



Tech-tonic shifts

Non-AI software companies led a wave of exits, while AI firms dominated a strong year for first-time investments. But keep one eye on bankruptcies too, warns Beauhurst's **Henry Whorwood**

Are you a doomer or boomer? I can harvest and present datapoints to back up both ways of thinking. Let's take a look and see where we land.

Glass half-empty first. Last year was the first time more than 1,000 equity-backed companies (across all sectors) went bust in a single year; August 2025 was the worst month on record. For some, this is a late-cycle clear-out - the residue of the 2021 cohort finally running out of runway, as valuations reset and patient capital loses its patience. That is a significant part of the story, but the sheer volume of failures tells us the pain is not neatly confined to the obvious. A thousand is a lot of casualties, whichever vintage they come from.

Now for the glass half-full. I've written before in *Corporate Financier* about the lack of exits for equity-backed companies. But 2025 was a record year for exits (545) - marginally higher than the 540 in 2024, which exceeded the pandemic 'boom-times'. This is not, for the most part, a wave of blockbuster trade sales.

The 2025 cohort is dominated by software-enabled businesses being absorbed into their end markets: Manchester-based Peak was sold to NYSE-listed automation unicorn UiPath; regtech platform Napier was sold to Marlin Equity Partners; and NHS-focused mental-health provider ieso Digital Health was consolidated into Sweden's Mindler.

There was also a striking volume of professional services roll-ups being consolidated by private equity backed platforms. That may be a less glamorous recovery than the one the ecosystem was hoping for two years ago, but it is real: capital is flowing and founders are getting liquidity - the plumbing is starting to unclog.

New players

And it is not just exits. Having fallen four years on the trot, the number of first-time equity deals is on the rise again - new entrepreneurs are coming to market and finding success (or at least funding). Could these be the first shoots of recovery for the sector?

AI is a significant factor in all of these trends. The majority of the newest firms are operating in or with AI. The acquisitions picture is less AI-inflected, however: only around 11% of 2025 deals were for AI firms, and the true

figure is probably lower still, once you strip out companies where AI is more marketing veneer than core capability.

One key observation is that a software acquisition is not the same thing as an AI acquisition. More than half of all 2025 exits were software firms, but only one in six of those software deals carried an AI tag. The PR hype and the M&A pitch sheet are not the same document.

Where AI did drive real deals, however, was in financial services. Fraud detection specialist Ravelin's sale to WorldPay, capital markets data platform BMLL Technologies' \$250m sale to Nordic Capital, and University of Cambridge spinout AI Cytor's sale to global insurance software company Applied Systems were all standout fintech exits last year.

AI is also a disproportionate driver of activity in life sciences. Under-represented in M&A overall, the life sciences businesses that do make it through to a trade sale skew unusually toward AI-enabled. BenevolentAI's delisting and sale to Osaka Holdings was the flagship deal of the year, but the pattern runs wider. In the sales of Intelligent Ultrasound Group (to Sweden's Surgical Science) and C2-Ai (to Camgenium), machine learning was, and is, central to the IP play rather than an add-on.

So where does that leave us? 2025 was both the worst year on record for failures and the best year on record for exits. The honest answer to the 'doomer or boomer' question is that both sides are pointing at real data.

First-time deals have pulled out of their slide. Acquisitions have cleared their pandemic-era peak two years running. And the AI-driven deals at the top of the quality curve suggest the UK is actually building businesses that international strategics and top-tier PE want to own. While last year's casualty count is real, the doomers might be fighting last year's battle. Hopefully, last year's 'clearance' has dealt with that.

Henry Whorwood is head of research and consultancy at Beauhurst, a publisher of data and analysis on UK high-growth and ambitious companies, and a member organisation of the Corporate Finance Faculty

The AI-driven deals at the top of the quality curve suggest the UK is building businesses that top-tier PE want to own