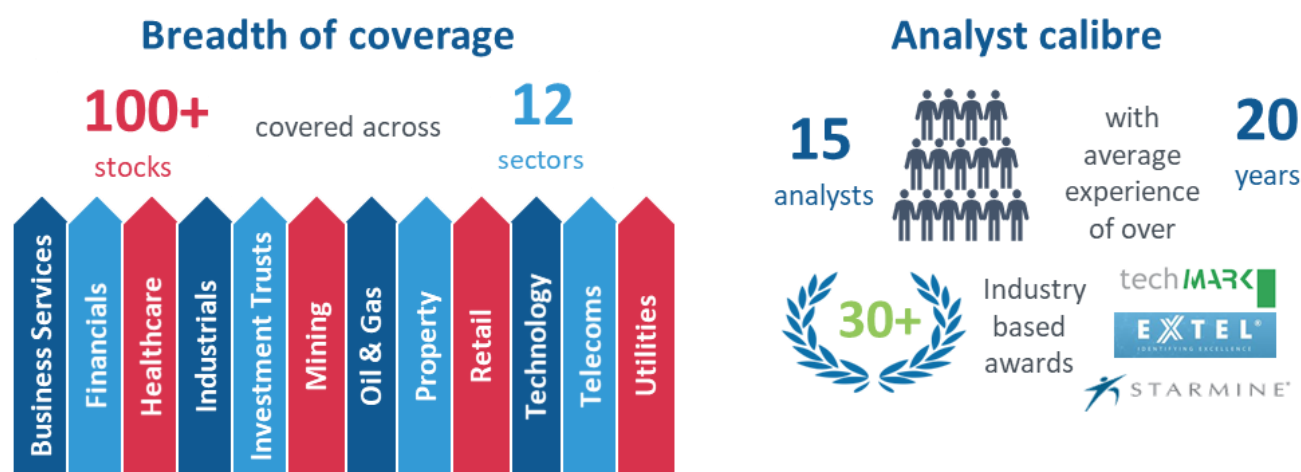
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