

TERN

SOFTWARE AND COMPUTER SERVICES

6 June 2025

TERN.L

1.8p

Market Cap: £10.4m

SHARE PRICE (p)



12m high/low

2.4p/1.0p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£0.2m (at 31/12/24)
Enterprise value	£10.2m
Index/market	AIM
Next news	Interims
Shares in issue (m)	578.2
Chairman	Ian Ritchie
CEO	Al Sisto
CFO	Colin Nunn

COMPANY DESCRIPTION

Tern operates a hybrid venture capital model, providing access to disruptive IoT start-ups with proven technology.

www.ternplc.com

TERN IS A RESEARCH CLIENT OF PROGRESSIVE

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Portfolio maturing and SVV benefits

Tern's FY24 results highlight the strength of the core portfolio, delivering progress with major key accounts and strategic partnerships. Tern's exposure to Sure Ventures plc is already providing an additional source of income. We see a strong similarity with Tern's strategy in the proactive investment style of Sure Ventures plc, now leveraging Tern's hands-on approach. Valuations across the technology landscape remain depressed and therefore portfolio companies have not looked to raise funds from new VC investors. Tern reported a modest £1.6m decrease in net assets, predominantly due to Wyld and the costs of being AIM listed. However, Tern is well placed to benefit from an increased appetite for early-stage software and generative AI, providing a unique proposition that creates value via access to disruptive start-ups not generally available to AIM investors. The three core portfolio companies are firmly into growth stage, and leaders in sectors poised for substantial growth. In terms of the board, chairman Ian Ritchie has announced his retirement after the AGM (30 June).

- **Successful commercial execution of portfolio companies.** The three core businesses have secured significant key accounts and are generating repeat business. We expect additional third-party interest this year as businesses enter the next phase of maturity, with B or C funding rounds expected. However, given abundant private capital, Tern's access to funding and flexibility to issue new shares remain strategically important.
- **Growing relationship with Sure Ventures plc.** Tern has a 6.1% interest in SVV2, and in December 2024 secured 2.7% of Sure Ventures plc, providing exposure to the mature SVV1 fund. Notably, in July 2024, SVV1 achieved an 85% uplift in NAV selling Landvault for \$450m and a 4.5x multiple on the sale of Getvisibility in March 2025. Bruce Leith is Executive Chairman of Purple Transform, within SVV2, with Tern receiving related service fees.
- **The 'fund of funds' approach reduces the concentrated portfolio risk.** Investments in SVV2 and Sure Ventures plc are a low-risk way to gain exposure to potentially lucrative opportunities, with the ability to recoup costs through providing assistance to the companies held by these funds. This hands-on approach has been critical in helping portfolio companies scale operations, particularly in the US market.
- **Exposure to a wide array of transformative technology businesses.** Strategic investments have positioned Tern at the forefront of IoT security and AI, with the portfolio attractive to third-party investors and 'intelligent growth funding', including CyberArk and Ten Eleven.

FYE DEC (£M)	2020	2021	2022	2023	2024
Revenue	0.2	0.1	0.1	0.2	0.0
Adj EBITDA	0.0	0.0	0.0	0.0	0.0
Fully Adj PBT	0.8	4.6	-10.4	-12.6	-3.8
Fully Adj EPS (p)	0.3	1.3	-2.9	-3.2	-0.9
Net asset value	24.0	32.4	24.9	12.3	10.7
NAV/share (p)	8.3	9.2	6.4	3.2	2.0
PER (x)	6.5x	1.3x	N/A	N/A	N/A

Source: Company Information and Progressive Equity Research estimates.

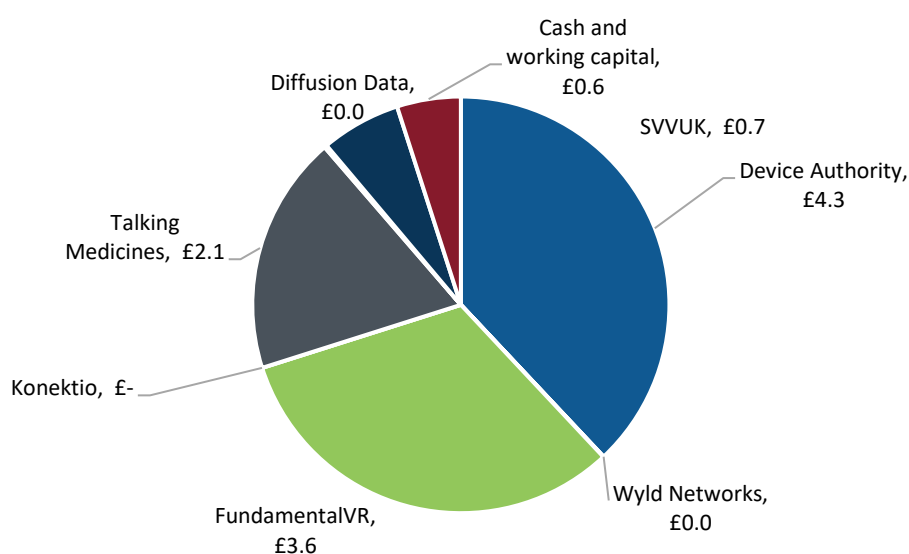
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Financial highlights

- Tern provides venture capital to exciting IoT innovators, creating value through a hybrid VC model via access to disruptive start-ups not generally available to AIM investors. Over the last few years, Tern has developed some of the most relevant companies in the markets that they are addressing, including its three core portfolio businesses Device Authority, FundamentalVR and Talking Medicines. Tern proactively supports growth via its sector expertise and ability to introduce highly effective marketing, leveraging access to markets, suppliers and potential partners to help increase market share. Annual recurring revenues (ARR) decreased 17% in FY24 following a big increase in FY23 (FY23: +50%). However, given the increasingly lean structure, and drive to positive EBITDA, aggregated employees fell by 51%, which meant that ARR per employee actually increased by 67% (FY23: +51%).
- The fair value of the portfolio has stabilised. However, the issues impacting the Wyld share price (Tern has not participated in further funding in respect of Wyld) have resulted in a £2.1m decrease in the overall fair value of the Tern portfolio, compared to an £11.1m decline in FY23. Tern's net assets were £10.7m, a modest £1.6m decline on FY23 (FY23: £12.3m). Device Authority decreased slightly by £0.1m to £4.3m due to a £0.2m asset sale and forex movement. The valuation of Fundamental VR remained static at £3.6m and Talking Medicines actually increased to £2.1m (FY23: £2.0m). The equity value of Wyld decreased by £2.4m.
- Total comprehensive loss for the year was £3.8m (FY23: loss of £12.6m), due to the net negative movement in fair value and £1.2m of operating expenses. Administration costs decreased to £1.2m (FY23: £1.7m), and other expenses decreases to £0.05m (FY23: £0.2m), largely as a result of the board restructuring and a full year of the new non-executive directors. The year-end cash balance was £0.4m (FY23: £0.3m), and liabilities were also £0.25m lower in FY24 due to repayment of the short-term loan. NAV fell 1.2p to 2.0p (FY23: £3.2p), calculated using the year-end ordinary shares in issue of 525m.

Tern – NAV breakdown as at 31 December 2024



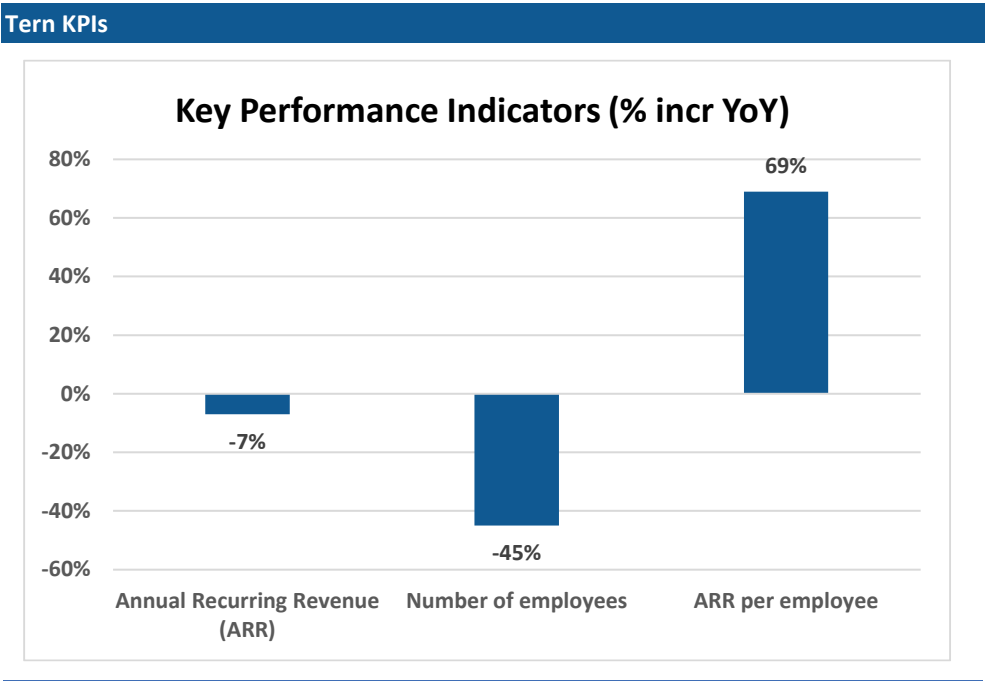
Source: Company data, Progressive Equity Research

Operational highlights

We highlighted individual company progress and customers in our note [Significant key accounts](#), 14 January 2025. Tern has created, and continues to support, a portfolio of businesses that are generating significant traction, underpinned by third-party interest and financial support. Tern has also gained exposure to Sure Ventures plc, which should be an additional source of income. We summarise the key points and valuations below:

- Device Authority (25.3%): £4.3m valuation (FY23: £4.4m). DA acquired new customers in 2024, with existing key clients gearing up for production at scale, utilising the platform. With a strong UK presence, it also has a 'go to market' in the US, which has delivered major customer wins. Ten Eleven is a significant milestone, attracting 'intelligent growth funding'. Expanding the partner network remains a strategic focus, with new collaborations including PlaxidityX (formerly Argus) and CyberArk, alongside a deepening partnership with Microsoft.
- FundamentalVR (10.3%): £3.6m valuation (FY23: £3.6m). FVR strengthened its market position through partnerships and development of new capabilities used by healthcare professionals worldwide through Fundamental Surgery. It has significant traction and 'stickiness' with its clients, affiliated with institutions like the American Academy of Ophthalmology (AAO), the American Academy of Orthopaedic Surgeons (AAOS), and the Royal College of Surgeons of England. The 'land and expand strategy' has increased business over the last 12 months, with Meta also showcasing FVR and its work with Orbis on eye surgery training.
- Talking Medicines (23.8%): £2.1m valuation (FY23: £2.0m). Talking Medicines is gaining traction using its curated AI model to source patient feedback and has successfully expanded into the US market. It has accelerated its 'land and expand' strategy, leveraging the Drug-GPT interface. There is strong interest from leading healthcare agencies to big pharmaceutical players. 2024 was a breakthrough year for TM, with significant potential in the next phase of growth, with its customers entrusting over 2.9 million pieces of data to TM to date.
- Wyld Networks (0.6%): £0.003m valuation (FY23: £2.4m). Despite commercial progress and product launches, Wyld experienced financial difficulties during the year and was forced to raise funds under unfavourable terms. Tern chose not to participate in the funding round, which led to a substantial reduction in its ownership stake. The highly dilutive nature of the equity issue caused Wyld's share price to fall sharply, and it has remained depressed.
- Konektio: The equity value of Konektio was written off due to administration.
- Diffusiondata (<1%): £0.02m valuation (FY23: £0.02m).
- Sure Valley Enterprise Capital Fund (6.1%) (SVV2): £0.7m valuation (FY23: £0.3m). Tern continues to invest up to £5m in SVV2, over the 10-year life. Initial investments are RETinIZE Limited, a creative tech firm, Opsmatix Systems Limited, (Jaid), offering AI-driven human communication solutions, and Captur, an AI-driven workflow automation firm. During 2024, Tern invested a further £0.5m to support five new investments. SVV2 is targeting 6-8 new investments in 2025, further portfolio expansions, and drawdowns of 15%-20%. SVV2 also continues to open new avenues for income and value creation, such as Bruce Leith as Executive Chairman of Purple Transform, with Tern receiving the related service fees.
- Sure Venture Plc (SV plc). Post the period end, Tern invested £175k in SV plc, which has a 25.9% interest in the mature Sure Valley Ventures Fund (SVV1), and a 6% interest in SVV2. In July 2024, SVV1 saw an 85% uplift in NAV selling Landvault for \$450m and achieved a 4.5x multiple on the sale of Getvisibility in March 2025.

KPIs



Source: Company data, Progressive Equity Research

Conclusion

Tern has seen a year of progress in 2024, despite the challenges faced, propelling its core portfolio to become technology leaders, albeit with relatively limited funding. The three core businesses now boast significant names in the US, with strong partner ecosystems: Device Authority is partnered with CyberArk and Microsoft; FundamentalVR with Apple and Meta; and Talking Medicines has an OEM embed with Sermo and strong penetration with the top agencies in the US. We see significant potential in the next phase of growth, building on the ‘land and expand’ strategy, as portfolio companies work with investment partners to achieve additional recognition and scale.

Further growth for Tern requires investment in its portfolio. Particularly as late seed and Series A valuations are on the rise. The recent placing by Tern to raise £221k was oversubscribed, hot on the heels of a £400k placing in December 2024. We anticipate funding will be required over the medium and long term as access to capital remains critical for Tern to hold its position in a competitive market. That said, capital requirements are reducing as businesses become attractive to third-party investors, underpinned by the recent completion of second tranche funding by Ten Eleven for Device Authority.

Tern’s ‘fund of funds’ approach, in addition to its direct investments, reduces the inherent risk associated with a concentrated portfolio and the uncertainty as to when value will be realised. It enables operating costs to be spread across a wider portfolio, with the ability to recover costs through assistance to the companies held and the potential to receive exit proceeds earlier. There are also synergy benefits for the existing portfolio companies.

Tern is focused on driving its portfolio companies to the next level, helping them expand and grow from early seed funding rounds into significant companies in their marketplace. Tern is well placed to benefit from the increased appetite in early-stage software and the generative AI space.

Financial Summary: Tern

Year end: December (£m unless shown)

PROFIT & LOSS	2020	2021	2022	2023	2024
Revenue	0.2	0.1	0.1	0.2	0.0
Adj EBITDA	0.0	0.0	0.0	0.0	0.0
Adj EBIT	0.6	4.4	(10.5)	(12.7)	(3.8)
Reported PBT	0.8	4.6	(10.4)	(12.6)	(3.8)
Fully Adj PBT	0.8	4.6	(10.4)	(12.6)	(3.8)
NOPAT	0.8	4.6	(10.4)	(12.6)	(3.8)
Reported EPS (p)	0.3	1.3	(2.9)	(3.2)	(0.9)
Fully Adj EPS (p)	0.3	1.3	(2.9)	(3.2)	(0.9)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET	2020	2021	2022	2023	2024
Operating cash flow	(1.2)	(1.5)	(2.1)	(1.4)	(1.1)
Free Cash flow	(3.1)	(4.0)	(3.8)	(1.1)	(1.6)
FCF per share (p)	(1.0)	(1.2)	(1.1)	(0.3)	(0.4)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	4.2	3.8	2.8	0.4	1.7
Net cash flow	1.1	(0.2)	(1.0)	(0.6)	0.1
Overdrafts / borrowings	0.0	0.0	0.0	(0.4)	(0.2)
Cash & equivalents	2.1	2.0	0.9	0.3	0.4
Net (Debt)/Cash	2.1	2.0	0.9	(0.1)	0.2
NAV AND RETURNS	2020	2021	2022	2023	2024
Net asset value	24.0	32.4	24.9	12.3	10.7
NAV/share (p)	8.3	9.2	6.4	3.2	2.0
Net Tangible Asset Value	0.0	0.0	0.0	0.0	0.0
NTAV/share (p)	0.0	0.0	0.0	0.0	0.0
Average equity	21.5	28.2	28.6	18.6	11.5
Post-tax ROE (%)	3.7%	16.2%	(36.5%)	(67.9%)	(32.8%)
METRICS	2020	2021	2022	2023	2024
Revenue growth	N/A	(57.9%)	3.5%	201.8%	(91.3%)
Adj EBITDA growth		N/A	N/A	N/A	N/A
Adj EBIT growth		638.0%	(338.9%)	N/A	N/A
Adj PBT growth		469.5%	(328.2%)	20.7%	(70.1%)
Adj EPS growth		382.8%	(319.0%)	10.8%	(73.4%)
Net asset value growth	N/A	35.1%	(23.3%)	(50.5%)	(12.7%)
NAV/share growth	N/A	11.6%	(30.6%)	(50.7%)	(35.2%)
VALUATION	2020	2021	2022	2023	2024
EV/Sales (x)	67.3	160.0	154.6	51.2	586.6
EV/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
EV/NOPAT (x)	12.7	2.2	N/A	N/A	N/A
PER (x)	6.5	1.3	N/A	N/A	N/A
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(58.3%)	(65.2%)	(58.6%)	(15.2%)	(20.0%)

Source: Company information and Progressive Equity Research estimates

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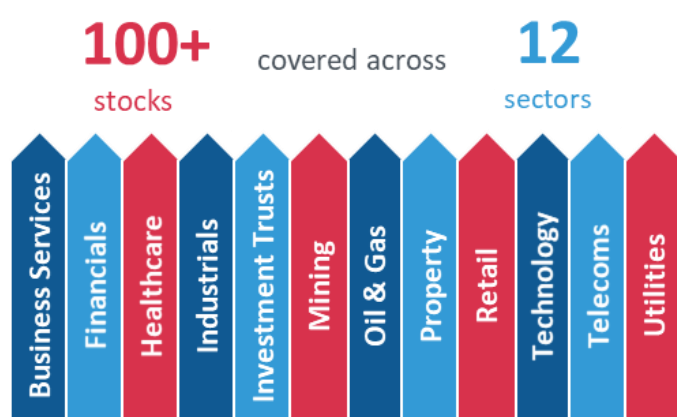
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