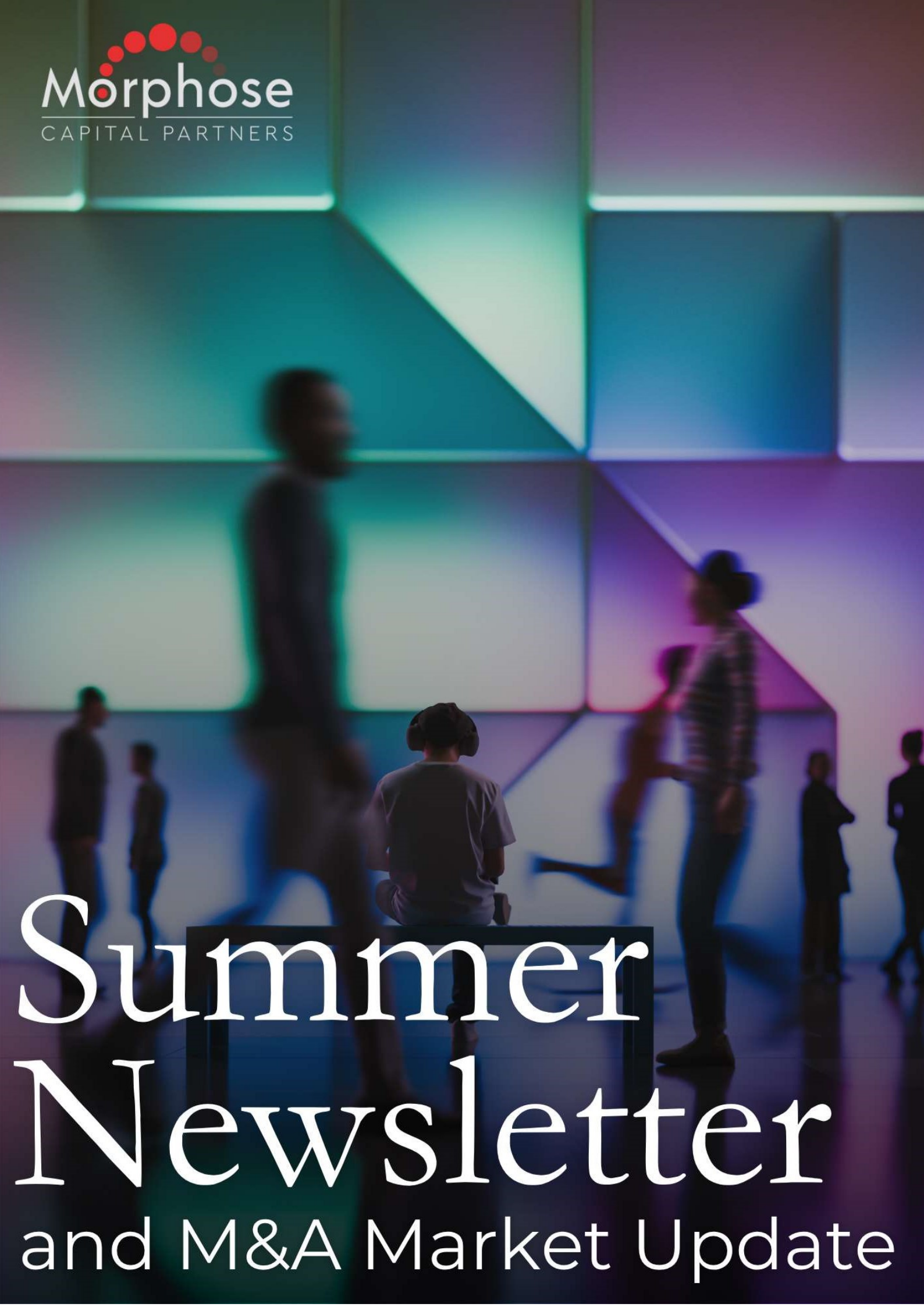
Morphose
CAPITAL PARTNERS



Summer Newsletter

and M&A Market Update

Summer Newsletter 2025

It's been a busy quarter here at Morphose:- new CEO, new website, new clients, several substantial raises … and a Sale completion, but more on that in our autumn issue.

As well as our internal news, we'll be taking a closer look at the role of the Family Office in financing early stage businesses, and also focus on critical technologies, examining their importance to our national security and economic future.

We're also proud to spotlight our client Datambit, who has developed a powerful and proven AI deepfake detection model, and take a look at how their work with The Alan Turing Institute and the Home Office, has helped shape research findings on combating deepfake financial and election fraud. Increasing threats of identity theft or distortion has put deepfake detection centre stage of any serious cybersecurity strategy.

In May we co-hosted ***Financing in Defence***, alongside Mishcon de Reya and defence industry body ADS. The day brought together founders developing critical technologies and financiers, to discuss new technologies and initiatives to help safeguard and fortify our defence capabilities. We'll be highlighting the key themes that came out of the day.

Introducing our New CEO, Andre Turville

We're delighted to welcome Andre Turville as our new CEO. Andre succeeds our founder, Nick Atherton, who is stepping back from day-to-day operations to focus on other business interests but will remain on the Board. Nick will also continue to support Morphose in an advisory role and remains actively involved with long-term clients.



Andre comes with some formidable experience, both as an investor and a company founder across SaaS, defence and critical technologies, energy, and cleantech. He has played leading roles in ventures ranging from small modular nuclear reactors and renewable energy to, most recently, a SaaS cybersecurity platform. He has also run a substantial family office and sat investor side of the table.

His unique technical expertise and close relationships with specialist private and institutional investors will be invaluable to our clients success and growth.

Welcome Andre!!

Our Take on Investment Trends, the Economy and M&A Activity

Trump & Market Confidence	- Trump's policies have weakened the dollar and created US domestic uncertainty - US investors are seeking diversification to reduce risk - Generating increased interest in European assets
Deloitte CFO Survey – Q2 2025	- Europe now as attractive as US for investment - UK & India are joint top destinations - Geopolitics seen as #1 risk to business stability
UK Economic Outlook: Interest Rate Cuts Expected	- BoE rate cuts seem likely due to: • Slow economic growth • Inflation easing • Hiring drag from employer NI - Lower rates could unlock capital for acquisitions
Private Equity Dry Powder	- Undeployed capital due to: • High interest rates • Valuation mismatches • Geopolitical uncertainty - Increased inflows from pension & sovereign wealth funds - Large pools of capital ready for M&A deals
The Ripple Effect of Tariffs	• Investors are reviewing portfolios to assess where the ripple effect from the tariffs will hit • While destabilising some, others seek to capitalise on the shockwaves from the tariffs • Impact of tariffs is varied dependent on supply chain variables, customer distribution — manufacturing likely to be hardest hit • Services and technologies that are tariff resilient will ride the wave
M&A Sector Hotspots	**Transformative Tech & Infrastructure** • Generative AI, digital innovation, data storage, high-speed networking • Defensive and Offensive Capabilities • Cyber security, digital weaponry, automation, deepfake detection **Secure Recurring Revenues with Significant Potential for Digital Transformation & Consolidation** • Insurance & Facilities Management

Client Focus – Datambit

We're proud to introduce our client Datambit, with whom we've been working on an early stage raise.

Datambit was founded by the very impressive, Dr Ashima Chopra, and her colleague Sadip Wagle, who in September 2023 made it their mission to use their deep knowledge of AI to address the exponential threat of deepfakes. Aside from Ashima's extensive commercial experience leading digital banking transformations for Open Banking, she is a highly respected academic, having supervised over 140 master's projects in AI and digital technologies at UK universities.

Joined by Dr Alex Trifan, the trio's formidable knowledge of AI and deepfake technologies led to the formation of Datambit, an AI-powered deepfake detection model. Datambit identifies AI-generated deepfakes in real time across multiple platforms, spanning video, static images and the rising threat of voice cloning. The real-time nature of the detection means financial, identify or reputational losses can be identified and prevented instantaneously. Moreover, Datambit visually highlights the deepfake intrusion, often imperceptible to the human eye or ear.

As AI advancements open up more manipulation tools to criminals, deepfake fraud is becoming increasingly sophisticated and more convincing:-

- AI-driven deepfake fraud is estimated to cost **£31.4 Billion by 2027**[1]
- Within 18 months to early 2025, use of deepfake content in fraud grew by over **400% in the UK**[2]
- **40% of global biometric fraud** is attributed to deepfakes [3]
- **£471,000 loss per attack** (the average cost of deep fake fraud in financial services) [4]
- **8 million deepfakes** expected to be shared in 2025 (up from 500,000 in 2023)[5]

Such is the severity of the threat that the government has identified deepfake fraud as an urgent national priority, launching the Deepfake Detection Challenge in 2024. The challenge was set up as a collaboration between the Home Office, the Department for Science, Innovation and Technology, ACE and the renowned Alan Turing Institute. Datambit participated in the challenge, and achieved the Highest F1(1) precision scores:-

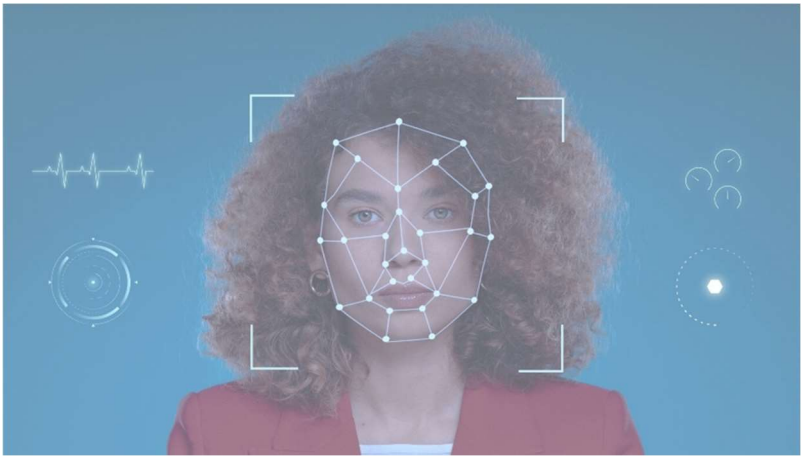
- 0.99 + Audio Deepfake Detection
- 0.96 + Video Deepfake Detection

We love working with Datambit. The brilliance of Ashima, Alex, Sadip and their team is palpable, and was certainly felt by early-stage investors. Moreover, what they have developed and most importantly already validated by third parties has far reaching applications for finance, defence, news reporting, ID verification and with the pervasive nature of deepfake will touch every facet of our digital interactions. Datambit's software, Genui, has been built using architecture that will allow it to quickly be constantly updated and enhanced as new variant deepfake technologies present themselves.

There will be more rounds in the future, so if you're interested to get involved with fast-growth ventures, with credible and proven technologies, please do reach out to us, www.morphose.co.uk

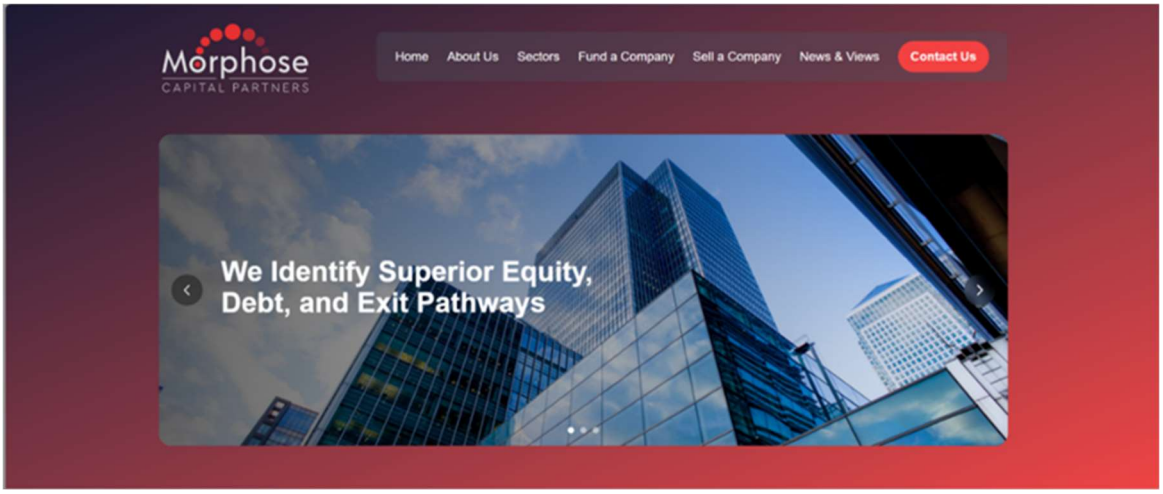
(1) F1 scores are a measure of the accuracy of a system to perform … 1 being a perfect score

[1]Source: Cybersecurity Ventures, 2024
[2] Source: National Cyber Security Centre (NCSC)
[3] Source: Entrust 2025
[4] Source: Business Wire 2024
[5] Source: Reality Defender



Unveiling our New Website

We're happy to announce the launch of our new website. It features enhanced interactivity, our live LinkedIn feed, and informative video clips covering themes we're commonly asked about. We do hope you'll like it and would love you to take a browse and let us know what you think – www.morphose.co.uk



Financing Defence – Event Overview

In May, we co-hosted a *Financing Defence* event alongside defence industry body, ADS Group Ltd and leading law firm Mishcon de Reya LLP. As we all know, the spotlight is very much on Defence, and with it, the imperative of how to mobilise capital to accelerate the innovation and commercialisation of offensive and defensive weaponry. The day generated huge interest, debate and ideas, and operated at capacity, with standing room only.

The themes covered were many, but there was a general consensus that threats are real, and that the funding, incubation and integration of new technologies and hardware into our defence armoury and strategy need to be made easier.

Points debated:

- The shift in geopolitics has called into question who are the UK's reliable long-term allies for JVs, funding, supply chains, and maintenance.
- ESG guidelines are outdated, need to recognise defence as a necessity to safeguard and protect national security. This will help free up capital from institutional investors and banks concerned about reputational damage from Defence investments.



- Defence is no longer just boots on the ground, air, land and sea, it's multidimensional, preventing attacks on home turf from cyberthreats and economic sabotage to attacks on energy supply.
- There is a disparity between government urgency and the real-life pace of a start-up and its need for capital to make payroll.
- How can the government provide clarity to investors in defence of where future revenue will come from when Defence is by its nature opaque for good reason.
- Interest in Defence funding is real (the private sector needs better support and reassurance from government because due diligence and sales contracts are not transparent).
- Better revenue signposting needed to mitigate risk for investors to commit capital. Dual use does this to a degree, but asking a start up to focus on multiple sectors and applications can dilute focus and momentum.
- Point made that autocracies are, in some ways, better at developing weaponry, as no reputational hindrance to investment.
- The nature of warfare is transforming, rapid rate of innovation and deployment in Ukraine powered by AI - development of low cost, technology heavy drones not visualised by traditional primes.
- Procurement systems need an overhaul, movement to AI-enabled procurement
- Neo Primes are helping shake up the speed of development and deployment of new technologies (Palantir/Helsing/Anduril). They are also opening up exit routes for investors in Defence.

Sector in Focus – Critical Technologies

The Power Grab for Critical Technologies: Where Innovation, Economic Power, Ethics and National Security Intersect

As the US and China race for dominance in AI, the rest of the world is waking up to the importance of Critical Technologies for their future economic stability, national security, and geopolitical standing. Critical Technologies are radical innovations capable of changing how things are done, making them of huge strategic and economic value.



They are powerful, often dual use (with commercial and defence applications), and tend to be deeply embedded in wider systems impacting sectors as diverse as healthcare, energy, manufacturing, and defence.

While the most well-known critical technology is AI in all its forms, other critical technologies include:-

- **Quantum Computing** uses quantum mechanics to solve complex problems that are beyond the ability of classical computers. While still in its nascent phases, quantum computing promises to break traditional computational limits, thereby transform the speed of discovery across many fields from drug and materials development to cybersecurity. The UK's *National Quantum Strategy* has committed £2.5 billion over the next decade.

- **Advanced Biotechnology** encompasses gene editing through to synthetic biology, and is poised to transform medicine and sustainable agriculture. The UK's world-leading reputation in life sciences, combined with its regulatory independence post-Brexit, makes it an attractive hub for inward investment. However, getting the right

regulatory balance between ethical considerations and global market demands won't be straightforward.

- **Advanced Materials** with unique properties such as ultra-strength, superconductivity, or heat resistance have transformative potential for sectors such as aerospace, construction, defence and clean energy. However, reliance on extraction of rare materials and the complexity of global supply chains compounded by fragile geopolitics poses some threats.
- **Clean Tech** investments have performed strongly in countries that prioritise net zero, with recent boosts driven by energy security concerns amid conflicts that have weaponised energy supply.

Governments recognise that the development and ownership of critical technologies will help safeguard sovereignty.

Such is the importance of critical technologies the UK government has launched a number of funding initiatives to support investment and growth including:-

- The National Semiconductor Strategy (£1 billion to stimulate R&D, design capability, and international collaboration)
- The AI Safety Summit, a global platform exploring risks and regulation for advanced AI systems

Critical Technologies will Create Businesses and Consequences that are Today Unknown



The commercialisation and the wider adoption of Critical technologies will create new businesses which currently don't exist. Think back to social media, now mainstream, but it was a critical technology of its time. It has since spawned an entire business ecosystem spanning influencers, personal device hardware innovations, revolutionised data

analytics and personalised advertising feeds. As is often the case regulation lags innovation, and the Online Safety Bill is only just being rolled out in the UK, following an intense and protracted journey through parliament.

It's reasonable to assume that new critical technologies once commercialised will spawn whole new industries and issues that we can't necessarily foresee.

Investing in Critical Technologies: The Ultimate High Risk, High Reward Portfolio

The commercialisation path for critical technologies is complex. Development cycles are often long, capital-intensive, and unpredictable. They need substantial patient capital with a high-risk appetite, AND an appreciation of the complexity of the technology, and the potential ethical considerations around its future deployment.

At Morphose Capital Partners, we advise on funding for emerging technologies, connecting innovators with specialised venture capital, family offices, and philanthropic investors who are equipped to back high-impact, transformative ventures.

Family Offices: The Quiet Powerhouses of Early-Stage Capital

Family offices are a valuable source of early-stage capital, with 94% of European VCs citing them as key LPs (Sifted).

Yet accessing this form of silent capital is far from straightforward. Most family offices are purposefully discreet, valuing privacy and exclusive relationships built on trust. With little structural uniformity, they are notoriously difficult to identify, but they bring substantial capital to early-stage funding.

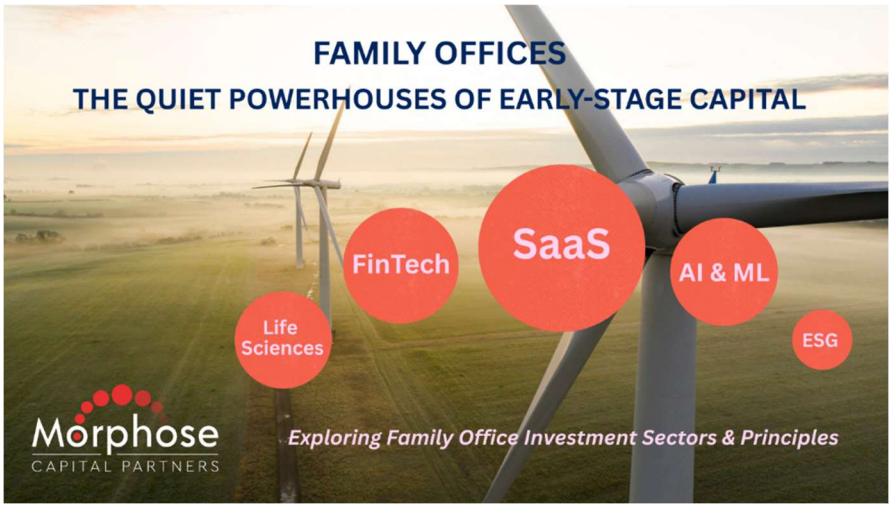
"Family offices account for 31% of global start up investments." — PwC 2025 Global Family Office Deals Study

According to PwC research, family offices are responsible for 31% of global start up investments, a reflection of their propensity for innovation and high return. Over the past year, start up investment by family offices shows a strong bias toward software-as-a-service (SaaS) and artificial intelligence and machine learning (AI/ML), both in deal volume and value. These sectors were followed by fintech and life sciences.

"SaaS and AI/ML were the most heavily backed sectors by family offices last year"

By country, the US leads in both the number and value of family office investments into start ups. The UK ranks second on both measures, followed by India (deal volume) and France (deal value).

Beyond sector and geography, family offices vary widely in purpose and philosophy. Some are mission-driven, reflecting family values or social impact goals. Others pursue more commercially driven strategies. In areas where institutional capital may hesitate, such as dual-use defence technologies, family offices can provide patient, long-term capital without the constraints of fixed fund cycles. Their growing interest in sustainability is also evident through increased allocations to impact-focused ventures.



First-Generation Wealth Owners Are Reshaping the Investment Priorities and Principles of the Family Office

A notable trend reshaping the family office landscape is the rise of first-generation wealth owners, particularly those emerging from the technology sector. According to recent global estimates, roughly 33–45% of family offices are now controlled by first-generation entrepreneurs, many of whom created their wealth through tech exits. These new wealth

holders bring a distinctly entrepreneurial mindset to capital deployment, prioritising agility, innovation, and mission-driven investment. Globally, these modern offices are far more likely to back bold, high-growth ventures in frontier areas such as AI, climate tech, digital infrastructure, and healthcare.

Impact-Driven Deals Are Driving Investment: 46% of Family Offices Embed Sustainability into Core Strategy

This new cohort of wealth owners is also far more impact-oriented. A recent study found that 53% of global family offices now back impact-driven deals, and 46% embed sustainability directly into their core strategy. Their familiarity with emerging technologies and comfort with risk positions them as early movers in sectors that institutional investors often hesitate to enter. Combined with their preference for long-term alignment over fund-cycle returns, they offer an unusually patient and strategic source of growth capital.



At the same time, family offices with roots in more traditional sectors such as industry, logistics, infrastructure, retail, and real estate are undergoing their own generational shift. As younger family members assume influence over capital allocation, they are blending inherited sector knowledge with a forward-looking mindset. Climate, sustainability, and societal impact are moving up the investment priorities value chain. This has resulted in growing appetite for frontier technologies, including clean energy, AgTech, and digital infrastructure, often backed through start up ecosystems. Social impact is no longer a secondary concern, it's a strategic imperative for wealth preservation, relevance, and legacy.

Investment Structures and Vehicles

Family office investment styles also differ. Many family offices prefer direct investment, valuing control, transparency, and the ability to avoid fund fees. Others take a hybrid approach, holding a portfolio of direct investments in familiar sectors, while also benefiting from VC managers' sector specialism and risk modelling. Club deals are also popular, where several family offices co-invest in a business or fund, spreading risk through smaller, shared investments.

How to Access Family Office Capital



Family offices remain an important, if often unseen, powerhouse in early-stage funding. For founders and companies in specialist sectors, navigating access to family office capital is not easy, since their strong preference for discretion means they favour introductions from trusted and proven partners.

At Morphose, we have long-standing relationships with a significant number of family offices, enabling clients to benefit from these discerning, patient and highly valuable sources of capital. If you're exploring and early raise, we'd love to chat, find us www.morphose.co.uk**.**

Well that is it for now folks, our summer newsletter round up. If any particular items have piqued your interest, or if you're seeking an exit, funding or exploring strategic opportunities, we'd welcome hearing from you.

Please email:- saralavallin@morphose.co.uk

Wishing you a fulfilling and relaxing summer break!!