

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 (WHICH FORMS PART OF DOMESTIC UK LAW PURSUANT TO THE EUROPEAN UNION (WITHDRAWAL) ACT 2018). UPON THE PUBLICATION OF THIS ANNOUNCEMENT THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE WITHIN THE PUBLIC DOMAIN.**

7 February 2024

**Tern Plc  
("Tern" or the "Company")**

**Device Authority Fund Raise  
Second Closing of Tranche One**

Further to its announcements on 27 December 2023 and 28 December 2023, Tern Plc (AIM:TERN), the investment company specialising in supporting high growth, early-stage, disruptive Internet of Things ("IoT") technology businesses, announces that Device Authority Limited ("Device Authority"), a company in which Tern had a 35.7% shareholding at 28 December 2023, has completed an additional Second Closing of Tranche One ("T1") (the "Second Closing") of the Series B type fundraising round (the "Fundraising"), securing a further US\$2.0 million in new equity investment from Mercato Partners, a private equity firm in Cottonwood Heights, Utah, USA.

**Highlights**

- Device Authority and the investor group in the first closing from late December 2023 (T1) have agreed to a further US\$2.0 million to be invested in addition to the planned US\$7.3 million Fundraising announced on 27 December 2023. This brings the new planned total Fundraising to US\$9.3 million. The US\$2.0 million Second Closing has been secured and is in addition to the US\$3.7 million from Ten Eleven Ventures and US\$0.3 million from Alsop Louie Capital 3, L.P via conversion of short-term loans secured in the first closing of T1 on 28 December 2023.
- The total Device Authority Fundraising remains intended to provide Device Authority with sufficient funding to enable it to grow in line with its strategy beyond the end of 2024. This encompasses the expansion of its activities in the United States.
- From completion of Second Closing of T1 of the Device Authority Fundraising, Tern now holds 31.7% of Device Authority's equity (before any dilution on exercise of share options), valued at approximately US\$7.5m (approximately £6.0m) at the valuation implied by the Device Authority Fundraising issue price.
- On acceptance of the National Security and Investment Act 2021 ("NSIA") approval by Ten Eleven Ventures and completion of Tranche Two ("T2") of the Device Authority Fundraising (as announced on 27 December 2023), Tern will hold 26.7% of Device Authority's equity (before any dilution on exercise of share options), which would be valued at approximately US\$7.2 million (approximately £5.7 million) at the valuation implied by the Device Authority Fundraising issue price.
- Device Authority has been in the process of making non-executive director additions to its Board, with recent appointments including:
  - Dave Palmer, General Partner of Ten Eleven Ventures and co-founder and former Chief Product Officer of Darktrace;
  - As Device Authority's new Chairman, Tim Eades, Chief Executive Officer and Co-Founder at Anetac and a General Partner and Fellow Founder of Cyber Mentor Fund. A 20 year cyber security Silicon Valley serial entrepreneur; and

- Security Unicorn Valley Senior Entrepreneur, and
- Grace Cassy, co-founder of cybersecurity investment firm CyLon Ventures and former foreign policy advisor to UK Prime Minister Tony Blair.

**Commenting Ian Ritchie, Chairman of Tern, said** *"We are pleased with Device Authority's ability to attract high calibre US investors as it continues to secure new logos. Device Authority's progress will be further accelerated with this significant investment from another US investor and the additional funding will allow Device Authority the flexibility to be more opportunistic in the marketplace."*

*"We believe the additional capital and resources from Mercato Capital will enable a broader expansion of Device Authority's go-to-market programs in the US that we believe will ultimately have an effect on the multiples for exit valuations. The global cyber security market segment is continuing to experience double digit growth and establishing a substantial presence in the US should result in a greater return for Tern's shareholders."*

*"Mercato Partners has a history of providing operational support to develop technology businesses to the stage when a valuable exit can be achieved. We look forward to working with the Mercato team and the other investors in the syndicate to accelerate the growth of the business to maximise the investment value for Tern shareholders. I look forward to making further announcements in due course."*

#### **Device Authority Series B type Fund raise**

Prior to the Second Closing, Tern had a holding of 35.7% in Device Authority. As at 30 June 2023, the date of Tern's last published book valuation in its interim results, this investment had an unaudited book value of £11.9 million.

Device Authority has secured US\$2.0 million in new equity investment from Mercato Partners in the Second Closing. The remaining T2 of US\$3.3 million, remains contingent on approval pursuant to the NASI and acceptance of the approval by Ten Eleven Ventures. T2 will be completed at such date as may be notified by Ten Eleven Ventures (in their absolute discretion) to Device Authority on or prior to 30 September 2024, provided that such date shall be: (i) no earlier than the fifth Business Day after NSIA approval has been obtained; and (ii) no later than the fifth Business Day after the date that Device Authority was notified by Ten Eleven Ventures.

Following the Second Closing of the Fundraising, Device Authority is now valued in total, at the price implied by the Device Authority Fundraising, at US\$23.7 million on a post-money basis and Tern will have a holding of 31.7% in Device Authority (before any dilution on exercise of share options), with an unaudited book valuation of approximately US\$7.5 million (approximately £6.0 million).

On acceptance of the NSIA approval by Ten Eleven Ventures, Device Authority will be valued in total, at the price implied by the Device Authority Fundraising, at US\$27 million on a post-money basis and Tern will hold 26.7% of Device Authority's equity (before any dilution on exercise of share options), which would have an unaudited book valuation of approximately US\$7.2 million (approximately £5.7 million) at the valuation implied by the Device Authority Fundraising issue price.

#### **Further information on Device Authority**

Device Authority is a global leader in Identity and Access Management ("IAM") for the IoT; focused on the automotive, medical device ("IoMT") and industrial ("IIoT") sectors. Device Authority's KeyScaler™ platform provides zero touch provisioning and complete automated lifecycle management for securing IoT devices and data at scale, with frictionless deployment across device provisioning, authentication, credential management, policy based end-to-end data security/encryption and secure OTA (over the air) and HSM (hardware security module) updates.

Device Authority has recently received recognition of its market position, being positioned, for the fifth year in a row, as a 'Leader' in the 2023 SPARK Matrix™ for IoT Identity and Access Management (IoT IAM) released by Quadrant Knowledge Solutions on 11 December 2023.

Device Authority also won the 'IoT Security Champion' award at the recent TechWorks Awards held in Manchester on 7 December 2023.

Based on Device Authority's latest statutory accounts for the year ended 31 December 2022, as at that date it had a net asset value of £11.9 million, which was the same as the book value of the investment in Device Authority as at 30 June 2023.

had net assets of £1,257,622 and incurred a loss for the year of £2,566,776. Given the historic nature of these figures Tern does not consider this to be representative of the current business and trading performance of Device Authority.

#### **Further Information on Mercato Partners**

Mercato Partners is a growth-stage venture capital firm that invests in and partners with innovative technology and consumer product companies. The firm provides capital, operational support, and strategic guidance to help entrepreneurs scale their businesses and achieve their full potential. With a focus on early-stage companies, Mercato Partners is dedicated to helping visionary entrepreneurs bring their products and services to market and achieve long-term success.

Further information on Mercato Partners may be found at: <https://www.mercatopartners.com>

#### **Enquiries**

**Tern Plc** via IFC Advisory  
Ian Ritchie (Chairman)

**Allenby Capital Limited** Tel: 0203 328 5656  
(Nominated Adviser and Broker)  
Alex Brearley / Dan Dearden-Williams (Corporate Finance)  
Kelly Gardiner / Guy McDougall (Sales and Corporate Broking)

**IFC Advisory** Tel: 0203 934 6630  
(Financial PR and IR) [tern@investor-focus.co.uk](mailto:tern@investor-focus.co.uk)  
Tim Metcalfe  
Graham Herring  
Florence Chandler

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