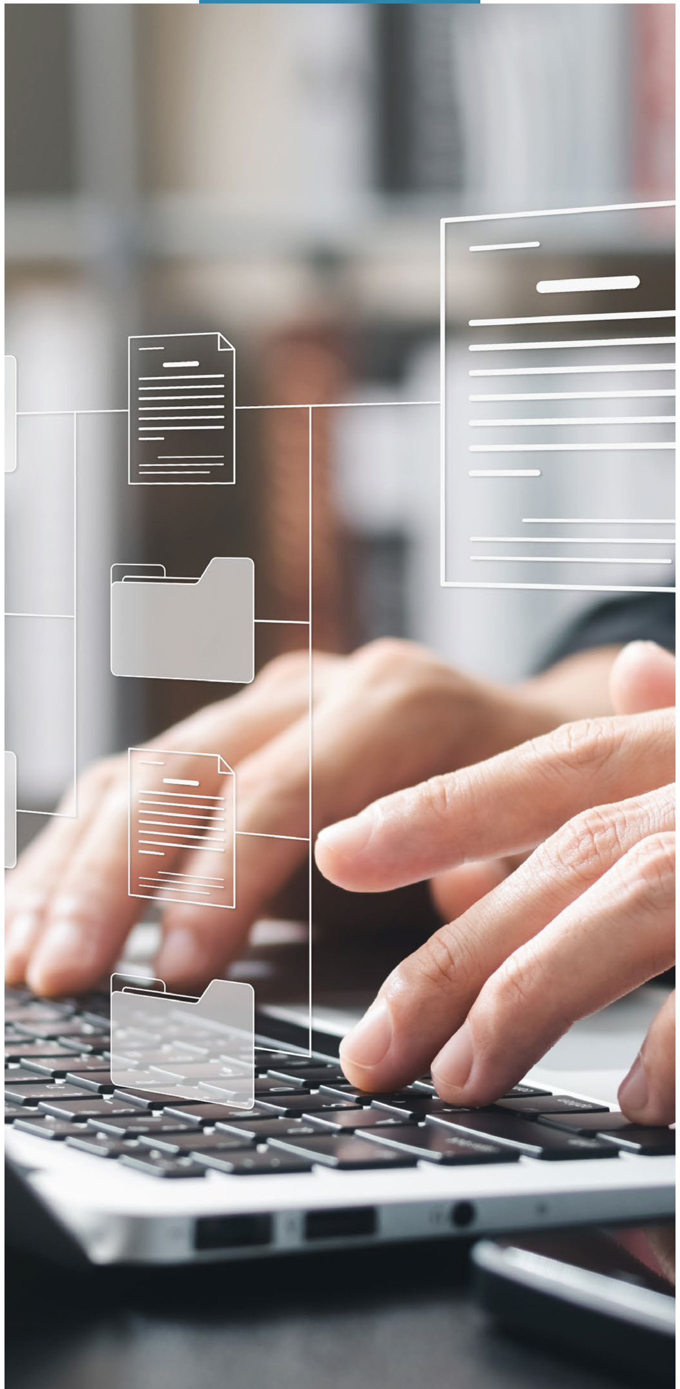
Polestar



Software, Media and Technology

H1 2025 Sector Review

Macro Summary: H1 2025

UK Performance

- UK economy grew 0.7% in Q1 2025, led by services, manufacturing and strong household spending; exports surged ahead of tariff changes
- Momentum slowed in Q2, with April GDP contracting 0.3% amid fiscal headwinds, labour market softness & global trade uncertainty

Global Growth Outlook

- Revised downward: The World Bank and Morgan Stanley both project global GDP growth at 2.3–2.5% in 2025, down from 3.5% in 2024
- Drivers of Slowdown:
  - Trade shocks from U.S. tariffs (10-25% baseline, with reciprocal rates up to 54% on Chinese goods) are disrupting global supply chains
  - Investment flows are weakening, particularly in developing economies reliant on export-led growth

Inflation & Monetary Policy

- Tariff-driven cost pressures remain a near-term risk, especially in sectors like electronics, automotive, and pharmaceuticals
- Policy divergence: While the BoE and ECB are cautiously easing, the Fed remains hawkish amid U.S. fiscal uncertainty and tariff-induced inflation
- Globally, inflation is predicted to ease to ~4.2% in 2025, with advanced economies returning to target faster than emerging markets – will be interesting to see how this pans out once the US's 'reciprocal' tariffs take effect in August

Sources:
Forecasts for the UK economy – a comparison of independent forecasts (HM Treasury)
World Economic Situation and Prospects 2025 – Mid-Year Update (UN
https://www.gov.uk/guidance/data-use-and-access-act-2025-data-protection-and-privacy-changes)

Sustainable Development & Inequality

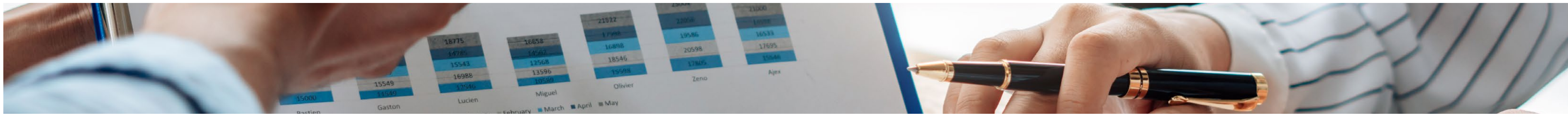
- SDG progress off track: According to the UN's 2025 SDG Progress Report, none of the 17 goals are on course to be met by 2030
  - East and South Asia show the fastest progress, while conflict-affected and fiscally constrained nations are falling further behind
- Fiscal space is a key constraint: Over half the world's population lives in countries unable to invest adequately in SDG-aligned infrastructure

Data & AI Policy Changes

- Data reform: New UK Data (Use and Access) Act 2025 (DUAA) law updates UK GDPR - requires revised privacy policies & Data Subject Access Request (DSAR) processes
- AI & automation expands opportunities across businesses but increases compliance requirements & risks
- Stricter cookie & direct marketing rules expected - prepare for consent changes
- Cross-border data provides easier international transfers, but safeguards needed. Businesses need to monitor legislation in all jurisdictions in which they operate

Strategic Implications

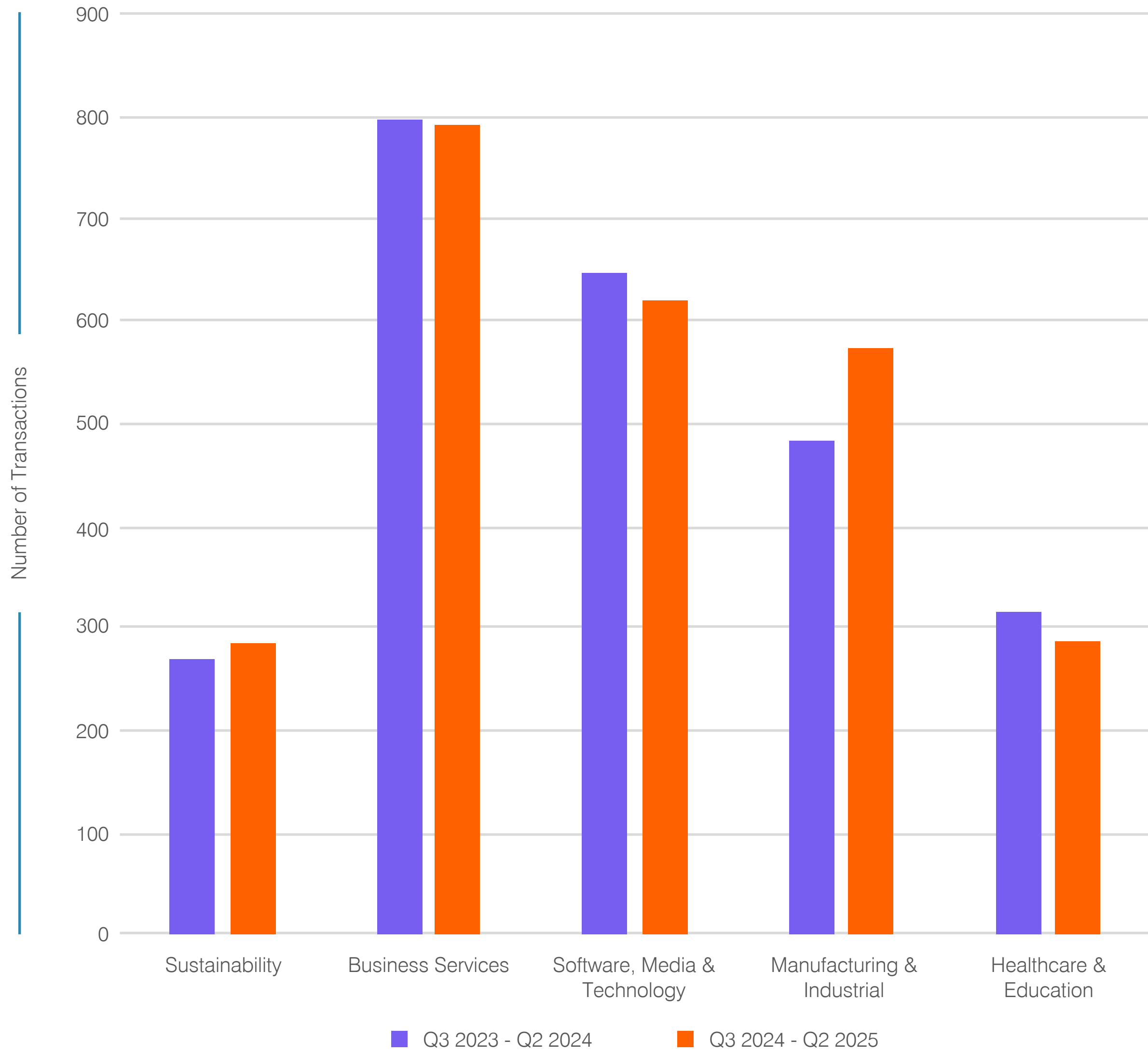
- For UK-based investors and advisors: The UK's relative macro-stability, combined with its separation from EU trade policy, may position it as a safe harbour for international capital, particularly in ESG-aligned sectors
- For legal and financial professionals: Expect heightened demand for cross-border structuring that navigates tariff regimes, and for due diligence on ESG compliance as sustainability reporting becomes a differentiator



UK M&A Overview

- Modest increase in deal activity in the UK: PE and M&A volumes saw a slight year-on-year rise overall
- Activity increased from Q1 to Q2, with momentum expected to accelerate through H2 2025
    - Boosted by rate cuts, dry powder pressure, strategic expansion, and valuation clarity
- Manufacturing & Industrial led growth: driven by tech investment, rising demand, and pro-growth policies
- Corporate buyers dominate: 62% of UK deals in H1, in line with the 2-year average of 63%
- Private Equity rebalances: Strong performance in Q1 2024 initially signalled a change in the balance across M&A landscape
    - Activity is now tracking historic norms – buyout accounts for 31% of deals in H1 with remaining 7% being follow on Growth Capital deals

UK Deal Activity Year on Year



Source: Pitchbook

Key Trends and Industry Shifts

Policy Developments

- £3.25bn Transformation Fund: To support AI and ML integration across public services; projected £470bn economic boost over 10 years
- Data Use and Access Act 2025: Streamlines public sector data-sharing to enhance innovation and service delivery
- Digital Markets, Competition and Consumers Act (DMCC): Introduces new regulatory powers for CMA to address platform dominance and protect consumers

UK AI Sector Expansion

- £180bn market valuation: UK continues to lead the European AI market
- UK AI startups raised £1.6bn in venture capital in H1 – strongest fundraising period in over three years – will be interesting to see how consolidation amongst players pans out
- £500m Sovereign AI Unit launched by the Government to support AI talent, infrastructure and private sector scale-up
- First wave of AI Growth Zones designated to accelerate infrastructure, planning, and job creation

Sources:
https://www.hae.org.uk/wp-content/uploads/2025/03/Spring-Statement-2025-Speech-Documents-260325.pdf
https://www.gov.uk/government/news/engines-of-ai-primed-to-accelerate-new-breakthroughs-economic-growth-and-transform-the-uk-into-an-ai-maker
https://www.vodafone.com/news/corporate-and-financial/completion-of-vodafone-and-three-merger-in-the-uk

Cybersecurity and Regulatory Compliance

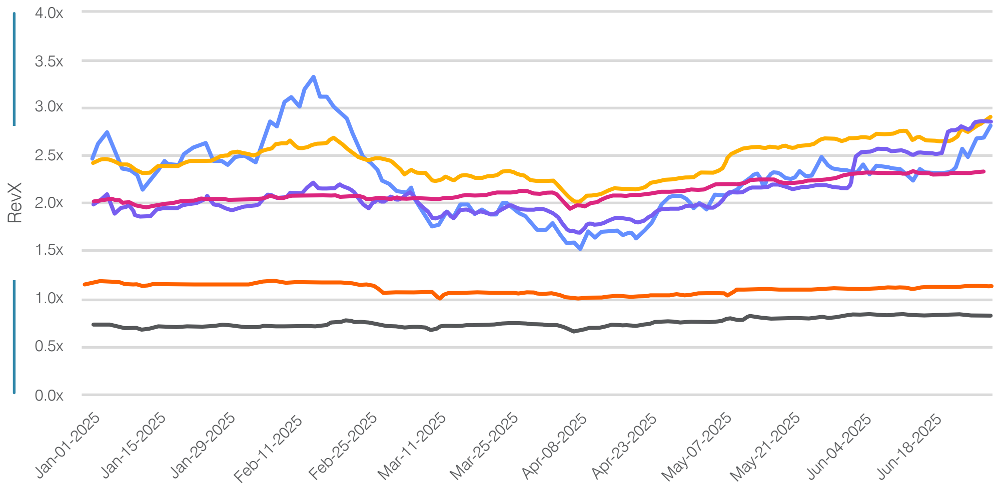
- UK Cyber Security & Resilience Bill 2025
  - Expands existing regulations to cover more digital services and supply chains.
  - Introduces mandatory incident reporting
  - Empowers regulators with strong enforcement tools
- 65% of global firms deploy AI tools in operations
  - Firms must align with evolving frameworks like the EU AI Act, which began phased enforcement in February 2025
  - Key obligations for General-Purpose AI (GPAI) and high-risk systems take effect from August 2025:
    - Transparency: Disclose training data, AI use & system limitations
    - Risk controls: Stricter rules for high-risk use cases (e.g. HR, finance)
    - Human oversight: Ensure traceability & allow intervention
    - Copyright compliance: GPAI models must follow EU copyright rules
    - Ongoing monitory: Report incidents & track performance post-development

Telecoms in Transition

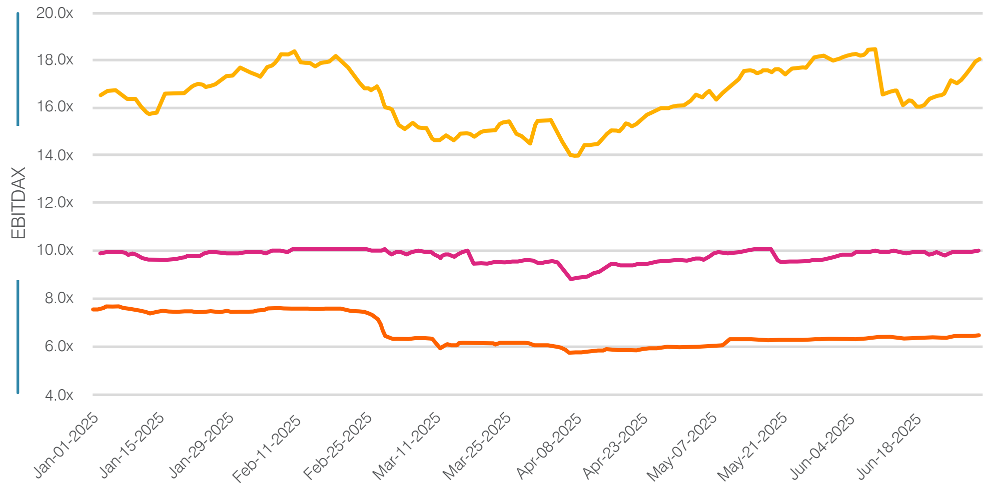
- Global Reach through Satellite: Hybrid satellite-mobile networks (Starlink, T-Mobile) are redefining coverage - opening access to remote markets and bolstering service resilience
- New Revenue Frontiers: Telcos are evolving beyond connectivity, monetising AI-driven support, sovereign cloud, and cybersecurity to fuel growth and deliver differentiated value
- Vodafone –Three merger completed in May – together will invest £11bn over next 10 years in the UK'S 5G network
  - This year it will invest £1.3bn in capex to accelerate network deployment

Public Market

H1 2025 Revenue Multiples



H1 2025 EBITDA Multiples



Source: S&P500 - CapIQ

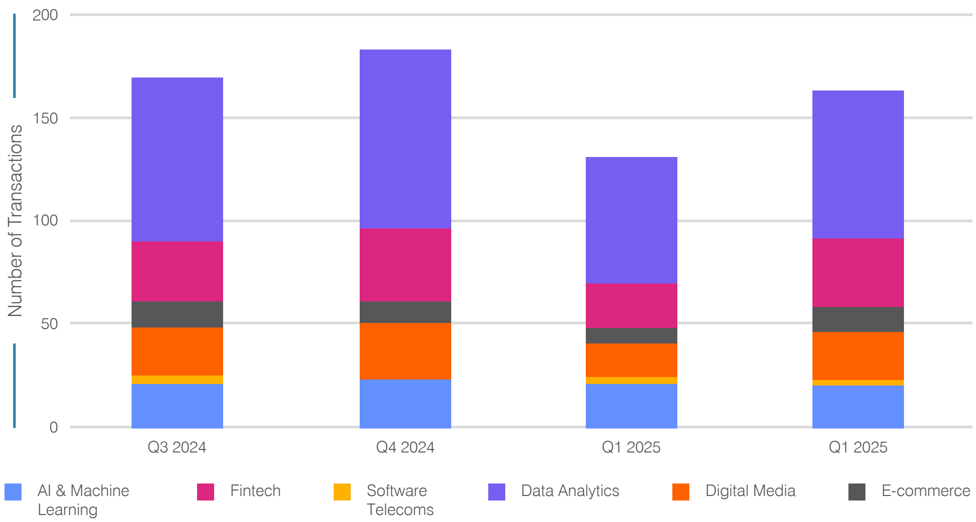
**NB: Not including ECommerce*

- Tariff uncertainty intensifies with the 9 July deadline for trade deals now extended to 1 August. This delay has prolonged volatility across global markets, with cautious investment sentiment.
- SaaS sector valuations continue to compress, as the SaaS Capital Index's ARR multiple sits at 6.7x, down from 7.3x at year-end 2024. This reflects investor preference for profitability over growth amid tighter capital conditions.
- While IPO activity remains muted, breakout deals like Circle (CRCL)—now at a £42bn market cap after a 500% surge—are reigniting fintech momentum.
    - Stripe's £68bn tender offer to employees and early shareholders brings it close to its £75bn tech-bubble peak, hinting at a possible return of premium valuations for top-tier tech.

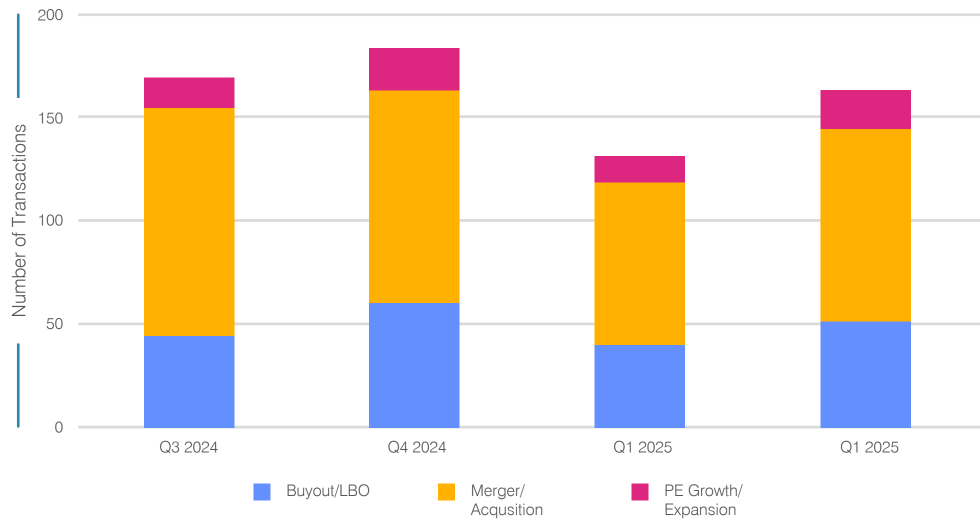
Source:
SaaS Capital Index
Pitchbook

Private Transactions

Software & Technology UK Deals by Subsector



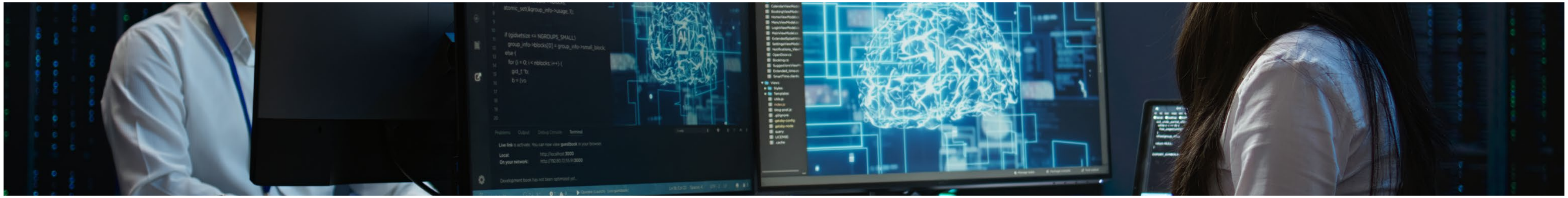
Software & Technology UK Deals by Type



Source: Pitchbook

- Resilience despite volatility: The UK ranks as the second most attractive market for cross-border deals, with international buyers drawn by its stable legal system, IP protections, and innovation hubs
- Valuation arbitrage: A weakened GBP and narrowing bid-ask spreads have made UK assets more accessible to overseas investors, especially from the US, Middle East, and Asia Pacific
- Buy-and-build strategies: PE firms are aggressively pursuing bolt-on acquisitions to scale platform companies with additional software capabilities. In 2024, bolt-ons accounted for nearly two-thirds of UK buyout volume

Source:
https://www.ukfinance.org.uk/news-and-insight/blog/ma-in-2025-insights-uk-finances-ma-conference



Highlights from SaaS Capital's Private Company Benchmarking 2025

SaaS companies continue to thrive across industries by offering recurring revenue models that secure predictable cash flows and command higher valuations. With competition intensifying, benchmarking is increasingly vital. SaaS Capital, a non-dilutive growth debt provider to B2B SaaS firms, surveyed over 1,000 private companies in its 2025 report. Here are the key takeaways:

Overall Growth Trends

- Median YoY growth rate across all surveyed private B2B SaaS companies fell to 25% in 2024 (from 30% in 2023), reverting to levels seen during the pandemic
- Companies reporting flat or negative growth rose slightly to 6.9%, up from 5.3% in 2023

Growth by Company Size (ARR Segmentation)

- Growth is highly size-dependent: smaller companies (<£2.5m ARR) need 50%+ growth to be top-quartile performers; larger firms (£16m+ ARR) only require 31%
- Top-performing £800k - £2.5m ARR companies posted 132% growth (top 10%); drops to 50% for those >£16m ARR
- Larger firms see compressed growth rates and less variability—typical of later-stage scale-ups

Funding Type Impact

- Equity-backed companies grow faster (median 25%) than bootstrapped peers (median 23%)—especially at lower ARR bands
- However, bootstrapped firms are significantly more profitable:
  - 85% are near breakeven or profitable vs. only 46% of VC-backed firms
  - VC-backed firms spend nearly double on marketing and sales

Retention's Role in Growth

- Strong Net Revenue Retention (NRR) correlates with high growth:
  - Companies with 130%+ NRR grow at 44%, vs. 20% for those <90% NRR
  - Retention improvements compound growth through upsells and renewals

Growth by Age

- Younger companies (1–3 years) show higher growth due to lower revenue base
- Growth stabilises around year 10—coinciding with common exit timelines, especially for VC-backed startups
- 57% of bootstrapped firms are >10 years old, vs. 46% of equity-backed firms

Other Notables

- Billing frequency (monthly vs. annual) and annual contract value levels (except >£200k ACV) show little correlation with growth
- Vertical vs. horizontal SaaS growth differences have diminished (25% vs. 24%)

Source:
SaaS Capital

Active Investors

Lower to mid-market PE can drive strong returns on investment by targeting multiple tech platforms with strong synergies and combining functionality.

Important for technical founders to consider how their systems are built from the start, and how easy these will be to integrate into other platforms. Even if an exit is not on your mind right now - it is easier to think about the risks of technical debt now and optimise a system prior to scaling!

Investor(s)	Add-on Sponsor	Target	Deal Date	Subsector
Aareon	Caisse de dépôt et placement du Québec, TPG	HomeMaster (UK)	09/04/2025	Software, Telecoms & Services
		MIS Group	30/05/2025	
AICO	Accel-KKR, Juuri Partners	Mercur Solutions	26/02/2025	
KALERIS	Accel-KKR	Locus Software	09/06/2025	
banyan SOFTWARE	Norwest Venture Partners, Pacific Lake, Rock Creek Capital	Intuitive	01/04/2025	
		ProgressPlus	09/06/2025	
BOWMARK CAPITAL		Altia-ABM	21/01/2025	
TENZING		ScreenCloud	04/04/2025	
		Tillo	12/05/2025	
YFM Equity Partners		The Networking People	30/04/2025	
		S4labour	08/05/2025	
glider	Cow Corner Investing	Sitedesk	28/04/2025	
THE INGENUITY GROUP		Pearlfinders	30/04/2025	Data & Analytics
DeHavilland	Bowmark Capital, Bridgepoint Group	NewsDirect	24/04/2025	Digital Media
zellis	Apax Partners, Ergo Partners	Hastee	16/06/2025	FinTech
Bridgepoint Group		Eckoh	20/01/2025	

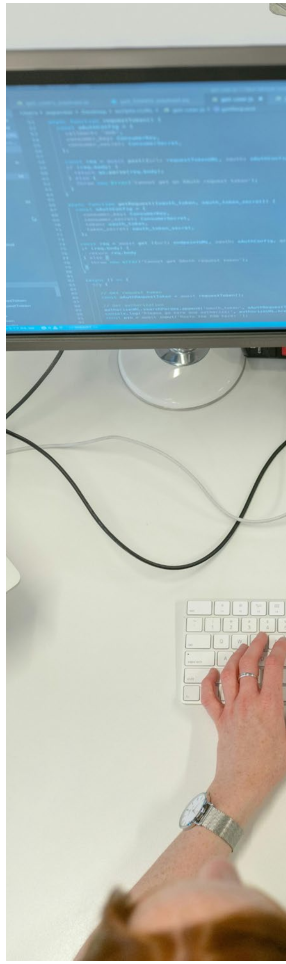
Source: Pitchbook

Active Acquirors

A saturated market fuels consolidation in digital media.

Strategic acquisitions of technology players by non-software companies can provide access to innovative tools without the need to establish technical engineers in house. Provides a wider range of exit routes for software founders.

Acquiror	Target	Acquisition Date	Deal Type	Subsector
absolute sports	ITR Wrestling	07/05/2025	Merger/Acquisition	Digital Media
	TJR Wrestling	07/05/2025	Merger/Acquisition	
ATC	Easy Life Entertainment	07/04/2025	Merger/Acquisition	
	Concorde 2	12/03/2025	Merger/Acquisition	
bigspark	Aizle.ai	17/03/2025	Merger/Acquisition	Software, Telecoms & Services
BOND www.bondint.uk	Tyrescope	04/04/2025	Merger/Acquisition	
	Tyresoft	28/04/2025	Merger/Acquisition	
crisp.®	Atheon Analytics	28/03/2025	Merger/Acquisition	
	ClearBox	10/04/2025	Merger/Acquisition	



Source: Pitchbook

UK Deals in Software, Media & Technology

Target	Deal Date	Deal Size (£m)	Post Value (£m)	Valuation/EBITDA	Valuation/Revenue	Deal Type	Investor	Polestar Sub-Sector
Freetrade	15/01/2025	157.2	157.2		5.7x	Merger/Acquisition	IG Group Holdings	AI & Machine Learning
InfoSum	02/04/2025	116.1	116.1	(Loss making)	23x	Merger/Acquisition	WPP	
AbEx Capital	17/03/2025	6				PE Growth/Expansion	MMC Ventures	
JAAQ	03/04/2025	5	28.8			PE Growth/Expansion	Guinness Ventures	
Synertec	13/03/2025	22	22		4x	Merger/Acquisition	Restore (UK)	Data & Analytics
Trakm8 Holdings	01/05/2025	4.8	4.8	1.5x	0.3x	Merger/Acquisition	Omegro	
Tyrrell Building Technologies	18/02/2025	1.8				PE Growth/Expansion	River Capital Management	
Telegraph Media Group	23/05/2025	500	500		1.9x *(2023 Accounts)*	Buyout/LBO	International Media Investments, RedBird Capital Partners	Digital Media
National World	26/05/2025	65.1	65.1	4.8x	0.6x	Merger/Acquisition	Media Concierge	
Easy Life Entertainment	07/04/2025	0.8	1			Merger/Acquisition	ATC Group	
Anton	02/01/2025	N/A				PE Growth/Expansion	BlackRock, Magnetar Capital	
Kurt Geiger	13/02/2025	289	289		0.7x	Merger/Acquisition	Steve Madden	E-Commerce
Lyst	09/04/2025	119.1	119.1			Merger/Acquisition	ZOZO	
Peachies	16/06/2025	2.1	13.5			PE Growth/Expansion	ArmaVir Partners, Triple B	
FNZ Group	07/04/2025	386.3				PE Growth/Expansion	CPP Investments, Caisse de dépôt et placement du Québec, Generation Investment Management, Motive Partners, Summit Partners, Temasek Holdings	Fintech
Eckoh	20/01/2025	169.3	169.3	24.2x	4.7x	Buyout/LBO	Bridgepoint Group (UK)	
Dojo (Financial Services)	28/05/2025	142.3				PE Growth/Expansion	Vitruvian Partners	
AdvantageGo	28/04/2025	43	43		2.6x	Merger/Acquisition	Sapiens International Corporation	
Iplicit	27/01/2025	25				PE Growth/Expansion	One Peak Partners	
Credit Canary	27/02/2025	3.3	3.3			Merger/Acquisition	Amazing AI	
The Bunch	01/04/2025	3	19.6			PE Growth/Expansion	SFC Capital	
Mazuma	01/05/2025	0.1				PE Growth/Expansion	Development Bank of Wales	
Universe Payments	26/02/2025	0.1				PE Growth/Expansion	Hot Rocks Investments	
Spirent Communications	03/03/2025	339.1	339.1	7.3x	0.7x	Merger/Acquisition	Viavi Solutions	Software, Telecoms & Services
Blis Global	18/02/2025	140.7	140.7	8.6x	1.7x	Merger/Acquisition	T-Mobile US	
Cardo Security	08/01/2025	128	128			Buyout/LBO	Darktrace, Thoma Bravo	
Altia-ABM	21/01/2025	64.3	131.1			Buyout/LBO	Bowmark Capital	
Crimson Tide	10/02/2025	12	12			Merger/Acquisition	Checkit	
Voneus	15/01/2025	6.2	11.7			PE Growth/Expansion	Global Connectivity, Israel Infrastructure Fund, Macquarie Group, Tiger Infrastructure Partners	
Ad Signal	01/03/2025	1.5				PE Growth/Expansion	Foresight Group	
Spawtz	20/02/2025	1.1	1.1			Merger/Acquisition	Undisclosed Investor	

Source: Pitchbook