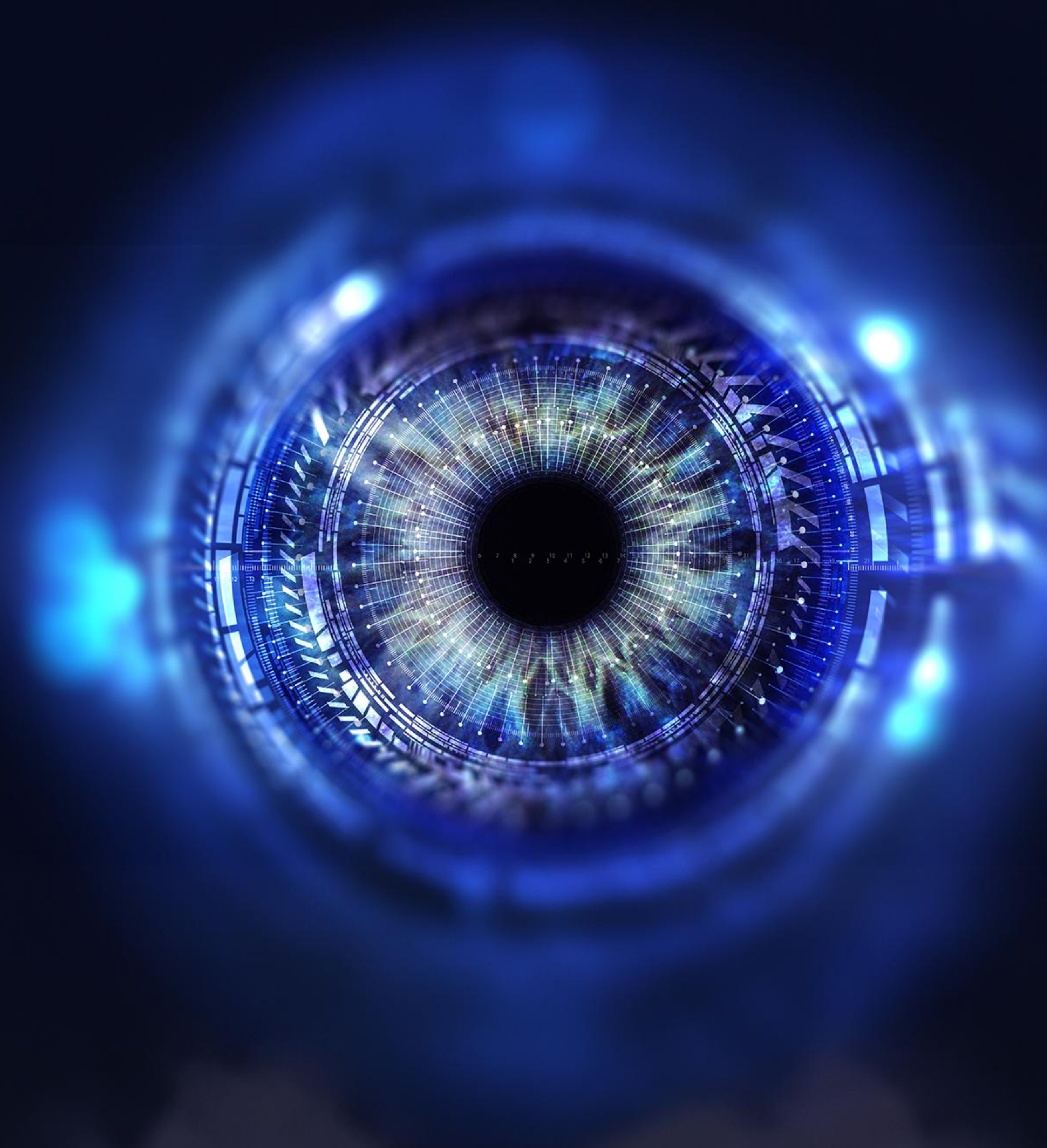
Heligan
CORPORATE
FINANCE

Private Equity activity in the National Security, Crime Prevention and Public Safety sectors



“Protecting our values and security is no longer just the job of the military, intelligence, or law enforcement. As threats evolve, Private Equity investment is crucial for innovation, accelerating market readiness, and maintaining our operational edge over adversaries.”

Foreword

"At Heligan, we are a team of 19 M&A practitioners and are supported by a team of individuals who have spent prior careers within HMG, working across military, intelligence and law enforcement.

The companies we meet are exciting and high-growth, with a focus on global safety. In recent years, the National Security, Law Enforcement and Public Safety ("security-tech") sectors have typically been overlooked by Private Equity. This is now changing, and rapidly.

Impressive returns have created a "halo effect" around security-tech, with many Private Equity firms actively searching for their first investment. The market is becoming more competitive, and multiples remain at an attractive level for vendors, creating an attractive M&A environment.

The VC ecosystem is also very much alive - exceptional companies are being developed in the UK. As they continue to grow, the Private Equity community also has a key role to play in supporting tomorrow's innovative companies."

Matt Croker
M&A Director

"After 25+ years in HMG focusing on future technologies, I joined Heligan in 2023 to help bridge the gap in the investment landscape between the private and public sector.

With the public sector increasingly relying on the private sector to protect its national interests, a vibrant Private Equity landscape is essential to ensure the UK remains a leader in core technologies.

Our engagement with the Private Equity and Venture Capital community is genuinely exciting, and I'm highly confident about the future landscape.

Ben Addley
Managing Partner,
Heligan Strategic Insights

Average **EV/EBITDA**

10.5x for 2018 to 2024

2018 – 2024 saw

191 AND **64**
Entries Exits

2022 - 2024 saw

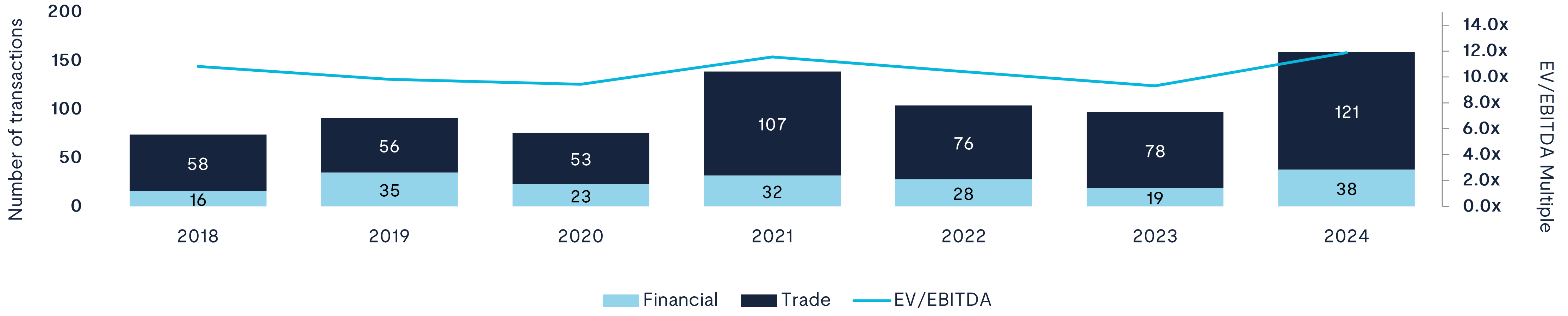
202 Companies receive VC investment

15% of all transactions were made as a bolt-on investment between 2018 and 2024

2024 saw

38 AND **13**
Entries Exits

M&A Activity – trade acquirors and Private Equity



2024 was a record year for M&A in Security-Tech

1 Record level of PE activity in 2024, and we expect this trend to continue into 2025 and beyond. Investors are increasingly attracted to the sector by the impressive business models that have been developed.

2 A buoyant trade acquirer landscape is assisting with the investment thesis for PE – more exit opportunities provide confidence upon entry in addition to enhancing the returns available.

3 The October 2024 budget raised CGT to 24%, but this isn't expected to negatively impact vendor or deal volumes.

4 While some companies have benefited from increased spending due to geopolitical conflict, others have faced negative impacts due to redirected or delayed programme funds. With changes in the UK and US governments, spending patterns are expected to stabilise, improving contract visibility.

5 Improving macroeconomic conditions and geopolitical tensions suggest strong deal momentum into 2025 and beyond.

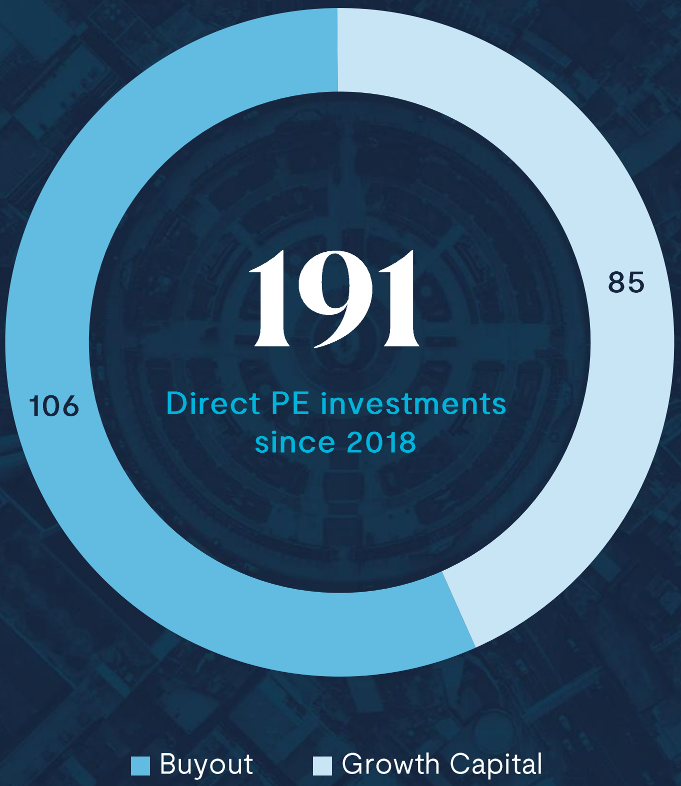
Private Equity interest and activity continues to grow year-on-year

Active investors into companies in the Security-Tech sector

Level of Activity

- BGF, Heligan Investments, MAVEN Capital Partners, Livingbridge
- Rcapital, Foresight, Phoenix, August Equity
- Beech Tree Private Equity, LDC, Bowmark Capital, Charlesbank
- inflexion, Horizon Capital, Chiltern Capital, eci
- gcp, Volpi Capital, North Edge., nvm
- palatine, Blackstone, 3i, YFM Equity Partners

Buyout vs Growth Capital



Security-tech subsectors

Heligan has expertise in highly specialist technologies and business models

Defence

- Defence technology
- Drone/anti-drone
- C4ISR
- CEMA
- Combat
- Anti-kinetic technology
- Tactical gear
- CBRN defence

Cybersecurity

- Offensive cyber
- Defensive cyber
- Vulnerability research
- Critical infrastructure security
- Cloud security
- Online safety
- Penetration testing
- Hacking

Intelligence & Surveillance

- Monitoring technologies
- Video surveillance
- Counter espionage
- Interception systems
- Reconnaissance
- Border & control technology
- RADAR
- Private intelligence

Security & Safety

- Alarm systems
- Access control
- Physical safety
- Mobile security

Communication Technology

- Secure communications
- Encryption
- Command & control systems (C2)
- SDRs

Identity Technology

- Digital forensics
- Ballistics
- Authentication technology
- Biometrics

Frontier Technology

- Quantum technologies
- Advanced materials
- Space technology
- Advanced analytics (AI/ML)
- Satellite
- Biomimetics
- Electromagnetic
- IoT

Risk Management & Crime Prevention

- Compliance technology
- Fraud prevention
- Risk & threat monitoring
- AML & KYC
- Money laundering

Sub-sector overview

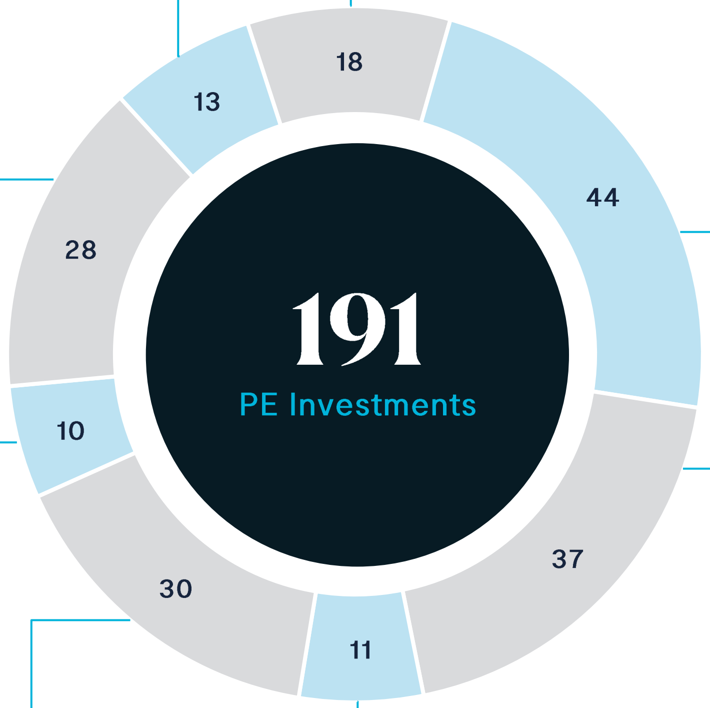
Cybersecurity, Intelligence & Surveillance and Defence assets remain highly attractive to Private Equity

Security & Safety
Access control and biometric analysis technologies are being sought by investors.

Risk Management & Crime Prevention
Risk and threat management is rapidly growing as innovative companies deliver previously unattainable insights and solutions to emerging challenges.

Identity Technology
A niche subsector where we would expect deal volumes. There is some reluctance from PE investors to enter the sector due to perceived risks around ESG and identity tracking and data management.

Intelligence & Surveillance
The sector is set for strong growth in the next 18 months, driven by AI and data advances. Its IP-rich model and strong financials attract PE as demonstrated by the historical levels of activity.



Communication technology
Secure communications is growing in importance, with a shift toward software defined communication creating attractive business models and more IP-rich companies.

Cybersecurity
With 44 entries (23%), cybersecurity is the most attractive NSCPPS sub-sector. PE is often drawn to its strong revenue profile and visibility of pipeline.

Defence
The global geopolitical climate has increased investor interest in the defence supply chain despite historically less PE attention due to long sales cycles and higher working capital demands. The sector also has significant barriers to entry.

Frontier Technology
Growing appetite for transformative technologies that can disrupt traditional models and create new market opportunities, with growth capital typically taking the lead over buyout funding.

Growing number of PE entry and exits

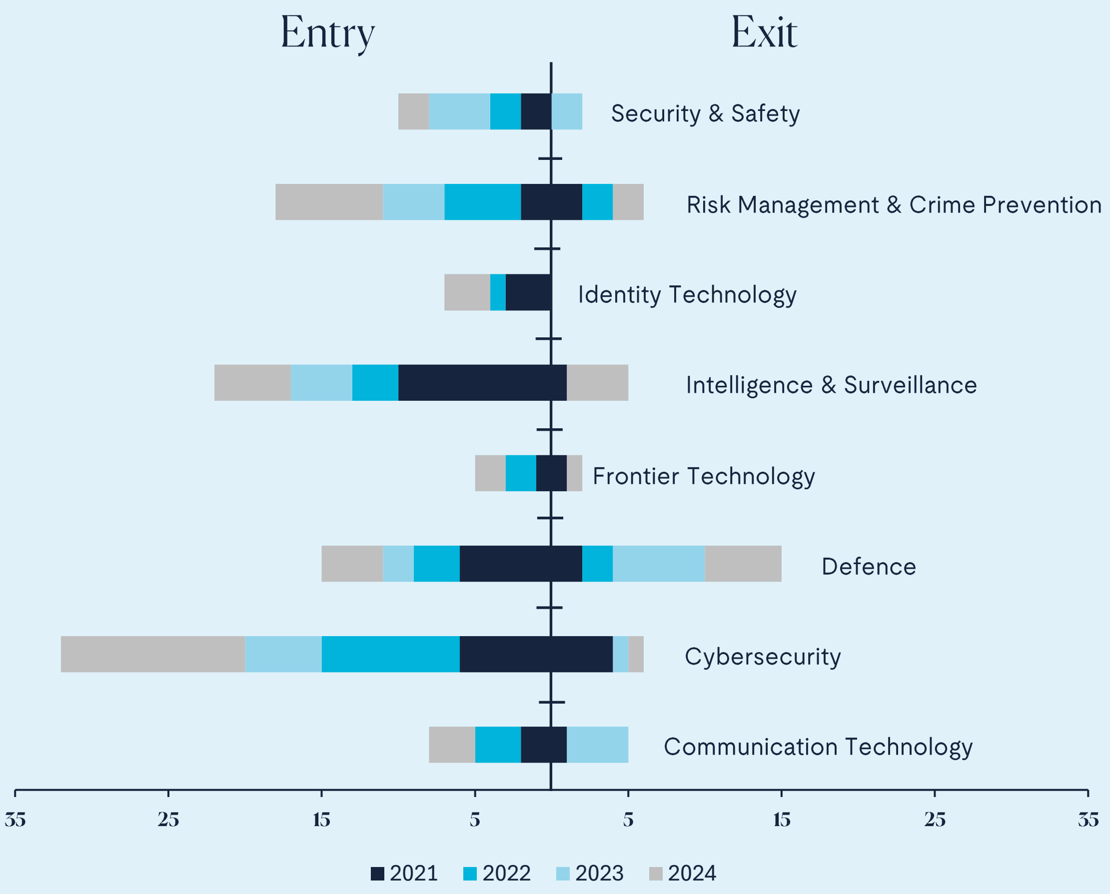
> **The landscape points towards greater M&A activity with more PE backed portfolio companies undertaking M&A bolt-ons.**

Cybersecurity remains a standout sector for Private Equity. The sector has the characteristics that appeal to Private Equity (scalable and recurring revenue / customers) along with a fragmented market which enables a buy & build M&A strategy which drives investor returns. We are seeing Private Equity also invest in platform companies in other security-tech sectors which is highly encouraging.

There continue to be more Private Equity entries than exits, which will support increased deal activity in future periods.

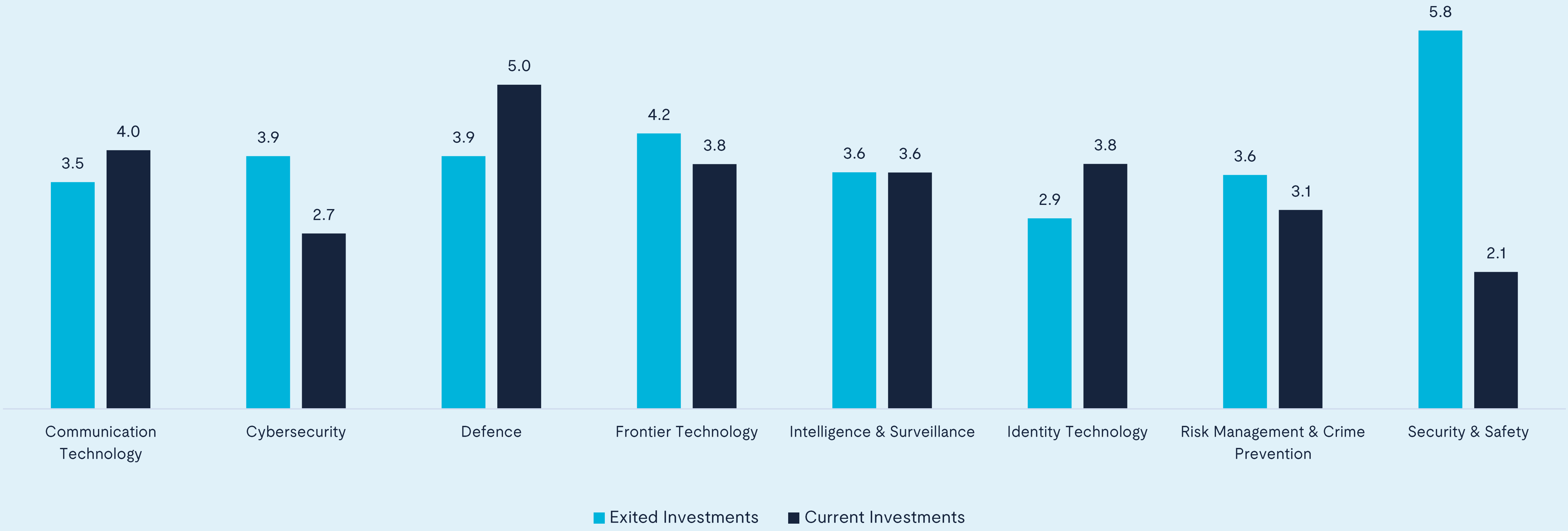
The protection of the Nation-State is the primary objective of government. There has been a collective apathy towards government security as there has been a prolonged period of stability in international relations; however, more recent conflicts have refocused the mindset. The increased geo-political instability has led to a structural shift in government mindsets and, importantly, budgets, translating into larger addressable markets which is a key consideration for every investor.

Simon Heath
Managing Partner, Corporate Finance



Average hold periods

Median Private Equity Investment Hold Periods (years)



Bolt-on transactions for PE platforms are increasing in volume

The security-tech sector remains fragmented yet rapidly evolving, offering strong opportunities for platform investments with a buy-and-build strategy.

While platform investments are well-established in other sectors, they are gaining traction in the wider security-tech sector.

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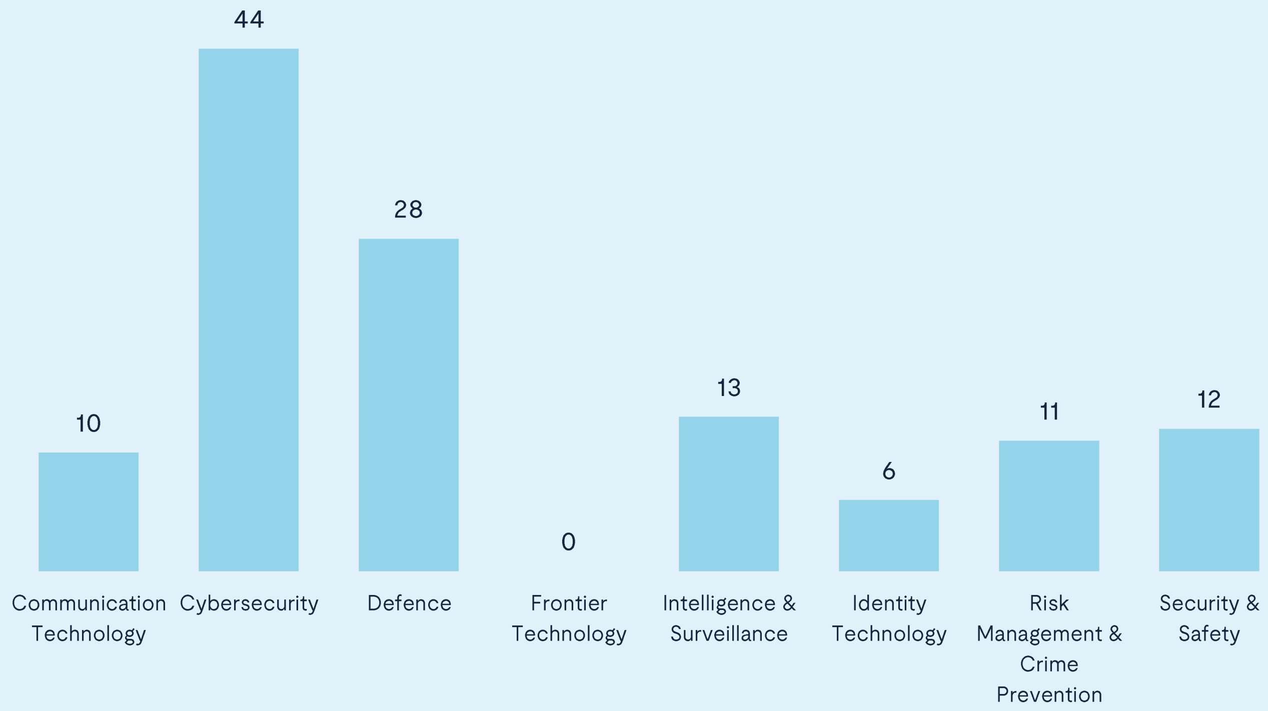
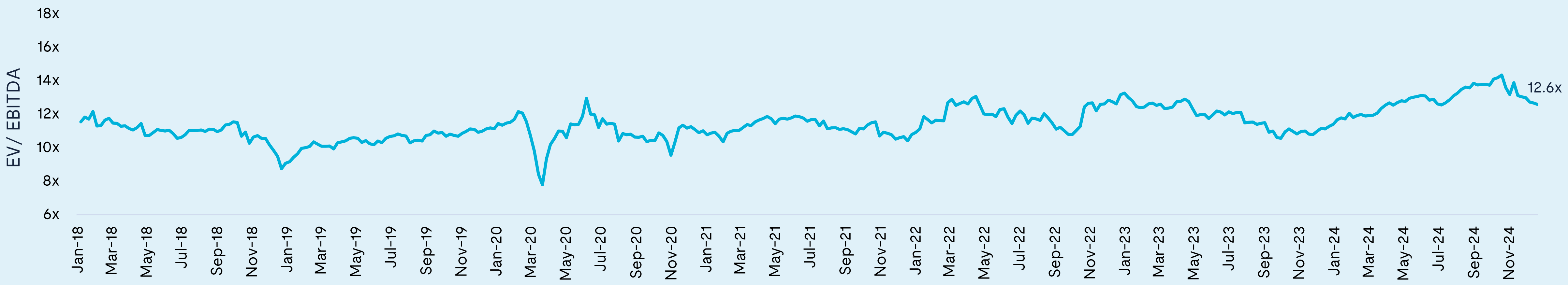
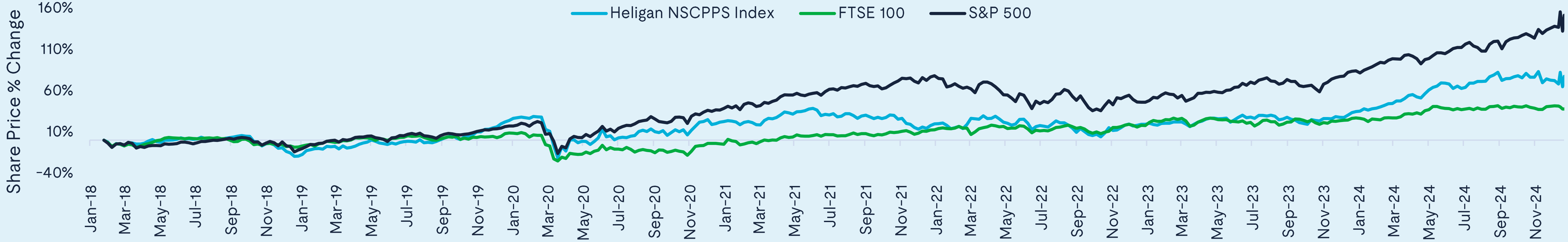
Volume of bolt-ons by subsector (2018-2024)



Listed company performance

Heligan listed security-tech index





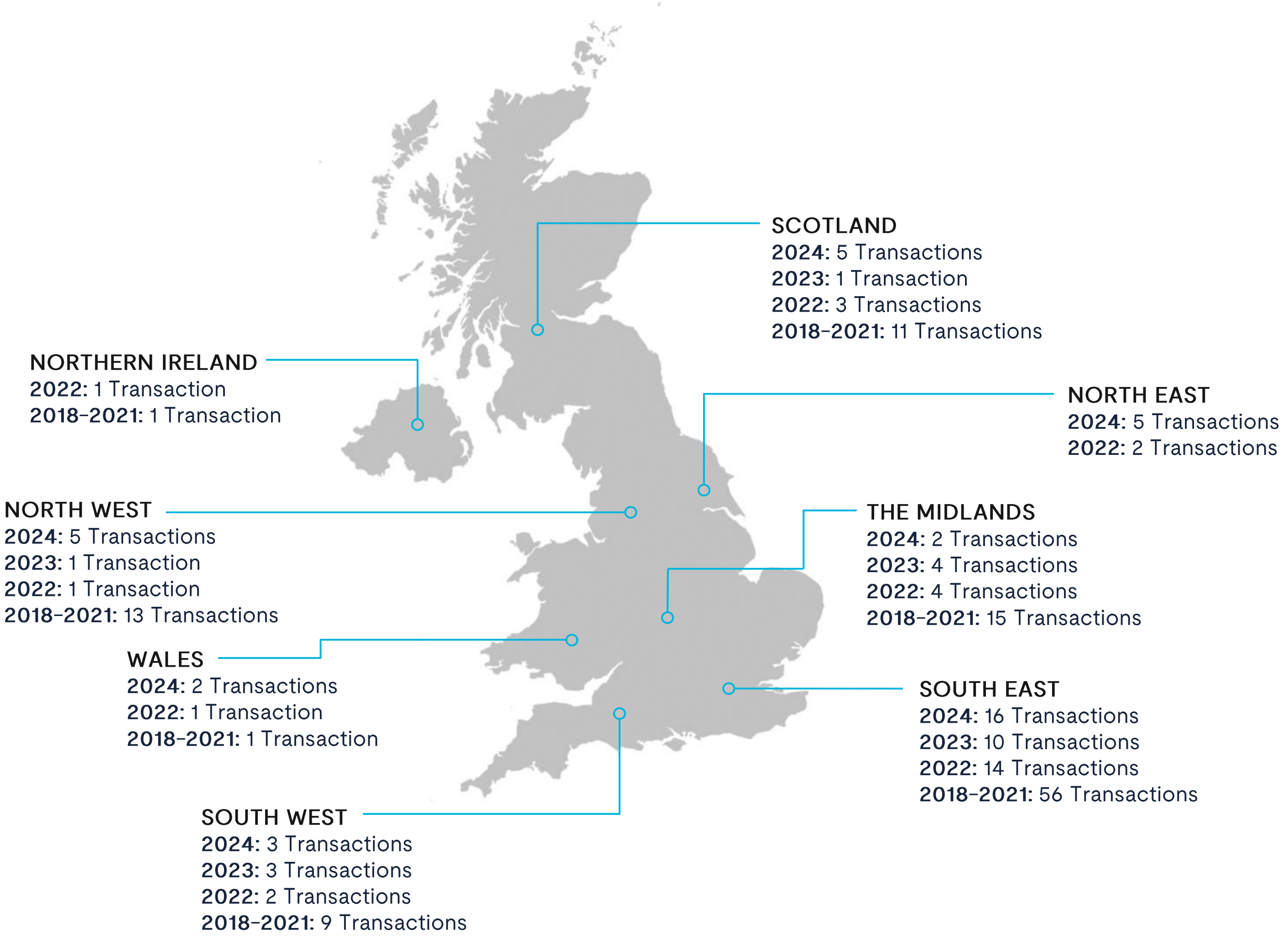
Index companies

BAE SYSTEMS · QINETIQ · LOCKHEED MARTIN · LEONARDO · KBR · COHORT PLC · smiths · CACI EVER VIGILANT

Chemring Group · GBG · GENERAL DYNAMICS · AVON TECHNOLOGIES PLC · babcock · G&H · senior · Raytheon Technologies

Private Equity activity across the UK

Visualising transaction activity across key regions



Like many sectors, the South-East dominates deal volumes; however, actual capability is increasingly migrating outside of London.

Many Government offices have already moved to locations like the Midlands, the Northeast and the Northwest.

In 2019, GCHQ relocated much of its Cyber and Digital Intelligence operations to Manchester, in turn establishing a Government Campus alongside HMRC and DWP. This move leverages Manchester's growing tech sector, allows collaboration with local universities, and attracts young talent who prefer living outside London. Defence Primes and Tier 1 Government suppliers have also migrated to Manchester, aligning resources with GCHQ's demand signals.

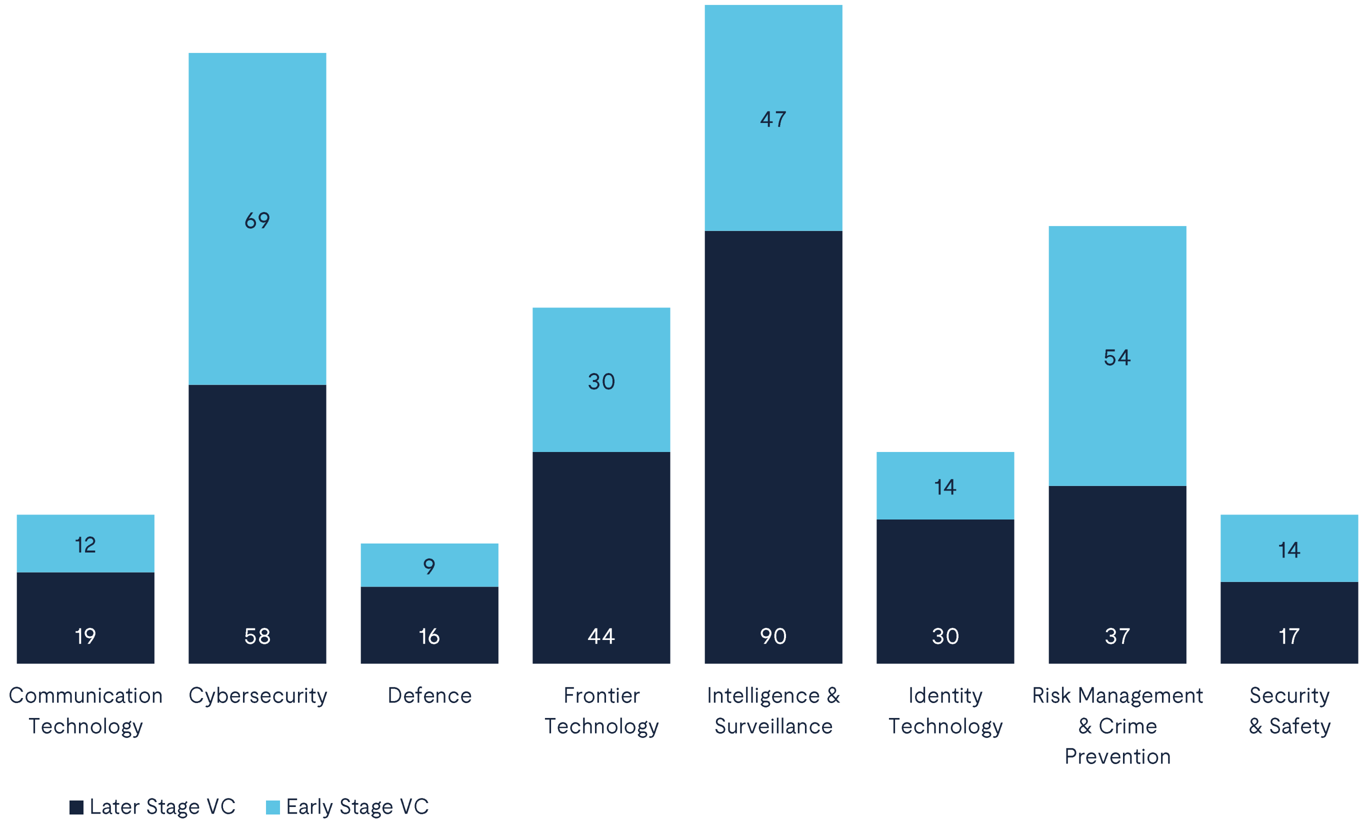
When the Government announced the formation of the new National Cyber Force, it established its new headquarters on the outskirts of Preston.

There are numerous reasons why the Government has chosen this route. It's obviously good for the regions, with many areas seeing an influx of government jobs and infrastructure. With increased government operations, secondary businesses (suppliers, consultancy firms, and tech providers) often cluster in these regions, fuelling M&A as companies acquire local businesses and expand their footprints, as seen in the Manchester example above.

Birmingham and Manchester, in particular, seem to be creating a centre of gravity for digital transformation services, leading to more and larger prime integrators and consultancy firms in those regions.

Venture Capital Activity

Venture Capital Activity (2018-2024)



Early-stage VC: *The company must be less than five years old at the time of the deal, and if specified, the series should be A or B.*
Late-stage VC: *The company must be at least five years old or, if specified, the series should be C or later, regardless of the company's age.*

“ Despite public perceptions painting VCs as trend-setting, unicorn-hunting risk-takers, most certainly in the defence and national security arena, VC investors are quite conservative in the areas they focus on.

There is a high level of activity in early-stage Cybersecurity and Risk Management (both mature areas with well-established businesses). Whilst Frontier Tech and Identity Technology see far less activity, Heligan believes both are transformational with defence and national security and should be attracting higher levels of VC investment.

Levels of activity are also a demand signal from the ultimate end customers. In Defence and Security, there are three main buyer groups: governments, enterprises, and the high street customer. All three will 'feel' the threat from hostile cyber activity, whether at the nation-state level, from ransomware gangs targeting businesses, or from internet users trying to avoid the plague of phishing attacks.

Similarly, in Intelligence and Surveillance, heightened threats from the likes of Russia and China mean governments are increasing spending on defence and national security. At the enterprise and customer levels, there are also strong demand pulls for ever greater capabilities to keep our homes safe, and businesses are realising the value of the data they collect as revenue generating opportunities.”

Ben Addley
Managing Partner, Heligan Strategic Insights

Active VC Investors

Active investors into companies in the National Security, Crime Prevention and Public Safety sectors

Level of Activity

mercia asset management	Amadeus Capital Partners	SFC Capital	Scottish Enterprise
octopus ventures	PLUGANDPLAY	MAVEN CAPITAL PARTNERS	Foresight
Parkwalk Investing in Innovation	BGF	OXFORD SCIENCE ENTERPRISES	Fuel Ventures
ENTREPRENEUR FIRST	YFM Equity Partners	wayra	AlbionVC
Gresham House VENTURES	IQ CAPITAL	UK INNOVATION & SCIENCE SEED FUND	24HAYMARKET

Sector insights

We asked Heligan Strategic Insights four questions about Private Equity activity in the NSCPPS sector

1 What is the current threat landscape?

Over the last 10 years, threats to the UK—such as espionage, cyber-attacks, terrorism, and disinformation—have increased significantly in volume and velocity.

This trend isn't unique to the UK. Globally, multiple state-on-state conflicts pose serious risks, with the potential to escalate into both intra- and intercontinental struggles.

2 What is driving increased PE activity?

The defence and national security technology industry is transforming significantly in response to the increased challenges.

Governments' increasing demand for innovative dual-use technologies is driving sector growth, which, in turn, is driving private market investment. Private Equity firms are looking to capitalise on this expanding market, which is often supported by government, military, and law enforcement needs.

3 What is the current NSCPPS market environment?

The current NSCPPS market is fragmented. This environment is primed for consolidation, allowing larger firms to streamline operations and enhance service offerings to meet the rising demand for integrated security solutions.

4 Future opportunities for Private Equity?

Technological advances present both threats and opportunities. The defence and security sectors are beginning to grasp AI, quantum computing, advanced robotics, and novel materials.

As these technologies evolve, they will reshape the market, offering new opportunities for Private Equity to enhance operational efficiency and security. This growth potential makes them crucial for future investments.

About Heligan Group

Introduction to Heligan Group

At Heligan we bring a refreshing, entrepreneurial and outcomes-based approach to delivering transactions

Heligan CORPORATE FINANCE

Heligan Corporate Finance
M&A lead advisory with a focus on transactions between £5m and £200m, supported by a sector focused approach

Heligan INVESTMENTS

Offering flexible equity structuring to align all stakeholders in businesses valued up to £75m.

Heligan STRATEGIC INSIGHTS

Providing key data and business intelligence services to support Heligan Investments' strategy and helping Heligan Corporate Finance on buyside and sellside mandates.

Heligan WEALTH MANAGEMENT

Personalised and flexible approach to investment planning for HNW's and Business Owners across multiple asset classes.

Heligan CORPORATE FINANCE

Focusing on the National Security, Crime Prevention and Public Safety sector, Heligan Corporate Finance helps businesses, Private Equity, founders and large corporates to:

- Undertake a formal M&A sale process;
- Buyside M&A support;
- Undertake complex carve-outs of non-core divisions;
- Identify strategic targets and then advise on acquisition; and
- Raise buyout (and growth capital) debt and / or equity.

Due to the sector focus, transactions undertaken by Heligan Corporate Finance typically range between £5 million and £200 million Enterprise Value.

Supported by a highly experienced CF team of 19 members, four of whom hold SC clearance with some individuals holding DV clearance.

Keith Bristow QPM
Executive Chairman
ex HMG, NCA

Dr Tim Grasby
CEO
ex Big4, Midven

Simon Heath
Managing Partner
ex KPMG

Greg Easter
Partner
ex KPMG

Ramesh Jassal
Partner
ex Clearwater

Matt Croker
Director
ex BDO

Andrew Dickinson
Director
ex KPMG

Heligan INVESTMENTS

Investment Focus Taxonomy

Security Technology

National Security | Enterprise Security | Crime Prevention & Public Safety

Advanced Data Analytics	Cyber	Surveillance Technologies	Identity Technology

Unmanned Systems | Space Technologies | Physical Security | Simulation Technologies | Advanced Materials

PANDORA INTELLIGENCE · projectina · DeterTech · ARQUEBUS · landguard SYSTEMS · CCL SOLUTIONS GROUP · INTERRUPT LABS

“Heligan’s investment fund was established to use our knowledge and experience in the security-tech sector, providing liquidity across both growth capital and buyout transactions.

The sector benefits from favourable tailwinds, including rising spend, increased innovation, and growing customer demand. It is encouraging to see greater Private Equity involvement, bringing liquidity and opportunities for owner managed companies, many of which play a crucial role in protecting the UK’s sovereign interests.”

Matt Upton
CIO, Heligan Investments

Investment Criteria Overview

- Heligan Investments invests in businesses with enterprise values (EVs) of up to £75 million, solely within **the National Security, Public Safety, and Crime Prevention sectors.**
- Our investment team consists of senior individuals with previous careers within HMG, law enforcement and security agencies - all of whom have had extensive experience operating at the highest levels.
- This background provides us with international connectivity and a comprehensive view of the security-tech landscape, both nationally and globally, giving us a unique perspective at the national and enterprise security levels.
- Geographical focus on EMEA and North America for companies demonstrating underlying profitability exceeding £1 million.

Heligan STRATEGIC INSIGHTS

HELIGAN INTELLIGENCE

The Heligan Strategic Insights team has deep sector expertise with decades of experience working within HMG, across military, intelligence and emerging technologies.

- Heligan Strategic Insights ("HSI") equips all Heligan divisions with crucial intelligence, shaping smarter, strategic decisions across the business. Their role extends beyond research; actively contributing to success through sector expertise, network access, and strategic guidance.
- Alongside providing intelligence and access to our Corporate Finance team, HSI provides a Commercial Due Diligence offering to Private Equity and Venture Capital investors.
- HSI are supported by a substantial team of advisors with global reach who have operated at the highest level within the security and defence community, within organisations such as DSTL, MoD, Law Enforcement and the Intelligence Community.
- The Heligan Network is led by Heligan Partner, Keith Bristow QPM, who established the NCA and was Chair of the G8 Law Enforcement Group

Ben Addley
Managing Partner
ex HMG

Richard Bach
Partner
ex HMG

Will Ashford-Brown
Director
ex Military

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