Houlihan Lokey



Consumer Subscription Software Initiating Coverage Research

Fall 2026

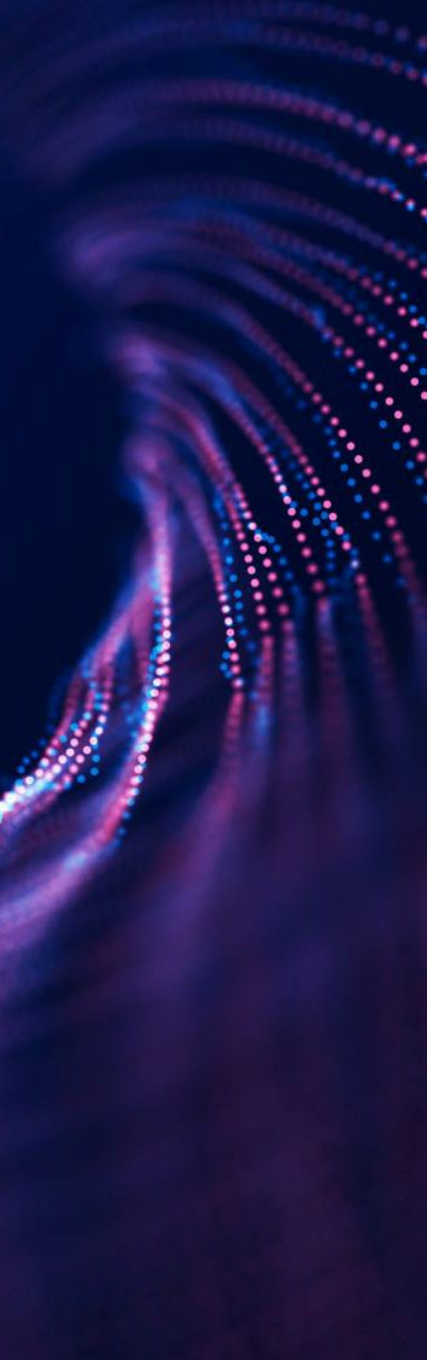


Table of Contents

01
About Houlihan Lokey

02
Market Observations

03
Houlihan Lokey Insights

04
M&A and Financing Activity

05
Public Markets Overview

06
Interviews With CSS Leaders

07
CSS Landscape

08
Appendix



About Houlihan Lokey

01

Introducing **the Consumer Subscription Software Team**

The Consumer Subscription Software team, which operates within Houlihan Lokey's Consumer and Technology groups, has earned a reputation for superior service and outstanding results in M&A advisory, capital raising, restructuring, and financial and valuation advisory services.

The consumer subscription software (CSS) market has grown rapidly, fueled by digital adoption, personalization, and recurring revenue models. Subscription platforms now lead engagement across entertainment, productivity, wellness, education, and more. But subscription fatigue is making consumers more selective, pushing companies to sharpen their value propositions and focus on retention, while AI brings both opportunity and disruption.

The sector remains a top priority for investors. Scaled players are consolidating, vertical specialists are rising, and global expansion is accelerating. The next winners will combine product excellence, operational efficiency, and deep customer insight.

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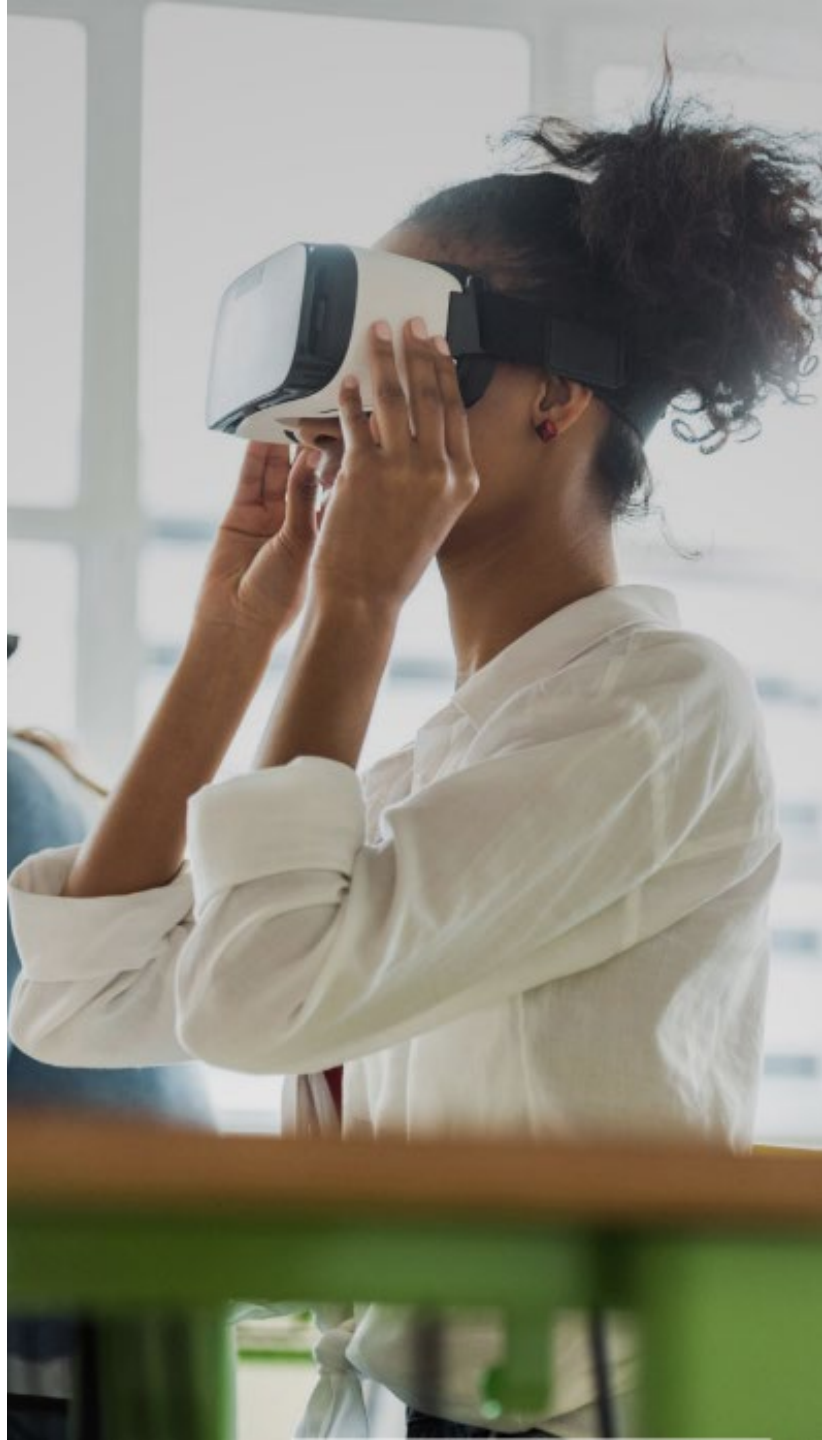
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Contact Us

Contact the team to discuss this market update or to explore strategic alternatives.

Request a Meeting

Learn More



About **Our Firm**

Houlihan Lokey is a leading global investment bank recognized for delivering independent strategic and financial advice to corporations, financial sponsors, and governments.

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

CORPORATE FINANCE

2025 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**458**
2	Goldman Sachs & Co	441
3	Rothschild & Co	400
4	JP Morgan	364
5	Morgan Stanley	357

Source: LSEG.
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Solutions Advisor

FINANCIAL RESTRUCTURING

2025 Global Distressed Debt &
Bankruptcy Restructuring Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**83**
2	PJT Partners Inc	55
3	Lazard	50
4	Rothschild & Co	44
5	Evercore Inc	33

Source: LSEG.

No. 1
Global Restructuring Advisor

1,900+
Transactions Completed Valued at More Than $4 Trillion Collectively

FINANCIAL AND VALUATION ADVISORY

2001–2025 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**1,170**
2	Duff & Phelps, A Kroll Business	1,069
3	JP Morgan	1,034
4	UBS	769
5	Morgan Stanley	716

Source: LSEG.
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion Advisor Over the Past 25 Years

2,500+
Annual Valuation Engagements



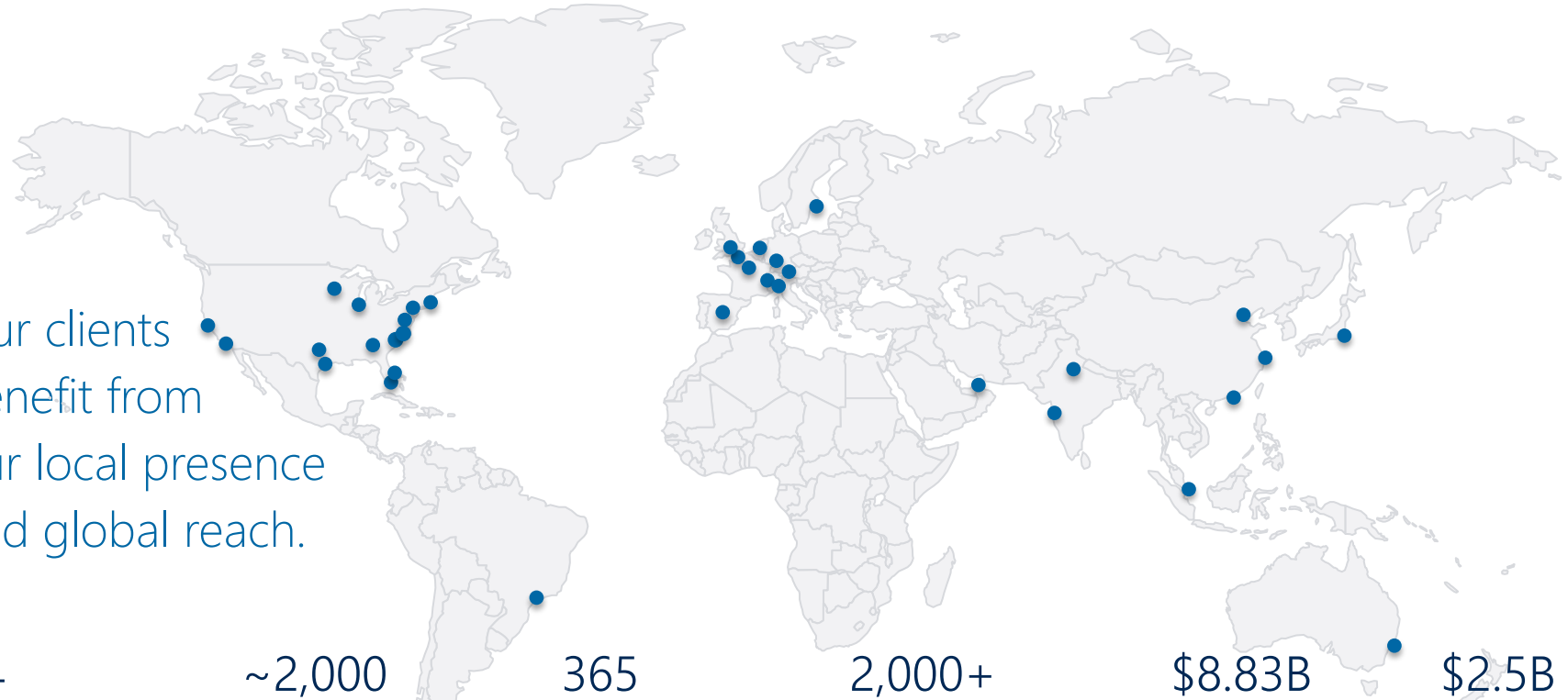
Learn more about how our advisors can serve your needs:

Corporate Finance →

Financial Restructuring →

Financial and Valuation Advisory →

Our Industry Coverage →



Our clients benefit from our local presence and global reach.

34
Locations Worldwide

~2,000
Total Financial Professionals

365
Managing Directors[1]

2,000+
Clients Served Annually

$8.83B
Market Cap[2]

$2.5B
Annual Revenue[3]

AMERICAS	Atlanta	Miami
	Baltimore	Minneapolis
	Boston	New York
	Charlotte	San Francisco
	Chicago	São Paulo
	Dallas	Washington, D.C.
	Houston	West Palm Beach
	Los Angeles	
EUROPE AND MIDDLE EAST	Amsterdam	Milan
	Dubai	Munich
	Frankfurt	Paris
	London	Stockholm
	Madrid	Zurich
	Manchester	
ASIA-PACIFIC	Beijing	Shanghai
	Gurugram	Singapore
	Hong Kong SAR	Sydney
	Mumbai	Tokyo

(1) As of June 30, 2026.
(2) As of September 30, 2026.
(3) LTM ended June 30, 2026.

Fully Integrated Financial Sponsor Coverage

33
Senior officers dedicated to the sponsor community in the Americas and Europe.

2,000+
Sponsors covered, providing market insights and knowledge of buyer behavior.

850+
Companies sold to financial sponsors over the past five years.

HLI LISTED NYSE

CSS State of the Union—'It's Not the How, It's the Why'

To the community of founders, operators, and investors building in consumer technology.

Each year, we reflect not on the past but on the forces shaping the future of the consumer technology industry. Typical financial research offers charts and backward-looking performance data. But what we owe you, our readers, is a candid assessment of where we are, what challenges lie ahead, and why we remain more excited than ever about the road before us in consumer technology.

To say it's been an exciting year in consumer technology would be an understatement.

Consumers have been confronted by an ever-expanding selection of options, new magical features, and services. App Store launches are up 7x since 2022, with a new "AI CSS offering" launching seemingly every day. Pre-AI CSS offerings are adding AI features to delight consumers and seeing strong engagement and retention rates climb. Monetization remains heavily concentrated in pre-AI offerings as consumers stick with what they know. Every CSS is making decisions on how/when/if to partner with the AI labs and what to share.

Through the 7x7 square miles of San Francisco, investors are grappling with how AI adoption will percolate across the consumer base. Everyone agrees that we are at the "early-adopters stage" of the famous S-curve that has proven accurate across every major technology platform shift (VCR, internet, mobile, etc). The debate is what is ultimately the slope of the S Curve and how much "better" the AI native solutions are versus existing "AI-enhanced" solutions. Menlo Ventures noted that consumer AI adoption rose from 19% to 25%, proving it is not nearly as universal as pundits want you to believe. In addition, we are seeing a big divide in AI spend as "AI Locals" (all in on AI) have driven AI spend to $40 billion, up 3x from last year, versus "AI Tourists" (consumers that use AI for only one or two cases) prefer not to pay at all.[1]

We believe that the shape of the CSS landscape next year comes down to a famous quote by George Lucas—"it's not the how, it's the why." The tools change, but what endures is taste, imagination, need for belonging, the desire to improve, and the need to solve problems. At Houlihan Lokey, we tried to break down the hundreds of factors to determine the key attributes of future CSS winners.

GENIUS

Our CSS team has leveraged our CSS flywheel for more than eight years, and we are providing a new framework to win in the AI era—the GENIUS framework of gamification, engagement, network effects, innovation, user design, scalability, and data. As deals slowed in 2025 and 2026, valuations mirrored what we saw in the SaaS market, where high-flying GENIUS CSS businesses received 10x+ revenue multiples while tougher stories were trading for 5x–6x EBITDA or even no offers.

Our 2027 Outlook

Consumer willingness to pay continues: Consumers continue to increase their budget for new and existing digital tools that offer genuine utility. Sensor Tower estimated a 10% increase[2] in 2025 revenue on the App Store to $167 billion. Revenue remains spread across diverse sectors, including cybersecurity, prosumer platforms, chief household officer (CHO) tools, and specialized wellness.

AI assistants are a hot commodity with Instinct, Muse, Town, and others raising huge rounds and quickly climbing the app charts. For many, Iron Man's J.A.R.V.I.S. has been a dream for decades, and it appears we are on the cusp of making it available to anyone with a phone. While many are questioning the future of e-commerce, we are more interested in the impact on the future of the advertising market.

AI comes to Madison Avenue: For generations, consumers have been convinced they need this product, but they have never proven whether it made them happier, sexier, or more successful. If the agentic future holds, personalized agents with access to all our information will recommend the exact product that fits our personality, health, time, and budget, without the impact of hyped-up marketing. The impact on the digital web, traditionally fueled by B2C advertising, could be massive.

Trust remains the greatest commodity: As AI penetrates industries resistant to software (healthcare, finance, education, etc.), trust is required to ensure that AI will always act on our behalf. We are seeing consumers take back their health with the help of AI and D2C healthcare offerings. Students are rapidly seeing the negative effects of using AI to ace homework and then failing tests. Solutions for learning will carry the day, not cheating. Trust remains the ultimate currency on the internet—the hardest to build and the easiest to lose.

The future of consumer technology won't belong to gimmicks or fleeting algorithmic tricks, but to founders pairing raw AI power with deep human design. Today's best CSS entrepreneurs aren't building for hype; they're engineering essential daily infrastructure that users refuse to live without. While the technology underlying these platforms evolves, the core mandate remains unchanged: build exceptional products, earn consumer love, and compound that loyalty over time.

Eric Crowley *Daniel Roberts*

Alex LaBrie *Miyabi Kadowaki*

(1) Menlo Ventures, "2026 Consumer AI Report", September 2026.
(2) Sensor Tower, "2026 State of Mobile: AI Moves Mobile Into Its Next Phase."

Houlihan Lokey Is the **Global Leader in Technology M&A Advisory**[1]

Houlihan Lokey has extensive transaction experience across the CSS landscape.

Travel Subscription Software

Sellside Advisor

Education Subscription Software

Sellside Advisor

gettyimages®

Getty Images has completed a private debt financing in conjunction with a private discounted exchange of its outstanding Senior Unsecured Notes for new First Lien Notes

Ad-Hoc Noteholder Group Advisor

Transaction Pending

home exchange

TERNEL isai

Verlinvest

HomeExchange, a portfolio company of Ternel and ISAI, has agreed to secure an investment from Verlinvest

Sellside Advisor

Tractive

BENDING SPOONS

Tractive has been acquired by Bending Spoons

Sellside Advisor

TUNE IN

STINGRAY

TuneIn has been acquired by Stingray

Sellside Advisor

Open Air Group

NALKA natlink

verdane

Open Air Group, a portfolio company of Nalka, has divested Natlink to Verdane

Sellside Advisor

Deer Management Systems LLC

REVEAL CELLULAR CAMERA

BERTRAM CAPITAL

Deer Management Systems, LLC, creator of the Reveal Cellular Camera, has received an instrument from Bertram Capital Management, LLC

PLAY MAGNUS GROUP OF COMPANIES

Chess.com

GENERAL ATLANTIC

Play Magnus Group has been acquired by Chess.com, a portfolio company of General Atlantic

Financial Advisor

Chess.com

GENERAL ATLANTIC

Chess.com has received a growth investment from General Atlantic

Financial Advisor

teamSNAP

Waud Capital

TeamSnap has been acquired by Waud Capital Partners

Sellside Advisor*

Motion Array

Artlist

KKR

Motion Array has been acquired by Artlist, a portfolio company of KKR

Sellside Advisor

Past Clients[2]

AllTrails, bergfex, Blinkist, BOLD, Comme J'aime, FATMAP, finanzen.net, flexjobs, Flo, foodvisor, go1, IMMEDIATE MEDIA CO, Lingoda, Livingbridge, MAPLEMEDIA, MOJO, nutra check, Outside, pb PINKBIKE, RealVNC, Runna, SKYBOUND, sofatutor.com, STRAVA, teamSNAP, tonies®, URBAN SPORTS CLUB, wellhub

Tombstones included herein represent transactions closed from 2015 forward.
**Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*
(1) 2025 M&A Advisory Rankings—All Global Technology Transactions. Source: LSEG. Excludes accounting firms and brokers.
(2) Inclusive of transactions executed by Houlihan Lokey professionals while at other firms.

ONE HOULIHAN LOKEY

GLOBAL CONFERENCE

Announcing ONE Houlihan Lokey London 2026

17–19 November 2026

London Hilton on Park Lane

T Consumer | Healthcare

W Business Services | Industrials | Infrastructure

Th Financial Services | FinTech | Technology

Unable to attend?
Join us in Spring 2027 in New York.

Following a series of standout global conferences, we are delighted to welcome you back to London for our flagship event in Europe. Join us as we bring together leading minds from across industries for an unparalleled opportunity to connect, collaborate, and gain valuable insights. This event will showcase a broad spectrum of sectors and services across various industries, while exploring key themes, including:

- Mergers and Acquisitions
- Capital Solutions
- Financial Restructuring
- Financial Sponsors
- Financial and Valuation Advisory

ONE Houlihan Lokey is designed to connect decision-makers, highlight cutting-edge insights, and enable meaningful discussions amid evolving market dynamics. Across all three days, we look forward to welcoming you for:

- **Powerful Insights:** Hear from a multitude of companies spearheading change in their respective industries.
- **Unparalleled Networking Opportunities:** Engage with thousands of attendees from across global markets.
- **Meaningful Engagement:** Targeted 1x1 meetings will offer exclusive opportunities for connecting with senior capital providers.







ONE London 2025 Conference Highlights

2,700+
Conference Attendees

~50%
Capital Providers

~50%
Operating Companies*

220+
Participating Companies

8 to 10
1x1 Meetings per Presenting Company

40+
Panels and Presentations

65+
Sectors Represented

**Includes participating companies.*



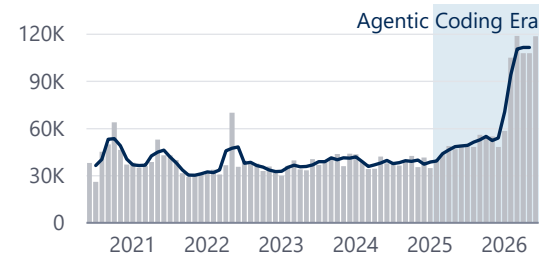
Market Observations

02

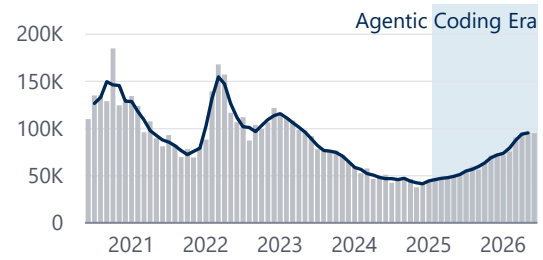
So Many Apps, So Little Time: App Growth Is Parabolic, but No One Is Using Them

Monthly activity across iOS, Android, and Chrome app stores.

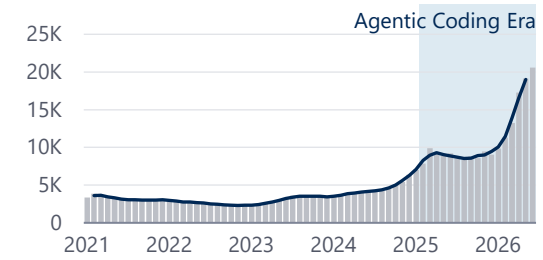
iOS: New Apps per Month



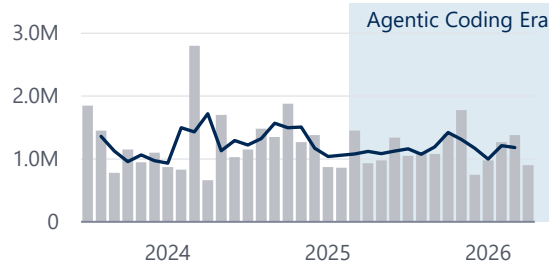
Android: New Apps per Month



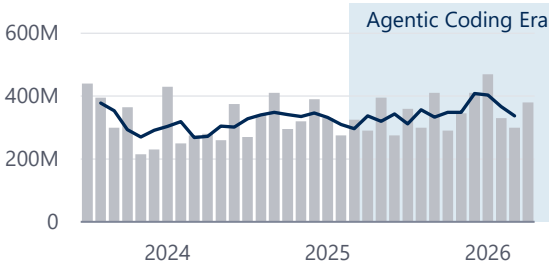
Chrome: New Apps per Month



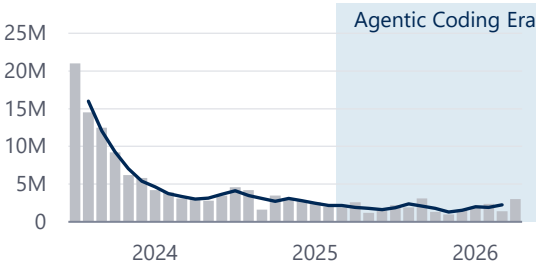
iOS: Ratings Earned by New Apps Monthly



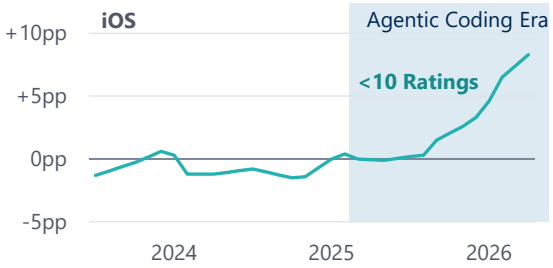
Android: Three-Month Cohort Downloads

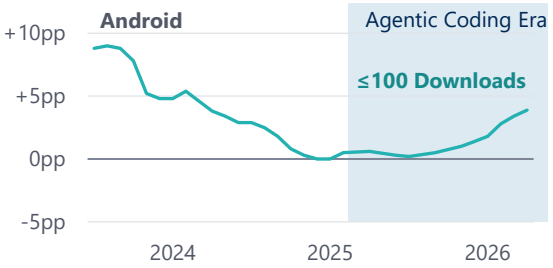


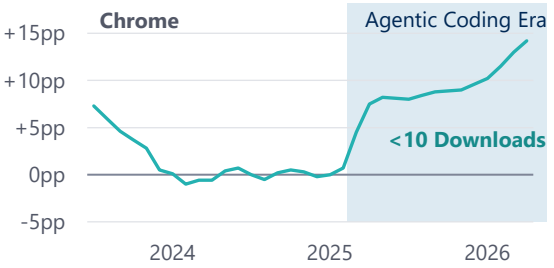
Chrome: Three-Month Cohort Downloads



Share of New Apps That Go Nearly Unused (Change vs. January 2025)







Notes: Bars show monthly values; line shows three-month average. Apple does not disclose downloads; ratings are used as a usage proxy for iOS. Android threshold is ≤100 downloads because Google Play discloses installs only in ranges; the study uses each range's lower bound.
Source: "Writing Code vs. Shipping Code: Productivity Effects Across Generations of AI Coding Tools," Dmirer, Musolff, and Yang (2026).

3x–5x

Monthly new iOS and Chrome apps versus 2021 (three-month average).

+8pp

Chrome share held by apps with <10 downloads, versus Jan 2025.

What It Means for CSS Operators

- New-app supply is up 3x–5x on iOS and Chrome, while cohort ratings and downloads stay flat or fall.
- A growing share of new apps never find users. On iOS, approximately 8pp more new apps now fail to reach 10 ratings compared with January 2025, with similar shifts on Android and Chrome.
- With build costs falling, discovery and retention decide which subscription apps get used.

AI Apps Monetize Fast, Retain Slow—A Category Still Finding Its Economics

AI apps are still finding their footing with consumers who are willing to try but not commit. The rapid pace of change will cause churn as consumers and prosumers are targeted with the "next best thing."

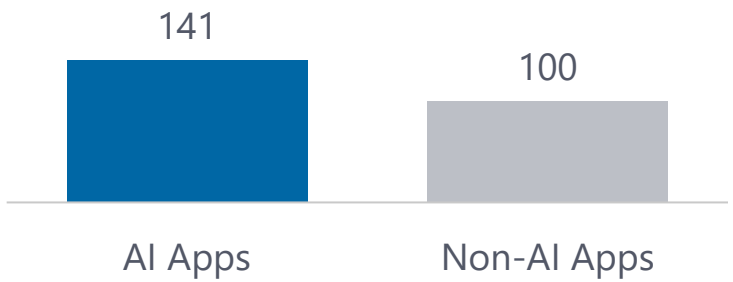
01 RevenueCat's "State of Subscription Apps 2026" report, covering more than 115,000 apps and over $16 billion of tracked revenue, found AI-powered apps generate 41% more revenue per user than non-AI peers while churning 36% faster, compressing the window in which subscription economics compound.

02 The funnel is narrower as well: Free-to-paid conversion for AI apps trends toward 1%–3%, compared with 5%–8% for mature non-AI subscription apps. Monetized users are worth more per head, but fewer of them arrive.

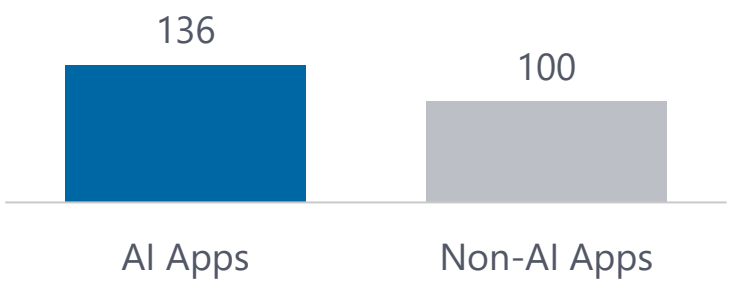
03 The category is pulling in both directions. The top decile of all subscription apps grew their monthly recurring revenue (MRR) 80%–306% YoY in 2026, while the bottom quartile shrank about 33%. AI-native apps show both extreme early monetization and unusual exposure to the churn cliff:
95% of annual-plan cancellers never reactivate, and roughly 35% of cancellations land in month 1.

04 Whether this is structural or a maturity problem is unsettled. AI features are replicated quickly, and novelty fades; equally, cohort retention tooling, habit-formation design, and community building—the traditional CSS moat—have not yet been applied at scale in AI-native products.

Revenue per Paying User, Index (Non-AI Apps = 100)



Churn Rate, Index (Non-AI Apps = 100)



Notes: Revenue per user and MRR figures are stated on a gross GAAP revenue basis, as reported. Index values are derived from reported percentage differentials.
Sources: RevenueCat, "State of Subscription Apps 2026" (Parts 1 and 2, March and May 2026); Thrad.ai synthesis of RevenueCat 2026 data; Sacra OpenAI subscriber research.

1%–3%

AI-app free-to-paid conversion, against 5%–8% for mature non-AI subscription apps.

95%

Of annual subscribers who cancel never reactivate; 35% of cancellations occur in month 1.

What It Means for CSS Operators

- AI-native CSS founders should treat month-1 retention as the make-or-break metric, not day-1 conversion; the category is currently better at extraction than retention.
- Investors should ask AI-native CSS targets for month-6 and later cohort curves rather than top-line growth: High early ARPU is not yet evidence of a durable business.

The Personal Assistant Boom: 2 Billion Users, Three Apps Each

Adoption crossed a tipping point in 2026. Consumers now stack multiple AI assistants, and Meta's new Muse launches straight into a 1.2-billion-person built-in audience.

01 AI assistant adoption crossed a real threshold in 2026: 64% of U.S. adults now use AI, and globally, roughly 2.0 billion people, about 24% of the world's population, use an AI assistant.

02 Usage is deepening, not just widening: 39% of AI users now engage daily, up from 31%; 24% spend over an hour a day with it; and 52% say their usage has grown over the past year.

03 Consumers aren't picking one winner; they're stacking assistants: The average user now relies on 3.0 different AI tools, up from 2.2, split across ChatGPT, Gemini, and Claude.

04 That stacking behavior is exactly what Meta is targeting: Muse launched free this month, straight into Meta AI's existing 1.2 billion monthly users on WhatsApp, Instagram, and Facebook.

How the Personal Assistant Story Unfolded, 2025–2026

2025: OpenClaw Demos

OpenClaw demos spread across X and drew wide interest. Busy, non-technical users put off setting up their own assistant, but demand was evident.

June: Instinct

Rave reviews of Instinct, an AI personal assistant, circulated in family group chats.

Three Weeks Later

Instinct announced a venture round of $250 million with Index Ventures and Benchmark.

August: Meta Muse

Meta announced Muse, its own personal assistant. The market cap jumped approximately 25% in days, with prices ranging from $20 to $100 per month.

Notes: Adoption and usage-share figures are self-reported survey data as of September 2026. Meta AI figures reflect Meta's own disclosures.
Sources: Menlo Ventures, The State of Consumer AI (2026); Meta (about.fb.com); TechCrunch.

Houlihan Lokey CSS View

- The Houlihan Lokey CSS team has high hopes for software for the CHO (chief household officer): a personal J.A.R.V.I.S. for the home. Technology has finally caught up with the idea, and the team is actively watching the space.

Downstream Effects

- Too early to call staying power and broad adoption, but the downstream effects will be sizeable.
- **Personal finance:** investing cash to maximize yield, repricing car insurance, cable, and phone bills.
- **Online shopping:** optimized for health, wellness, and ingredients to cost, not influenced by brand.
- **Family:** notes to loved ones and children's play dates.
- **School and sports:** coordinating school, after-school, and youth sports activities.

Agentic Commerce Arrives: When AI Does the Subscribing (and Canceling) For You

The cancel-flow friction playbook is being rewritten by agents, not regulators.

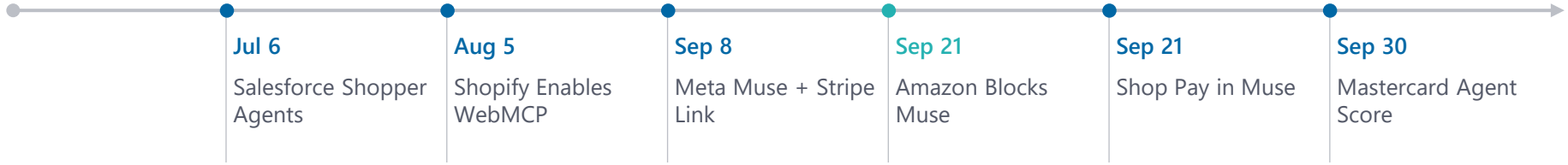
01 Discovery and checkout are becoming agent-mediated. Salesforce, Shopify, Stripe, Meta, and Mastercard all shipped agentic commerce infrastructure in Q3 2026, and on September 8, Meta's Muse agent launched with Stripe Link checkout at more than 1 million businesses.

02 In-agent payment is still contested: Amazon began blocking purchases through Meta's Muse agent on September 21, the same day Shopify brought Shop Pay checkout into Muse. Discovery and comparison have moved to AI assistants wherever checkout completes.

03 Cancellation agents have arrived on the consumer side. Reclaim, Chargeback, kill the sub, and Pine AI scan inboxes and card statements and execute cancellations for the subscriber. Friction does not slow an agent, and a retention discount does not persuade one.

04 At both ends of the funnel, the counterparty is increasingly non-human: a comparison agent deciding whether to surface a product, and a cancellation agent deciding whether to keep the subscription.

Agentic Commerce Infrastructure Timeline, Q3 2026



Note: September 21, 2026, marks Amazon blocking purchases by Meta's Muse agent; all other milestones are launches.
Sources: eMarketer; Adobe Digital Insights; company announcements from Salesforce, Shopify, Stripe, Meta, Amazon, and Mastercard (July to September 2026); Talon.One; Godberry Studios agentic commerce tracker.

~$20.6B

Of U.S. retail spend expected to run through agentic commerce in 2026, roughly 4x 2025.

4,700%

YoY rise in AI-referred traffic to U.S. retail sites as of mid-2025.

What It Means for CSS Operators

- AI visibility (generative engine optimization, or GEO) is the new SEO. Agents decide which brands to surface based on machine-readable pricing pages and the off-site content they draw on.
- Friction-based retention loses force against an agent executing a cancellation instruction directly.
- Offers an agent can be instructed to accept still work: pause, downgrade, usage-based tiers, win-back credits.

Usage-Based and Hybrid Pricing Creeps Into CSS

B2B seat subscriptions are straining under variable AI inference costs—CSS may follow SaaS's lead.

01 The clearest 2026 signal came from outside CSS. GitHub moved all Copilot plans to usage-based billing, effective June 1, 2026, replacing premium request units with token-metered AI credits, a public concession that flat-fee AI subscriptions were mispriced relative to compute costs.

02 The margin gap is structural, not transitional. Bessemer puts AI-first gross margins at 20%–60% versus 70%–90% for traditional SaaS; the difference is inference costs, which scale with usage in a way a flat subscription cannot absorb for heavy users.

03 Consumer AI subscriptions still cluster in a narrow $10–$20 per month flat band (ChatGPT Plus, Claude Pro, Perplexity Pro, Midjourney), but credit packs, capped tiers, and overage add-ons are appearing at the edges. B2B AI has already converged on a hybrid model: a base subscription plus usage overage.

04 This strains the ARPU and LTV framework used to benchmark CSS against SaaS. Usage-based revenue is less predictable, complicates cohort LTV modeling, and demands a new metric layer, cost-to-serve per active user, not CAC and ARPU alone.

Pricing Model Spectrum, Illustrative Positioning of Consumer and Prosumer Products, 2026

Flat Subscription

ChatGPT · Claude · duolingo · NETFLIX · Spotify · STRAVA

Hybrid: Base + Overage

Adobe Firefly · CURSOR · IIElevenLabs · Midjourney · RUNWAY · Suno

Pure Usage/Credits

GitHub · groq · MISTRAL AI_ · OpenRouter · Replicate · together.ai

Note: Gross margin ranges are stated on a gross GAAP revenue basis. Positioning along the spectrum is illustrative.
Sources: GitHub Engineering Blog, June 2026 pricing announcement; Bessemer Venture Partners AI pricing playbook; Solvimon, Lava, and Schematic credit-pricing guides (2026); Paddle 2026 pricing guide; RevenueCat AI-app monetization data.

20%–60%

AI-first gross margin range, versus 70%–90% for traditional SaaS (Bessemer).

1:1

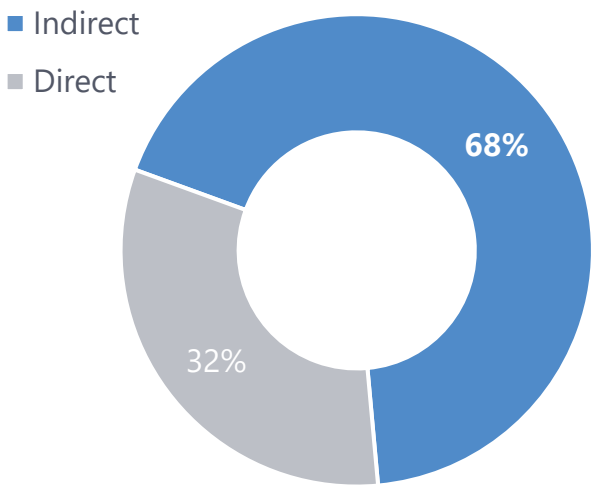
Copilot Pro's $10/month now buys $10 of token-metered AI credits (June 2026).

What It Means for CSS Operators

- Founders building AI-heavy CSS products should model cost-to-serve per user before scaling, not after the margin trap closes as usage grows.
- Investors should ask CSS targets whether pricing tracks the inference cost curve, alongside LTV/CAC.
- Expect hybrid pricing tests in AI-native categories, fitness coaching, tutoring, and content generation over the next 12 months.

Cross-Bundling Is Reshaping the Subscription Landscape

The subscription economy is shifting from one-to-one relationships toward cross-industry ecosystems. Success increasingly depends on assembling flexible, value-rich bundles that drive loyalty, growth, and control.



68%

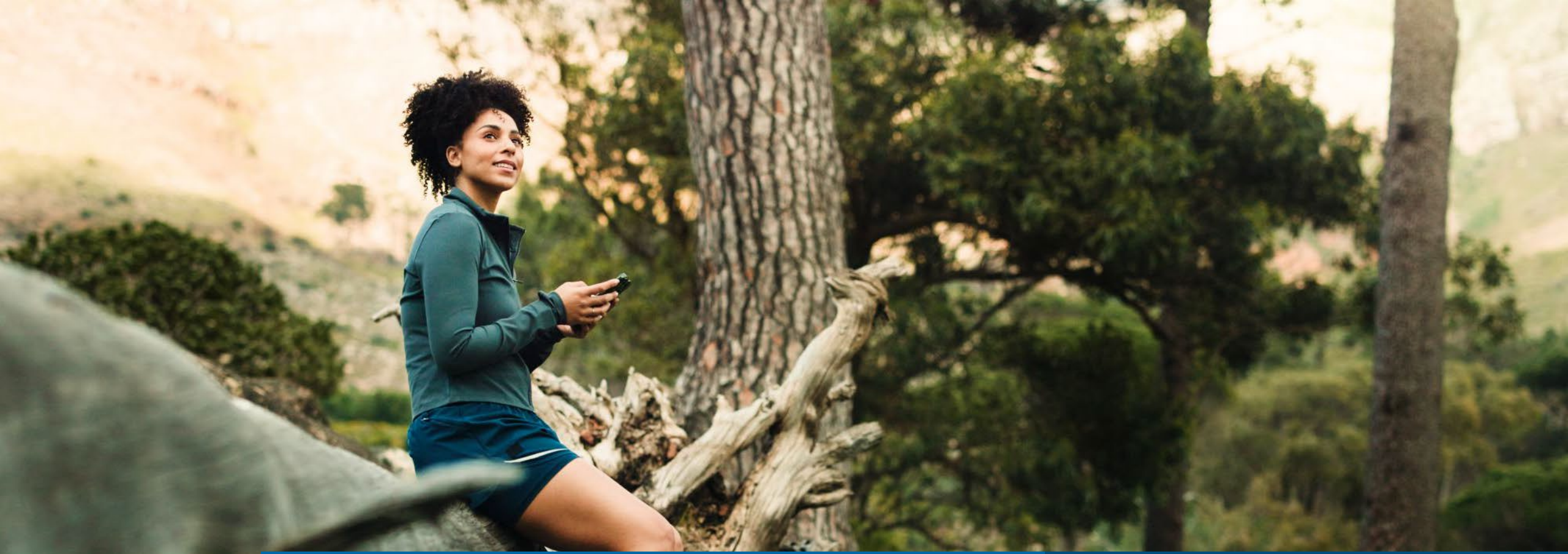
Of U.S. subscribers now pay for at least one subscription indirectly (e.g., through a telco plan, a retail bundle, etc.)[1]

> A new force is reshaping the battlefield, turning rivals into allies and competition into collaboration. The subscription economy is evolving into something more powerful, more sophisticated, and ultimately more lucrative—the bundle economy. The smartest players aren't simply competing anymore. They're assembling… Subscribers are not simply loyal to a single direct provider. They're chasing the best offers, signing up in entirely new, unpredictable ways, and embracing flexibility and control.
>
> 2025 bango

Selected Recently Announced Bundles

- **JUL. 2026:** Prime Video launches discounted STARZ and Crunchyroll bundle.
  prime + crunchyroll + STARZ
- **APR. 2026:** Peloton classes available to Spotify Premium subscribers.
  Spotify + PELOTON
- **APR. 2026:** Xfinity StreamSaver includes Peacock, Netflix, Apple TV, Disney+, Hulu, and HBO Max.
  xfinity + peacock NETFLIX tv Disney+ hulu HBO max
- **FEB. 2026:** Sky bundles Netflix, Disney+, HBO Max, and Hayu.
  sky + NETFLIX Disney+ HBO max Hayu
- **NOV. 2025:** Disney+ and CJ ENM's TVING launch bundle deal in Korea.
  Disney+ + TVING
- **OCT. 2025:** Apple TV and Peacock launch discounted bundles.
  tv + peacock
- **SEP. 2025:** Walmart+ includes Paramount+ or Peacock.
  Walmart + peacock Paramount
- **AUG. 2025:** Verizon offers Netflix, HBO Max, and Disney+.
  verizon + NETFLIX HBO max Disney+
- **JUN. 2025:** Xbox Game Pass adds EA Play.
  XBOX + Play

Source: Bango, "Subscription Assemble"; company websites and press releases.



Houlihan Lokey Insights

03

CSS Flywheel Attributes Drive Premium Valuation

Every day we get asked, "What is a good revenue/EBITDA multiple for a CSS business?" The truth is that the revenue multiple is a derivative of five other key factors of every CSS business, which we have detailed in our CSS Flywheel.

01 Recurring Revenue and Retention

Predictable subscription revenue, low churn and disciplined LTV/CAC.

02 Product Evolution

Rapid, iterative feature releases and cross-product expansion that deepen engagement and widen use cases.



03 Premium Content and Proprietary Data

Intuitive UI paired with high-quality, differentiated content, along with user data retained and reinvested into content and targeting.

04 Monetization and Pricing

Compelling free-to-paid conversion and tiered upsell.

05 User Acquisition

Viral loops, referrals, and SEO lower blended acquisition cost

06 Niche Base, Large TAM

Defensible niche leadership expanding into a broader TAM.

Understanding Human Nature and the Link to Subscription

Consumer purchases generally follow Maslow's hierarchy of needs, and consumer spend accounts for 70% of the U.S. GDP.(1)

The vast majority of consumer spend is in the physiological and safety categories, including food, housing, education, transportation, etc.

Once the basics are covered, consumers follow their drive of passion, community, and identity, and that is where great CSS businesses are being built.



Mindfulness
BetterUp, Calm

Personal Growth
18BIRDIES, Skylight

Religion
GLORIFY, Hallow, PRAY.COM

Career Growth
LinkedIn Learning, Quizlet

Physical Achievement
LADDER, STRAVA

Creative Mastery
Inkitt, NEXUSMODS

Dating
Hinge, RAYA

Parenting
In Tandem, talking PARENTS

Friendship and Community
Chess.com, GAMECHANGER

Financial Security
ROCKET Money, Monarch

Digital Privacy
cloaked, NordVPN

Health Monitoring
WHOOP, ŌURA

Sleep
EIGHT SLEEP, Hatch

Nutrition and Metabolic Health
Dexcom, myfitnesspal

Reproduction
Flo, Natural Cycles

Source: (1) U.S. Bureau of Economic Analysis, "2026 Annual Update of the National Economic Accounts," September 2026.

How to Build a Category Leader: Become a Habit

Consumer subscription software apps become category leaders by embedding themselves into users' daily routines through the removal of frictions, personalization, gamification, and virality.

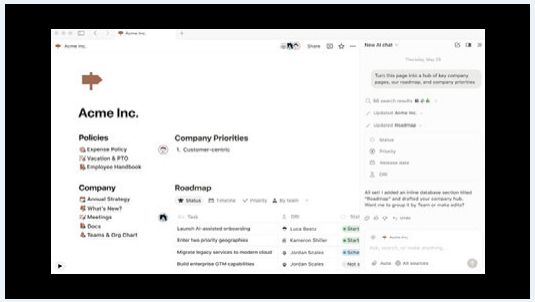
This habitual usage drives higher retention, deeper engagement, and a competitive moat that makes it difficult for new entrants to displace them.

Illustrative Cases of Habit-Driven Product Design

Notion

Frictionless

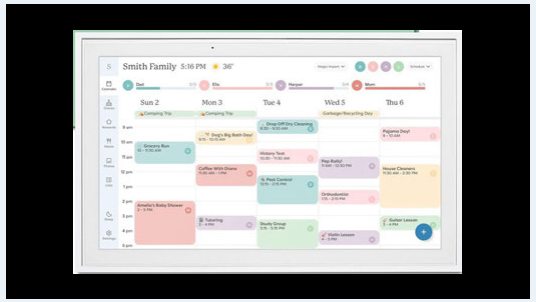
Instant access to notes, documents, and workflows with minimal setup, seamless cross-device syncing, and intuitive templates, allowing users to start organizing and creating immediately without friction or up-front complexity.



Skylight

Personalization

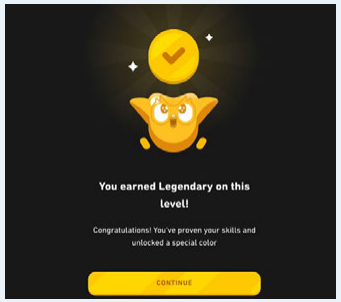
Tailors the family hub to each household. Color-coded calendars for every family member, chore charts and rewards for each child, and an AI assistant, Sidekick, that plans meals around the family's size, budget, and dietary needs.



duolingo

Gamification

Transforms language learning into a game-like experience with streaks, leaderboards, XP points, and playful animations that keep users engaged and coming back daily.



Norton Family

Embeddedness

Becomes part of how the household runs. Parents set screen-time limits, content filters, and location checks across every child's device, building family routines around it. Once rules and schedules are in place for the whole family, families keep renewing subscriptions.



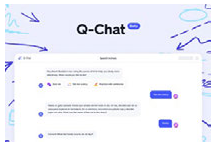
The Importance of UX/UI in Consumer

AI tools can do a lot through a chat interface, but is that what the vast majority of consumers want in core CSS applications?

Many CSS Category Leaders Are Already Embracing AI to Create Delightful Consumer Experiences

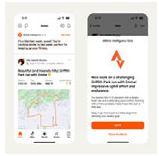
Quizlet

AI-Personalized Streaks and Badges



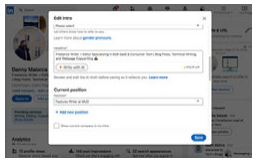
STRAVA

AI-Personalized Workout Insights



LinkedIn

AI-Written Profile and Connection Insights



LADDER

AI-Matched Cheers and Feedback



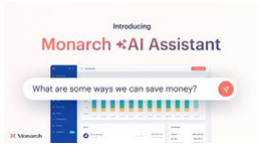
nanit

AI Sleep Insights, Made Simple



Monarch

AI-Categorized Expense Flows



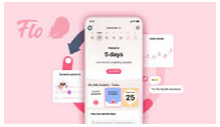
duolingo

AI-Powered Conversation Practice



Flo

AI-Powered Cycle Predictions and Health Insights



- Consumers don't want their relationship with AI to look like B2B's relationship with AI.
- Consumers want AI to show up as exciting, intuitive product features woven into experiences they already love, versus a stale chatbot interface.
- AI chatbots are great at retrieve-and-answer tasks, which is exactly why they dominate B2B software (e.g., Salesforce + Claude, system-of-record tools).
- Winning CSS businesses pair a great underlying service or content with a delightful, habit-forming experience layer.
- That layer is built from characters, gamification, streaks, badges, maps, video, and social feedback.
- A plain chatbot can't replicate that layer; it's the real moat.
- The bar is higher for consumer AI: People already have dozens of habit-forming apps competing for their attention, so AI has to earn a place inside an experience, not add a new one.
- Expect the winners to hide the "AI" and foreground the outcome—a streak, an insight, a match—not a chat window.

AI Disruption: Facts vs. the Narrative in the CSS Ecosystem

Across the B2B software ecosystem, tweets abound describing CEOs replacing software with internally generated code. Many "experts" expect the same trend to play out in consumer. However, the data shows that the vast majority of consumers are not replacing paid apps with tools they build themselves, retention is holding up, and many legacy players are outcompeting the newer vibe-coded entrants as distribution, network effects, and word of mouth carry the day.

Narrative	Market Observations
Consumers Can Vibe Code Anything	• Consumers don't download apps to save money. They subscribe to make their life better, more fun, or more productive. • Building and maintaining substitutes for CSS offerings takes more time and skill than 99.9% of households have. • Analogy: Consumers prefer to get a sandwich delivered by DoorDash rather than go to Costco, buy the ingredients, make it themselves, and save a few dollars.
Competition Is Growing; App Store Releases Are Up 200%+	• Houlihan Lokey research has seen no increases in cancellation rates at established companies across the industry. • The vast majority of revenue made in the App Store is generated by the top 5% of CSS companies. • New iOS apps have tripled in a year, from approximately 35,000 to approximately 115,000 a month.(1)
SEO Is Dying	• Total Free traffic from search engines is declining as consumers get answers from Google or start their search on ChatGPT. However, conversion of users to subscribers remains strong, as consumer demand for tools (not just answers) remains high. We are seeing this trend across education, fitness, nutrition, etc. • SEO is giving way to GEO: Best-in-class CSS offerings already get consistent traffic from AI assistants by investing in content that those assistants draw on (e.g., YouTube for Gemini).
AI Chatbots Will Do Everything	• UI and UX matter: consumers don't want to spend their private lives in a chatbot. • Chatbots are bad at providing a consistent experience, instilling motivation, and they lack specific data for many use cases (travel, video, outdoors, productivity, etc.)

(1) a16z.

LLMs Are Having Their Email Moment...

Just as consumers chose their personal email 20 years ago—and never changed it—the battle is on to win consumers over to integrating their lives with a personal LLM across four key categories.

THE TEST SHIFTS

BEFORE

~~How good does the app look?~~

NOW

Can an agent finish the task without a person?

THE MOAT MOVES

~~App engagement~~

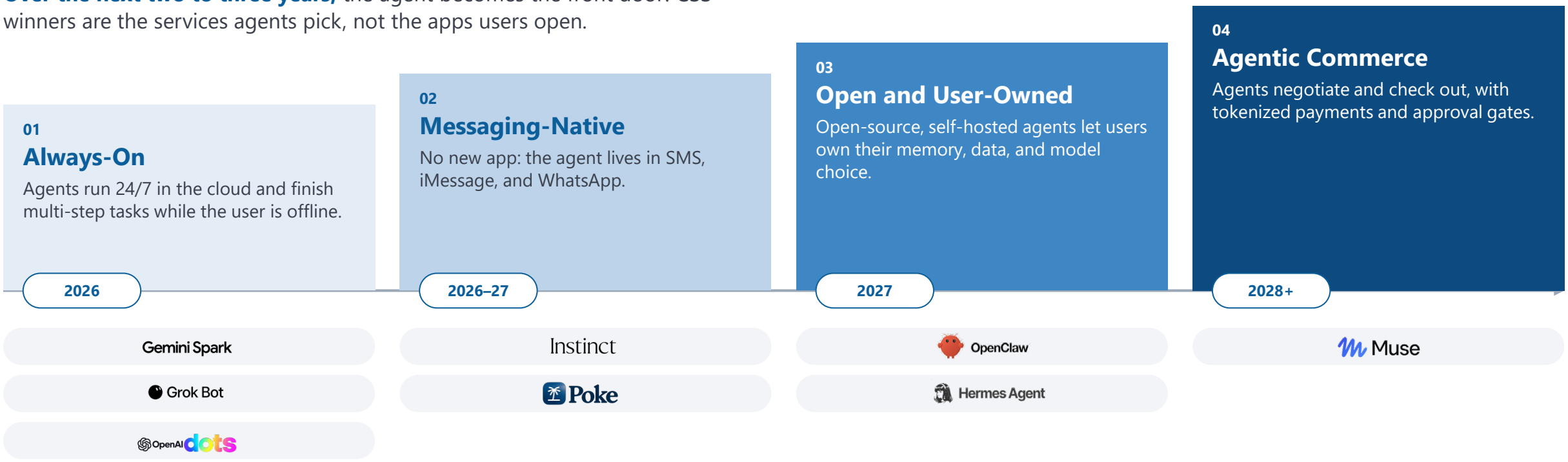
- **Trust**
- **Ownership of User Data**
- **Being the Agent Users Delegate To**

	OPPORTUNITY	RISK
Personal Finance **HIGHEST STAKES** Agents negotiate bills, dispute charges, and move money.	Be the agent trusted with money: bills, cancellations, fraud disputes.	Regulatory scrutiny lands here first; compliance costs must be funded.
Health and Wellness **HIGHEST TRUST BAR** Agents handle appointments, refills, and insurance.	Be the approved channel for providers, pharmacies, and insurers.	Success is measured by reliability, not daily usage.
Prosumer **AGENT BECOMES THE USER** Agents draft, schedule, and research on the user's behalf.	Be the tool agents call; sell infrastructure, not an interface.	Products that agents can't plug into get skipped.
Travel **FIRST TO MOVE** Bookings, refunds, and loyalty already run over email.	Value shifts to post-booking price watching and renegotiation.	Search-only subs lose their purpose; loyalty and history retain users.

...and Agents Are the Vector Into the Next Frontier

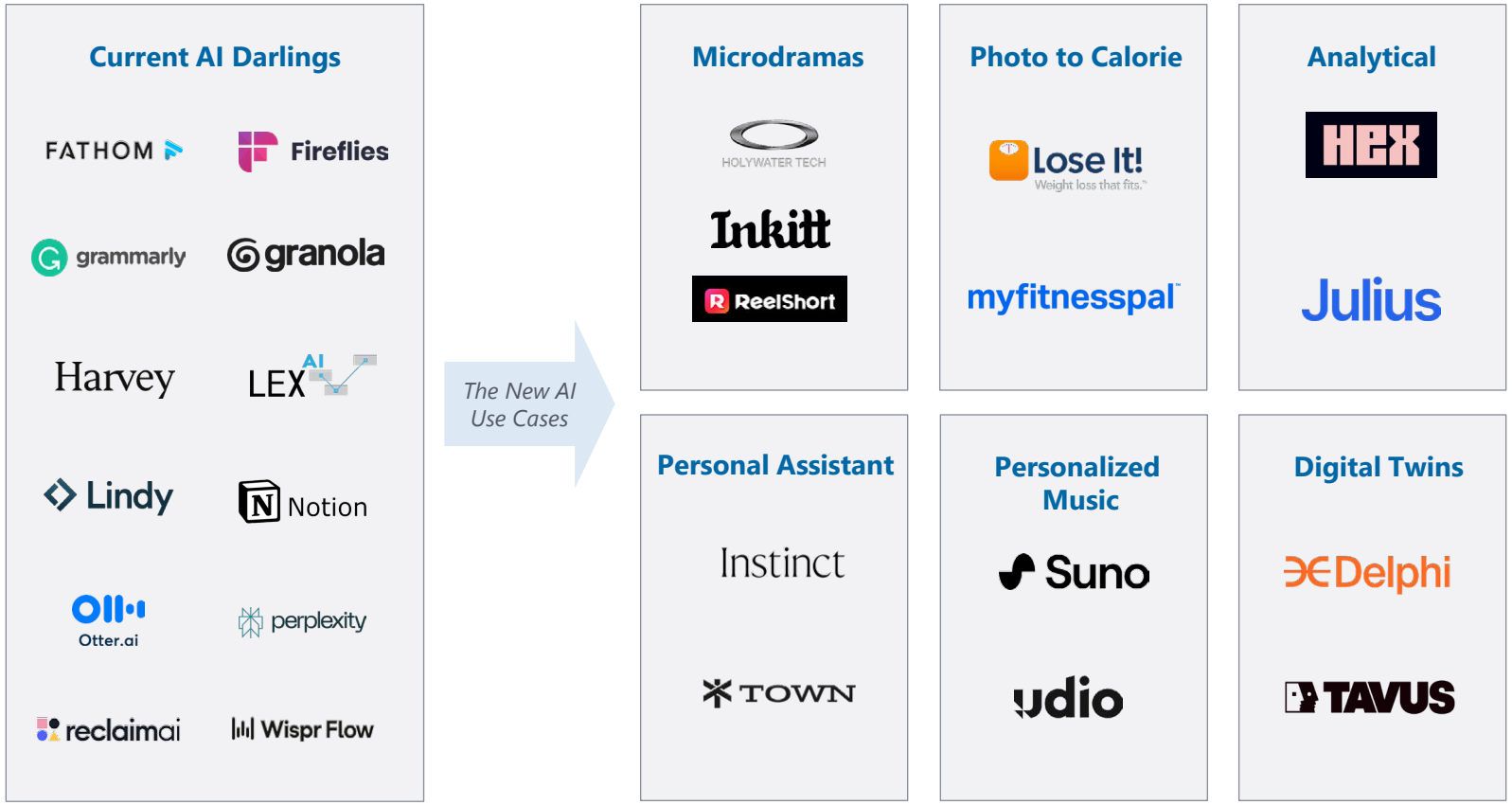
Agents are moving beyond the inbox to act across a user's digital life: running 24/7, living in the message thread, and spending on the user's behalf.

Over the next two to three years, the agent becomes the front door: CSS winners are the services agents pick, not the apps users open.



CSS AI Darlings Aren't Just Productivity Tools

The "killer" AI features no longer just revolve around note-taking; new categories are emerging by the day.



- CSS businesses used to stand out through unique features that were incrementally better than the rest of the pack.
- However, consumers are experiencing new magical features across new apps as well as "older apps."
- Current AI darlings share a common DNA: they're built for a knowledge-work job, note-taking, summarizing, drafting, and the same retrieve-and-answer tasks AI is already great at.
- This made productivity the obvious first wave: it's the easiest job to automate with a chat or transcription interface.
- The next wave looks different in kind, not just degree. It's moving into consumer lifestyle categories where AI has to feel exciting and delightful, not just efficient.
- Early proof points are already showing up in entertainment, health, and creative experiences, not just productivity tools.
- Matchmaking and digital twins are the next frontier, still taking shape, and this expansion into new categories should keep accelerating.
- Investors anchored only on today's productivity darlings risk missing where the next generation of category-defining CSS businesses actually gets built.
- As AI expands into these new categories, the moat shifts from raw model capability to product and experience design, the same "delight over utility" dynamic playing out across consumer AI more broadly.

Best of Breed CSS Does Not Stand Still—AI and Product Velocity

Feature velocity is commoditized—consumer permission is the moat.

The bottleneck has shifted from what companies can build to what users will let operators sell them.

AI Makes Building Cheap → **Consumer Permission Decides What Sells** → **Winners Extend the Core USP; Losers Dilute It**

AI Capability Engine

- Ship cycles: quarters → weeks.
- Marginal cost per feature keeps falling.
- Any team can now ship at incumbent speed.

Velocity alone is now table stakes.

Consumer Permission Gate

- **Fit:** Does this extend the reason they subscribed, or dilute it?
- **Sentiment:** Are users asking for it, or merely tolerating it?
- **Consent:** Opt-in tested before broad rollout?

No permission → the feature ships into resistance.

Durable Retention | Winner

- Expands LTV without diluting the core USP.
- New feature becomes a retention lever, not a cost line.
- Cross-sell feels like an extension that users welcome.

Retention Risk | Risk

- Feature fatigue and creeping brand dilution.
- "Why am I paying for this?" resurfaces at renewal.
- Cancellation spikes when the core USP blurs.

Operator takeaway: The fastest shippers win by gating rollout, testing sentiment on a cohort before expanding to the full base.

LADDER — **Strength Training → Calorie Counting**

Nutrition is the natural next step for someone already training for results.

Speechify — **Text-to-Speech Reader → Voice AI Assistant and AI Podcasts**

Same voice-first habit, more use cases: voice typing, an AI assistant, AI podcasts.

ClassDojo — **Teacher–Parent Communication → Dojo Tutor**

Trust built with parents becomes a paid service, starting with 1:1 sessions with experienced teachers.

Skylight — **Family Calendar Display → Sidekick AI Assistant**

Turns emails, schedules, and PDFs into calendar events and meal plans within Plus.

Surfline — **Surf Forecasting → B2G Coastal Erosion Offering**

Repackages proprietary ocean data for a new buyer.

Flo — **Cycle Tracking → Partner Mode And Perimenopause**

Follows the user through life stages and brings in their partner.

AI Will Accelerate the Need for a 'Consumer Cyber Stack'

Corporate IT security officers are well versed in the risks of online attacks, but the vast majority of consumers are unprepared and uneducated about the potential for AI hacking. Many of us store our most personal information online using simple passwords, leaving credentials in browsers, etc.

Historically, consumers were not profitable to hack individually, with the exception of wealthy targets or crypto attacks. AI tools now enable the large-scale execution of those attacks with unmatched personalization and targeting.

As AI-enabled cyber threats become increasingly sophisticated and accessible, consumers face growing exposure to identity theft, fraud, and data breaches, reinforcing the need for comprehensive personal cybersecurity solutions.

Key Job Functions of the Consumer Cyber Stack

Personal Data Removal	• Scrubs your information from data brokers and people-search sites.
Identity Theft Protection	• Monitors SSN, credit, and dark web; offers recovery help and insurance.
Password Managers/ Two-Factor Authentication	• Generate and store unique passwords, increasingly passkeys. Two-factor authentication adds a second layer beyond the password.
VPN	• Encrypts traffic and hides your IP.
Antivirus and Device Security	• Malware protection across devices.
AI Scam Protection	• Stops AI-driven scams across every interaction online, before the person or the agent acts on them.

Selected Expert Companies

cloaked · DeleteMe · incogni · Optery

AURA · IdentityForce · Aura Identity Guard · LifeLock by Norton

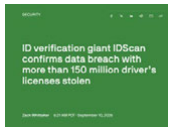
1Password · bitwarden · KEEPER · Strongbox

CyberGhost · ExpressVPN · NordVPN · ProtonVPN

Avast · Bitdefender · McAfee · norton

Norton Genie · Guardio · hiya · truecaller

Recent Cyberattacks[1]



A breach at an ID-verification vendor put more than 150 million Americans' licenses up for sale on the dark web.



An AI-cloned voice and one WhatsApp message moved €95 million out of a bank.



Revolut, a well-known consumer FinTech company, was hit twice in a month.



Hackers stole $6.3 billion from Binance, the largest crypto theft on record.

Sources: (1) Tom's Hardware, "FBI Investigating 153 Million U.S. and Canadian Driver's Licenses Leaked on Russian Cybercrime Forum"; TechSpot, "Private Italian Bank Loses Millions in Elaborate AI Voice Scam"; RTÉ News, "What Is Known About Latest Data Breach for Revolut Users?"; The New York Times, "Binance Suspends Withdrawals After Crypto Hackers Steal $6.3 Billion."

Chief Household Officer Gets an AI Upgrade

The chief household officer (CHO) has risen in prominence in recent years as the proliferation of CSS apps has enabled individuals and families to manage their lives through CSS apps.

CSS emerged as another avenue for entertainment via Netflix and Spotify, but has since blossomed into a full dashboard to manage the day-to-day lives of consumers. Consumers can manage finances, coordinate children's recreational activities, and utilize many more functions all via CSS apps.

AI is increasingly built into the CHO's workflow, automating everyday tasks such as meal planning, scheduling, and budgeting.

Key Job Functions of the CHO

Family Communication/ Household Logistics	• Family communication tools make communication effortless, enabling CHOs to understand who is where and what is needed 24/7.
Financial Management	• Financial management, transparency, and literacy are increasingly important. The data needs to be gathered from multiple sources and shared easily.
Meal Planning/ Grocery Shopping	• AI-generated meal plans built from real-time pantry data, dietary rules, and local sale prices with one-tap handoff to a delivery cart.
Memory Safekeeping	• Gone are the days of boxes of old pictures. CHOs now have to manage and secure digital memories via CSS tools.
Youth Sports Coordination	• CHOs rely on a range of CSS applications to ensure each household member gets to the correct practice and games on time.
Health and Wellness Coordination	• Tracking pediatrician/dentist appointments, medication schedules, insurance claims, and fitness and nutrition goals across the household.
Travel and Vacation Planning	• Coordinating family trips, itineraries, packing lists, loyalty points.
Education/ Homework Tracking	• School portals, grades, assignment deadlines, parent-teacher communication.
Home Security and Safety	• Monitoring, emergency contacts, alarm systems tied into a household dashboard.
Childcare/ Babysitter Logistics	• Scheduling sitters, nannies, carpools.

Selected Expert Companies Used by CHOs

Gen, Life360, OurFamilyWizard, talking PARENTS, TINEN
GREENLIGHT, Monarch, Quicken, Rocket Money
emeals, myfitnesspal, Nutrameg, YAZIO
Dropbox, iCloud, Skylight, tinybeans
GAMECHANGER, SportEasy, sportsengine, teamSNAP
Flo, GoodRx, Medisafe, Natural Cycles
Flighty, Going, pointme, wanderlog
ClassDojo, Quizlet, Remind, Seesaw
arlo, Nest, ring, SimpliSafe
care., hatch, nanit, POPPINS PAYROLL, urbansitter

Overcoming Churn to Build the 'Cohort Revenue Layer Cake'

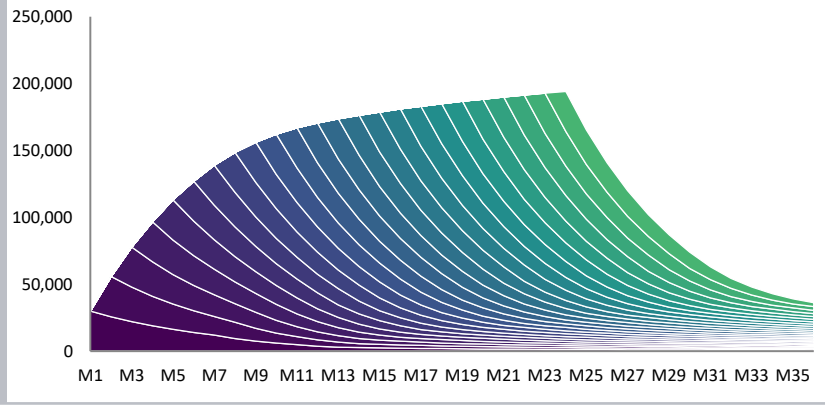
As entrepreneurs build their companies, they can typically invest in growth marketing or product innovation to drive retention.

Focusing on engagement and mitigating churn will result in a better long-term business than high growth and flashy advertising.

What Would You Invest In?

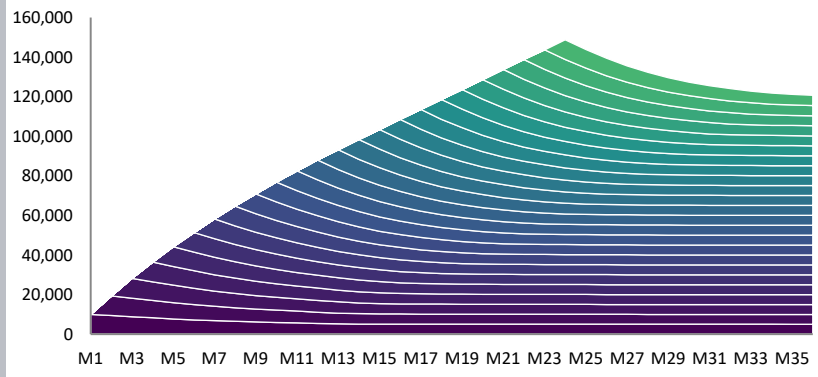
Hare

Growth	Adding 40,000 users per month with celebrity promoters and a heavy Instagram presence.
Usage	Limited customization of the service and a priority on notifications to drive content consumption.
Cohort Churn	Retains 30% of customers by month 6 and only 15% by month 12.



Tortoise

Growth	Adding 20,000 users per month, leveraging targeted marketing through partnerships with limited social media marketing.
Usage	Users leverage the data to manage their personal health information and have synced data input into their fitness tracker.
Cohort Churn	Retains 80% of customers by month 6 and 60%+ by month 12 (effectively having the cohort become flat).



Note: Figures are for illustrative purposes only.

Truth About LTV—Debunking the Issues of Customer Lifetime Value

Definition of LTV (Lifetime Value)

- LTV represents the gross profit a company can expect to realize from a user over their relationship with the product.

$$\text{Formula}^{1} = \frac{(\text{ARPU} * \text{GM\%})}{\text{Churn Rate}}$$

To Estimate LTV in Early-Stage Companies (Find the Locals)

- LTV engagement—comments, photos, shares, posting activity, connecting data sources, and logins.
- Track auto-subscribe from Apple/Google.
- Web users versus app-only.
- Tools to measure engagement: RevenueCat, AppsFlyer, Recurly.

LTV Issues

The LTV formula has several issues that need to be understood:

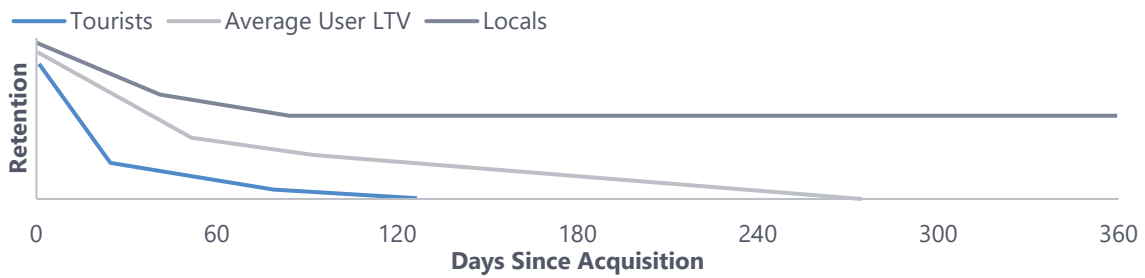
- The formula assumes that all users eventually churn at an even percentage each year on average.
- It does not take into consideration factors such as upsells and resubscriptions.
- **Win-back is ignored**—churn is treated as permanent, so lapsed users who reactivate through re-engagement campaigns never enter the calculation.
- LTV does not account for fundamentally different user profiles—discounts the "locals" that stay for **life** and over-emphasizes the high "tourists" churn.

Measurement Solutions

- Divide users into "locals" versus "tourists" cohorts by looking at engagement metrics.
- Estimate the value of "lifetime users" in the local cohort and then calculate each cohort's LTV.
- Focus on the acquisition of "locals" and optimize marketing not just for sign-ups and return on advertising spend (ROAS), but for long-term usage.
- Discuss your average LTV, as it's important for your customer acquisition cost (CAC) payback, but ensure you highlight the potential of your "locals."
- **Measure win-back separately**—reactivation rate and repeat-subscription revenue from lapsed users won back by re-engagement notifications and reactivation offers.

Illustrative User Profiles

Tourists	• **Low** engagement • Do not input data • Find the service through **an ad**	• Try many services • Sign up through discounts
Locals	• **High** engagement • Connect data sources	• Find the service through **a friend** • Integrate the service into their life



CSS Forecasting—Crafting the Blueprint for Mathematical Certainty

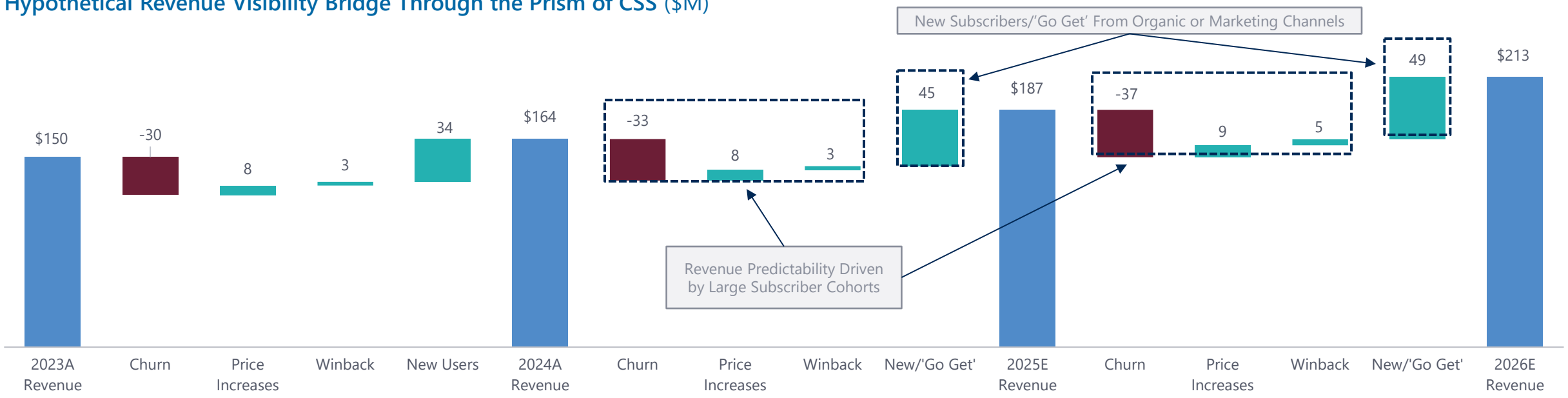
Top-tier CSS companies generate positive net revenue retention similar to B2B SaaS companies as their cohorts mature and "locals" continue to renew at close to 100%. Businesses can treat marketing spend then as an investment from otherwise predictable cash flow.

Consumer companies will always have churn, especially in new cohorts. But once churn is understood and tied to specific marketing channels, promotional offers, and customer profiles, it becomes quite predictable (specifically, large cohorts of consumers at 2–3 years of age).

Win-back strategies play a crucial role in improving net revenue retention (NRR) by re-engaging and recovering lost customers. Successful win-back strategies typically have $0 customer acquisition costs.

Houlihan Lokey illustrates what a "mathematical certainty" for future year revenue is and what the "Go Get" from new subscribers is. This provides the predictability that future partners crave. The "Go Get" can be further broken down into expected organic and paid subscribers.

Hypothetical Revenue Visibility Bridge Through the Prism of CSS ($M)



Note: Revenue figures shown on a net GAAP basis; bridge is illustrative.

Subscription Cohort Financing Goes Mainstream

Subscription cohort financing advances capital against predictable future subscriber revenue. Repayment is taken as a share of collections rather than fixed debt service, so the obligation flexes with how each cohort performs.

Subscriber Cohort → Predicted LTV Curve → 80% Advance on 12-Month Forecast → Repaid From Collections

Fits Best When

- High subscriber retention and low churn.
- Predictable marketing spend-to-return, with a stable CAC:LTV ratio.
- Proven LTV curves backed by enough cohort history to underwrite.
- Sizeable cohorts for statistical signaling.

Why Funds Like It

- High money velocity: Capital recycles faster than equity or traditional debt.
- Flexible deployment: Facilities turn on and off and scale with demand.
- Diligence-intensive, not passive lending: Losses mount if the fund misjudges the underlying unit economics.

Non-dilutive growth capital in, repayment out of collections: Both sides are paid for keeping subscribers.

"From Hong Kong to San Francisco, UA financing is becoming mainstream. We have gone from convincing founders that this is the right instrument to scale to having pre-seed startups reach out asking how they can set themselves up for UA financing. This year alone we have met hundreds of interested companies. Demand is growing exponentially."



Joe Wadakethalakal
CEO and Co-Founder, PvX Partners

Scope is widening beyond software to "all subscriptions," including vitamins, supplements, and other D2C subscription models.

Selected Firms

BRAAVO
capchase
founderpath
General Catalyst
Levenue
PvX Partners
re:cap

Hardware Gets an Upgrade, and Consumers Are Buying (And So Are Investors)

Hardware, often derided as the least appealing segment of the technology market, has emerged as a key tool for entrepreneurs as they look to defend their businesses against AI clones leveraging LLMs.

Consumers have been trained and convinced of the benefits of attaching a subscription to hardware for continuous improvement in the offerings for mission-critical services.

In the generative AI era, proprietary data is the new gold: Platforms reliant on public or easily replicated data struggle, while those with unique user data thrive.

Expect to see platforms look for ways to generate unique content or retool existing platforms to support hardware that generates content.

Advantages of Hardware

01	Physical installation creates a structural moat that AI alone cannot breach.	• Once a customer mounts, wires, or pairs a purpose-built device, the hardware occupies real-world shelf space that no line of code can instantly dislodge.
02	Proprietary device data fuels models that remain differentiated even as generic AI blossoms.	• Sensors embedded in dedicated hardware capture high-resolution signals—environmental, mechanical, biometric—that smartphones and cloud APIs simply never see.
03	Hybrid economics shield margin from AI price wars.	• Pure-play software vendors live or die by monthly ARPU. Hardware-enabled platforms can recover customer-acquisition cost with the up-up-frontfront device sale and treat the subscription as incremental profit.
04	Communicating with and extracting data from devices is becoming table stakes.	• Owning the device gives platforms a direct channel to the user and a first-party telemetry feed that software-only competitors must license or infer.
	Hardware in Practice	GoPro / STARMAN $285M (September 2026)

Leading Hardware & Software Companies

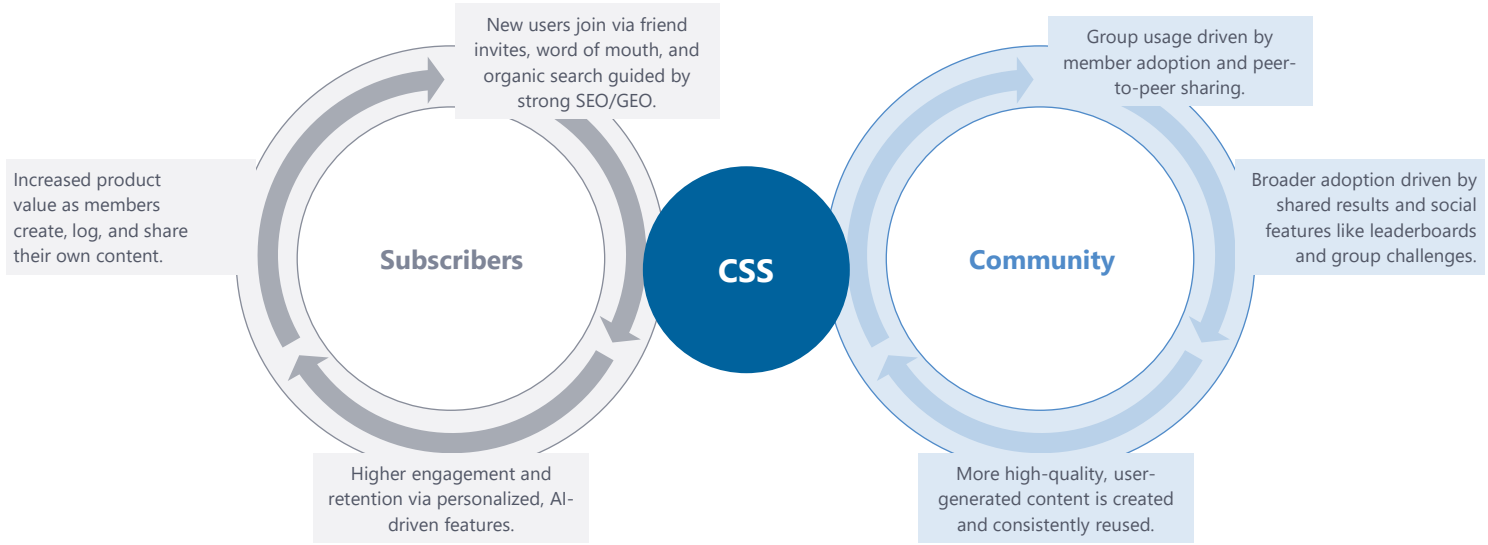
CARV, eufy, GAMECHANGER, GARMIN, HATCH, hudl, nanit, Meta, ON, ŌURA, SimpliSafe, Skylight, SPIIDEO, ring, TACTACAM, tractive, veo, WHOOP, ZWIFT

Houlihan Lokey Transaction

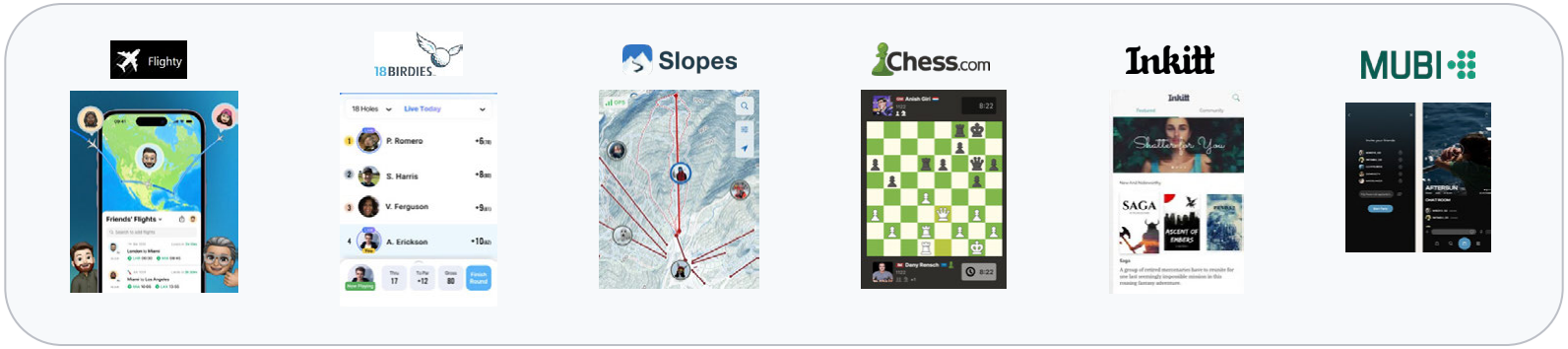
The Increasing Value of Focused Communities With Two-Way Engagement

Community in CSS has evolved from legacy social media to well-known platforms such as Strava and Discord, and continues to disperse to smaller, more meaningful communities.

The CSS Community Flywheel

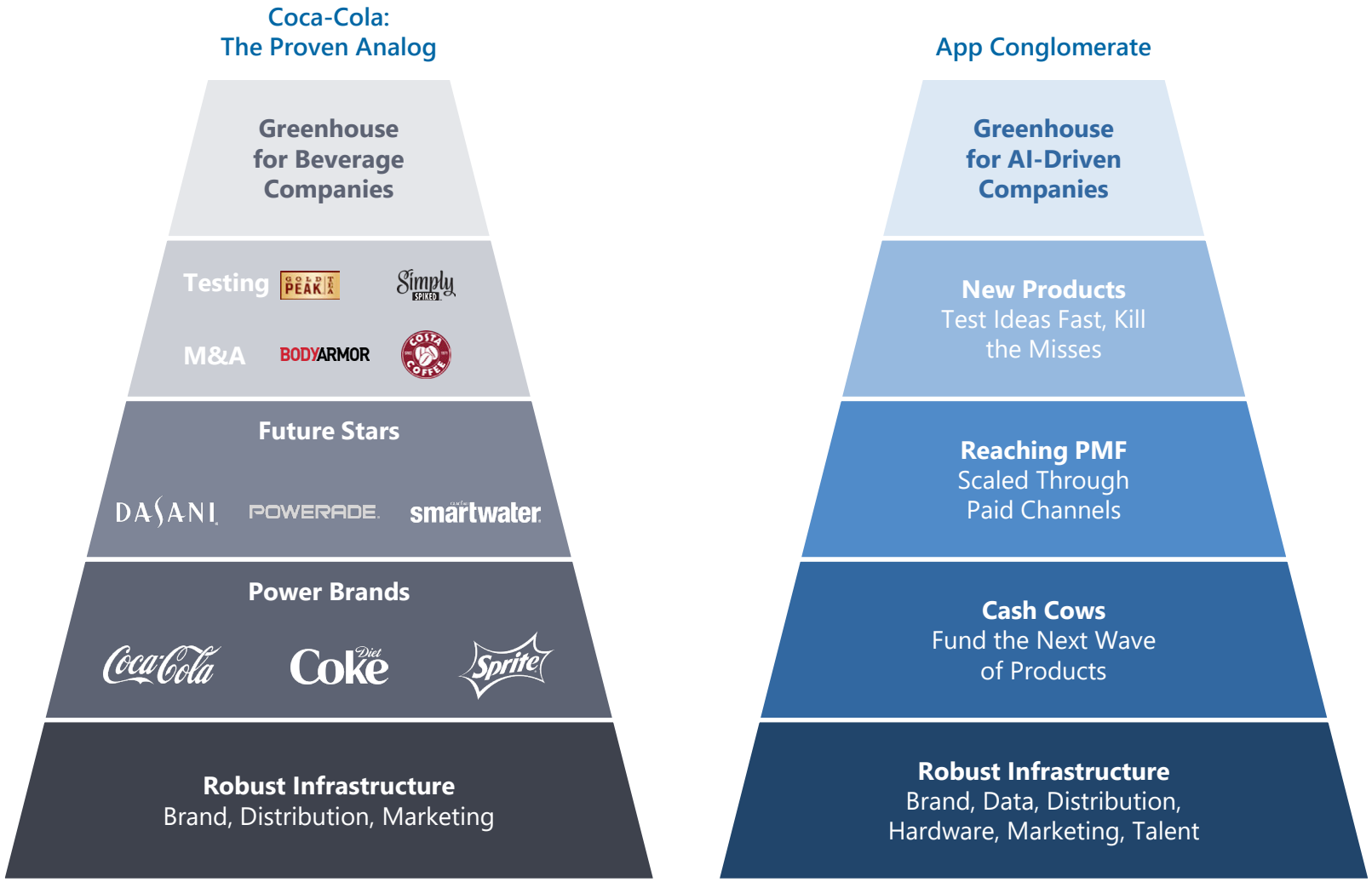


The Up-and-Coming Communities in CSS



- Focused communities are growing in stature as traditional social media becomes polluted/crowded with influencers.
- People want to connect with like-minded people over their favorite topics.
- These communities are meant for two-way engagement—not just scrolling and consuming. Contributing is seen as social validation and actualization.
- Classics are Strava and Discord, but what investors have missed is that a growing number of CSS apps allow you to connect and communicate with an intimate group.
- Community features raise switching costs, since shared history, social connections, and user-created content are hard to leave behind, which drives higher retention and lower churn.
- Members recruit new users through invites and sharing, so the community becomes a low-cost, organic acquisition channel that reduces reliance on paid marketing.
- Social and group features create natural upgrade moments, such as shared plans, premium tiers, and group challenges, supporting higher willingness to pay.
- Niche, high-intent communities tend to show stronger engagement and retention, which acquirers and investors increasingly reward with premium valuations.

Rise of the Conglomerate: The Berkshire Hathaway of the App Store



Source: HubX press release, August 2026.

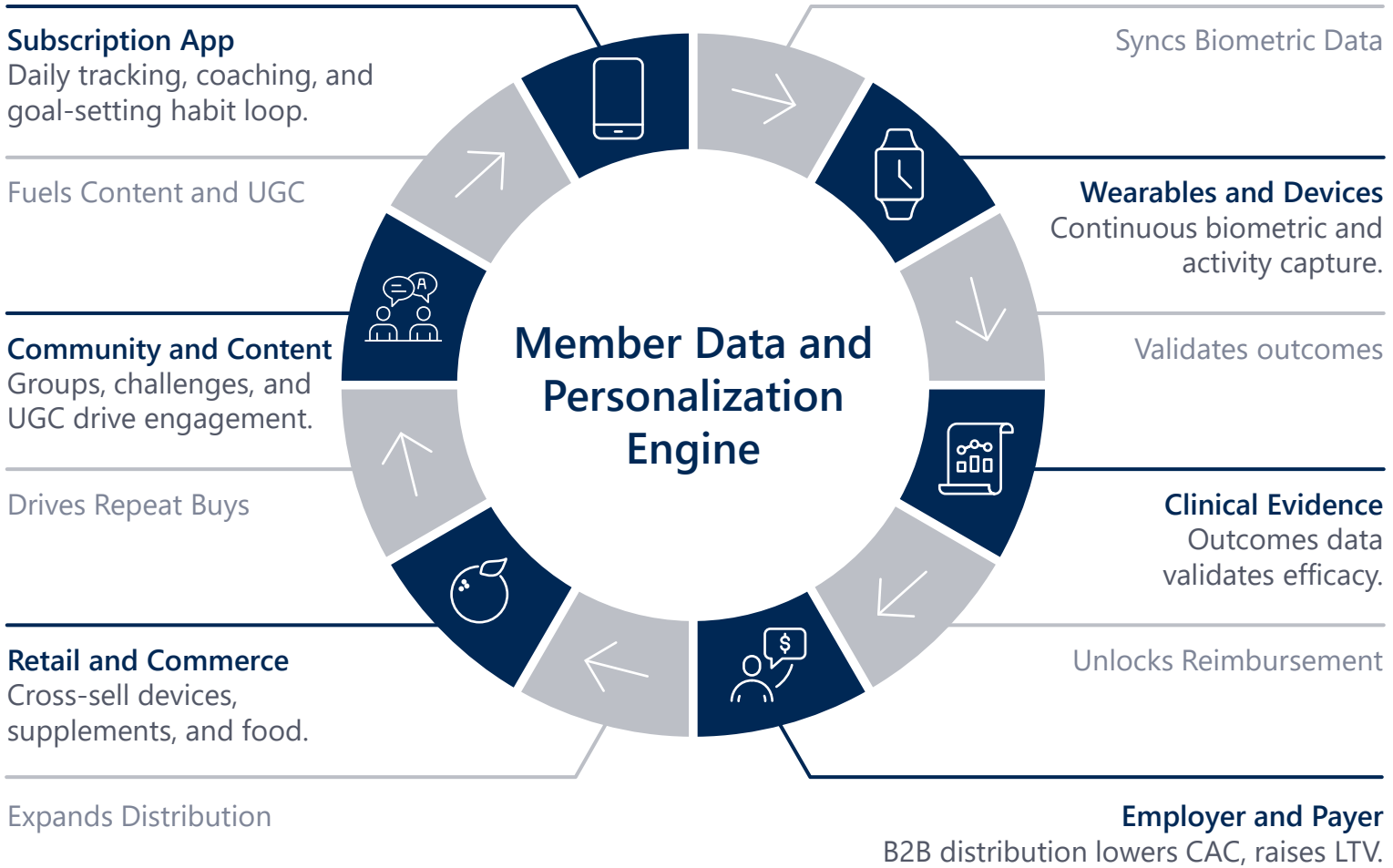
- Founders are building multi-product "CSS conglomerates" that scale quickly, run highly profitably, and in some cases ship best-in-class consumer products.
- The core product is the engine, not the app: strong engineering and marketing teams, a sharp read on consumer demand, and rapid prototyping and testing of ideas. AI accelerates both output and margin.
- Investors raise two concerns on these models: retention and reliance on paid marketing. Both are fair questions.
- These companies will not carry the retention profile or brand of a Strava or a GameChanger, so they require a different mental model.
- The closest analogy is Coca-Cola: dozens of products, one distribution network, and multiple paid marketing channels. Coca-Cola is indifferent to whether a consumer buys Minute Maid in the morning, Coca-Cola at lunch, or Powerade after the gym.
- Cash-generative brands fund constant iteration, launching new brands, killing the ones that miss, so consumer churn is expected and absorbed by the distribution and marketing engine.
- We expect incredible things from app conglomerates with Bending Spoons going public; investors will quickly look for similar opportunities.
  - HubX, a bootstrapped app studio with 40+ consumer products, is raising up to $75 million from Point72 at a $1.2 billion pre-money valuation, its first outside capital, to fund acquisitions.

The Consumer Health Flywheel

Modeled on Walt Disney's 1957 synergy flywheel and adapted for a consumer health subscription platform.

Synergy, Not Silos

Every business line feeds, and is fed by, the others. Data, content, and demand compound across the platform.



The Compounding Effect

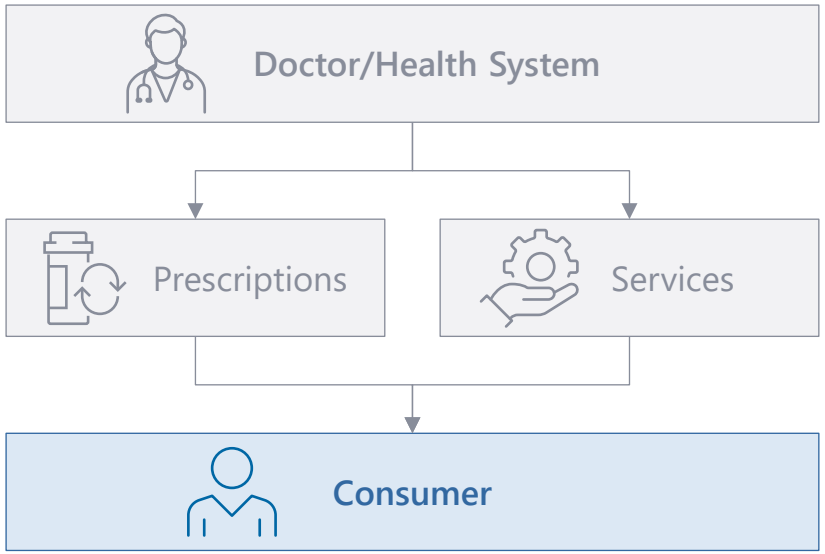
More usage drives more data, sharper personalization, and higher retention. Each rotation lowers CAC and raises LTV.

Illustrative framework; business lines and data flows are directional.

Health and Wellness Is Moving Away From Doctor2C to a Consumer-Directed Stack of Products and Services, Which Will Have Huge Implications Across Multiple Industries

Consumers are taking proactive steps to improve health and longevity rather than waiting for a doctor to suggest services. They are willing to pay cash or draw on HSA/FSA balances to take control. A new generation of software uses AI to stitch data, coaching, and treatment into a single D2C healthcare stack.

REACTIVE CARE: ONE WAY, INSURANCE-PAID



Access, pace, and spend are set by the payer and the physician.

PAID BY INSURANCE



PROACTIVE CARE: CONSUMER AT THE CENTER



PAID WITH HSA/FSA AND CASH



M&A and Financing Activity

04

Highlighted M&A Transactions

Houlihan Lokey Transaction

Target	Acquirer	Date	Target Description	Enterprise Value ($M)	Revenue Multiple	EBITDA Multiple
h·me exchange	Verlinvest	Sep-26	The world's largest home swapping platform, connecting members in 155 countries through a trust-based, non-monetary exchange model, is accelerating its plan to make home exchanging a mainstream travel solution.	N/A	N/A	N/A
TACTACAM	GTCR	Sep-26	Develops wireless, cellular-connected trail cameras and remote scouting technology for wildlife monitoring, property surveillance, and hunting applications.	$400	N/A	N/A
GoPro	STARMAN	Sep-26	Action-camera maker merging with a U.S. optical-photonics company to pivot into optical transceivers for AI data centers, defense, and aerospace.	$285	N/A	N/A
Optery	Surfshark®	Sep-26	Operates a data-removal and privacy-protection service that continuously scans data broker and people-search sites for a user's personal information and submits opt-out and takedown requests on their behalf.	N/A	N/A	N/A
headspace	sword	Aug-26	Provides a mobile app for guided meditation, sleep content, and stress-management tools, serving millions of consumer and enterprise users as part of the broader mental-wellness and digital-health category.	$200–$300	N/A	N/A
Chess.com	CVC	Jul-26	Operates an online chess platform featuring live gameplay, puzzles, lessons, and community tools that help players learn, compete, and connect globally.	N/A	N/A	N/A
TRAINING PEAKS	GARMIN.	Jul-26	Endurance/strength training platform connecting athletes and coaches via structured plans and performance analytics.	N/A	N/A	N/A
DISTROKID	CVC	Jun-26	Provides a digital music distribution platform that helps independent artists release, monetize, and manage their music across global streaming devices.	N/A	N/A	N/A
ROUVY	ZWIFT	Apr-26	Offers a virtual indoor cycling and running platform that pairs smart trainers with real-world route video footage, letting athletes train on actual outdoor terrain from a stationary setup.	N/A	N/A	N/A
tractive	BENDING SPOONS	Mar-26	Makes GPS-enabled wearable trackers and a companion app that let pet owners monitor their dog or cat's real-time location, activity levels, and health/wellness trends.	N/A	N/A	N/A
SPOT HERO	Uber	Feb-26	Runs an online marketplace for reserving parking spots in advance across thousands of garages, surface lots, and valet locations in cities throughout North America.	N/A	N/A	N/A

Sources: PitchBook, company websites, and company press releases.

Highlighted M&A Transactions (cont.)

Houlihan Lokey Transaction

	Target	Acquirer	Date	Target Description	Enterprise Value ($M)	Revenue Multiple	EBITDA Multiple
	LiveBarn	GTCR	Jan-26	Operates an automated live and on-demand streaming platform for youth and amateur sports, primarily hockey, across thousands of North American venues.	$400	N/A	N/A
	kits.ai	splice	Jan-26	Develops a blockchain-based music creation platform enabling users to create, publish, remix, and share songs with built-in attribution.	N/A	N/A	N/A
	TUNE IN	STINGRAY	Nov-25	Develops a live-streaming and on-demand audio app offering global access to sports, music, talk, news, internet radio, and podcasts.	$175	1.6x	5.8x
	Aol.	BENDING SPOONS	Oct-25	Publishes digital media and advertising solutions delivering news, finance, lifestyle, and entertainment content while helping businesses reach audiences through integrated ad technology.	$1,500	3.0x	3.5x
*	foodvisor	Comme J'aime	Oct-25	Nutrition and calorie-counting platform.	N/A	3.2x	N/A
	SimpliSafe	GTCR	Sep-25	DIY home security systems with 24/7 professional monitoring, no long-term contracts.	$2,500	N/A	N/A
*	URBAN SPORTS CLUB	wellhub	Sep-25	European fitness/well-being aggregator giving corporate employees access to gyms, studios, and wellness partners.	$600	N/A	N/A
	vimeo	BENDING SPOONS	Sep-25	Operates an all-in-one SaaS video platform enabling users to create, share, collaborate, and communicate through comprehensive cloud-based video tools.	$978	2.4x	N/A
	natlink	verdane	Aug-25	Develops a digital outdoor ecosystem offering planning, communication, tracking, and wildlife monitoring tools to enhance connected hunting and nature experiences.	N/A	N/A	N/A
	MileIQ	BENDING SPOONS	Jul-25	Automatically detects and logs vehicle trips in the background using a mobile device's GPS, allowing users to classify drives as business or personal for tax deduction and expense-reimbursement purposes without manual mileage tracking.	$233	N/A	N/A
	SUPERHUMAN	grammarly	Jul-25	Develops a premium, speed-optimized email client with AI-assisted triage, auto-summarization, and smart reply features designed to help professionals and teams process high email volumes.	N/A	N/A	N/A

Sources: PitchBook, company websites, and company press releases.
**Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*

Highlighted M&A Transactions (cont.)

	Target	Acquirer	Date	Target Description	Enterprise Value ($M)	Revenue Multiple	EBITDA Multiple
	WHISTLE	tractive	Jul-25	Produces a connected pet wearable brand offering GPS location tracking and activity/health monitoring for dogs, competing directly in the same connected pet-tech category as its acquirer.	N/A	N/A	N/A
	epic!	TAL 好未来	Jun-25	Operates a platform providing access to audiobooks and videos from major publishers, helping users discover, read, and share content.	$95	N/A	N/A
	EarlyBird	acorns	May-25	Offers a platform to digitize and store photos, videos, messages, and life events, enabling families to preserve and share memories across generations.	N/A	N/A	N/A
	frndly TV	ROKU	May-25	Operates a subscription-based streaming service offering shows, films, and other content across devices through live and on-demand formats.	$185	N/A	N/A
	NEJM Knowledge+	AMBOSS	Apr-25	Provides a learning platform for clinicians in internal medicine, family medicine, and pediatrics, delivering evidence-based cases to support adaptive learning and reinforce key areas.	N/A	N/A	N/A
*	Runna	STRAVA	Apr-25	Offers a coaching app for marathon runners with personalized training plans, holistic support, and expert-led programs for structured preparation.	N/A	N/A	N/A
	komoot	BENDING SPOONS	Mar-25	Offers a navigation app for cyclists and hikers with route data, topographic maps, and statistics to help users plan outdoor experiences.	$313	2.5x	N/A
*	MAPLEMEDIA	SKYBOUND	Feb-25	Mobile app publisher with a portfolio of "Top 10" productivity, entertainment, and lifestyle apps.	N/A	N/A	N/A
	brigit	upbound	Jan-25	Financial-health app offering cash advances, credit-building tools, and budgeting support to underserved consumers.	$395	N/A	N/A
	fubo	hulu + LIVE TV	Jan-25	Operates a live TV streaming platform offering access to sports, news, and entertainment content across connected devices, with options for incremental features and upgrades.	$1,442	N/A	N/A
*	Blinkist	go1	Oct-24	Mobile app offering 15-minute summaries of nonfiction books and podcasts for on-the-go learning.	$100	N/A	N/A

Sources: PitchBook, company websites, and company press releases.
**Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*

Highlighted Financing Transactions

Houlihan Lokey Transaction

Company	Investor(s)	Date	Target Description	Investment ($M)	Pre-Money Valuation ($M)
Flo	Google	Oct-26	Operates a subscription women's health app offering cycle, ovulation, and pregnancy tracking with personalized health insights.	N/A	N/A
gettyimages®	KOCH EQUITY DEVELOPMENT	Oct-26	Provides licensed visual content (creative, editorial, video) through its Getty Images, iStock, and Unsplash brands, largely on a subscription basis.	$533	N/A
ollie	khosla ventures	Sep-26	Privacy-first personal AI assistant that helps families manage calendars, emails, reminders, and everyday household tasks through text messaging.	$8	N/A
Instinct	COATUE SEQUOIA	Sep-26	An AI personal agent that users text or call to handle everyday tasks like trip planning, groceries, and bookings.	$1,000	$9,000
NEX	BAI CAPITAL Baillie Gifford	Sep-26	Maker of Nex Playground, a controller-free, motion-tracking game console for families, with a subscription game library.	$150	N/A
* Outside	VECTOR CAPITAL	Aug-26	Operates a network of outdoor lifestyle media brands, GPS mapping apps, subscription products, and event platforms serving outdoor recreation enthusiasts.	$50	N/A
Wispr Flow	MENLO VENTURES	Aug-26	Develops an AI-powered voice dictation and productivity app that lets users speak naturally to write text across applications, with ambitions to become a broader voice-first computing interface.	$280	$1,720
ŌURA	Lilly	Jul-26	Smart ring and health-tracking subscription that tracks sleep, activity, and other biometrics.	N/A	N/A
perplexity	GLADE BROOK CAPITAL PARTNERS KORU CAPITAL Others	Jul-26	Develops an AI-powered information discovery tool that delivers real-time answers, personalized search, and integration with diverse data sources.	$200	$19,800
Quicken	Edward Jones MAKING SENSE OF INVESTING	Jun-26	Provides personal financial management software that helps users track spending, manage budgets, monitor investments, pay bills, and plan for retirement.	N/A	N/A
GLORIFY		May-26	Develops a faith-based wellness platform offering guided prayer, meditation, and devotional content to help users build daily spiritual practices.	N/A	N/A

Sources: PitchBook, company websites, and company press releases.
**Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*

Highlighted Financing Transactions (cont.)

Company	Investor(s)	Date	Target Description	Investment ($M)	Pre-Money Valuation ($M)
WHOOP	C	Apr-26	Makes a screenless wearable fitness strap and membership platform that continuously tracks sleep, strain, and recovery to help users optimize training and overall health.	$575	$9,525
cloaked	General Catalyst; Liberty City Ventures	Mar-26	Offers a consumer privacy platform that generates masked identities, phone numbers, and emails, alongside data removal, dark web monitoring, and AI-powered call-screening tools to protect personal information online.	$375	N/A
granola	Index Ventures	Mar-26	Provides an AI-powered notetaking app that automatically transcribes meetings and turns them into structured, editable notes, and searchable team knowledge.	$125	$1,375
Sandbar	Kindred Ventures	Mar-26	Develops an AI-powered wearable ring called Stream that lets users capture voice notes and interact with an AI assistant through touch and voice without disrupting their workflow.	$23	N/A
KINDRED	Index Ventures	Feb-26	Runs a members-only home-swapping network that lets travelers stay in each other's primary residences as trusted guests rather than paying for hotels or short-term rentals.	$85	N/A
BoldVoice	matrix	Jan-26	Provides an AI-powered voice coaching app that helps non-native English speakers improve pronunciation and communication clarity through real-time feedback and lessons from professional accent coaches.	$21	N/A
Clue	verdane	Jan-26	Develops a period- and cycle-tracking app that helps users monitor menstrual health, fertility, and related symptoms through data-driven insights.	N/A	N/A
HOLYWATER TECH	FOX	Jan-26	Operates a mobile-first entertainment company producing AI-assisted vertical video series, e-books, and short-form dramas across its network of consumer streaming apps.	$22	N/A
nanit	Springcoast Partners	Dec-25	Makes an AI-powered baby monitoring camera and app that tracks infant sleep, health, and developmental patterns to give parents real-time insights.	$50	N/A
Guardio	ION Crossover Partners	Nov-25	Offers a browser-based cybersecurity extension that protects consumers from phishing, malicious extensions, scams, and other online threats in real time.	$80	N/A
Suno	Menlo Ventures	Nov-25	Operates a generative AI music platform enabling users to create original songs by generating melodies, lyrics, and styles based on written prompts.	$250	$2,200

Sources: PitchBook, company websites, and company press releases.

Highlighted Financing Transactions (cont.)

Company	Investor(s)	Date	Target Description	Investment ($M)	Pre-Money Valuation ($M)
ŌURA	Fidelity	Oct-25	Makes a smart ring wearable that tracks sleep, activity, recovery, and other biometric signals to deliver personalized health insights.	$900	$10,100
SIMPLE	HARTBEAT LIQUIDITY CERTAINTY IS A SCIENCE	Oct-25	Offers an AI-powered coaching app focused on long-term weight loss and healthy living through personalized nutrition guidance and habit-building tools.	$35	N/A
LINGOKIDS	General Catalyst	Sep-25	Develops a game-based language learning platform enabling children to learn vocabulary through interactive play while helping parents track progress.	$120	N/A
POPPINS PAYROLL	spectrum equity	Sep-25	Payroll and tax for families employing nannies and caregivers.	N/A	N/A
EIGHT SLEEP	healthspan	Aug-25	Develops a smart mattress cover system that regulates bed temperature and uses embedded sensors to track sleep and biometric data without requiring a wearable device.	$100	$900
HOWBOUT	MARQUEE VENTURES	Aug-25	A mobile app designed to share and coordinate social events and plans with friends through a shared calendar interface. Structured as a convertible note.	N/A	N/A
Headway Inc		Jul-25	Provides a book summary app offering bite-sized text and audio content to help users consume knowledge quickly and efficiently.	N/A	N/A
substack	BOND tcg	Jul-25	Operates a subscription publishing platform that enables writers to distribute newsletters with text, audio, and video directly to subscribers.	$100	$1,000
Carefull	CIBC	Jun-25	Offers a financial safety platform that protects users from fraud, identity theft, and credit risks while helping businesses address financial security challenges.	N/A	N/A
MUBI	SEQUOIA	Jun-25	Provides an online movie streaming platform offering curated films, on-demand viewing, and original theatrical releases to help audiences discover and enjoy standout cinema anywhere.	$100	$1,000
grammarly	General Catalyst	May-25	Develops AI-powered writing assistance technology that provides real-time communication support, helping individuals and businesses write clearly, confidently, and effectively.	$100	N/A

Sources: PitchBook, company websites, and company press releases.



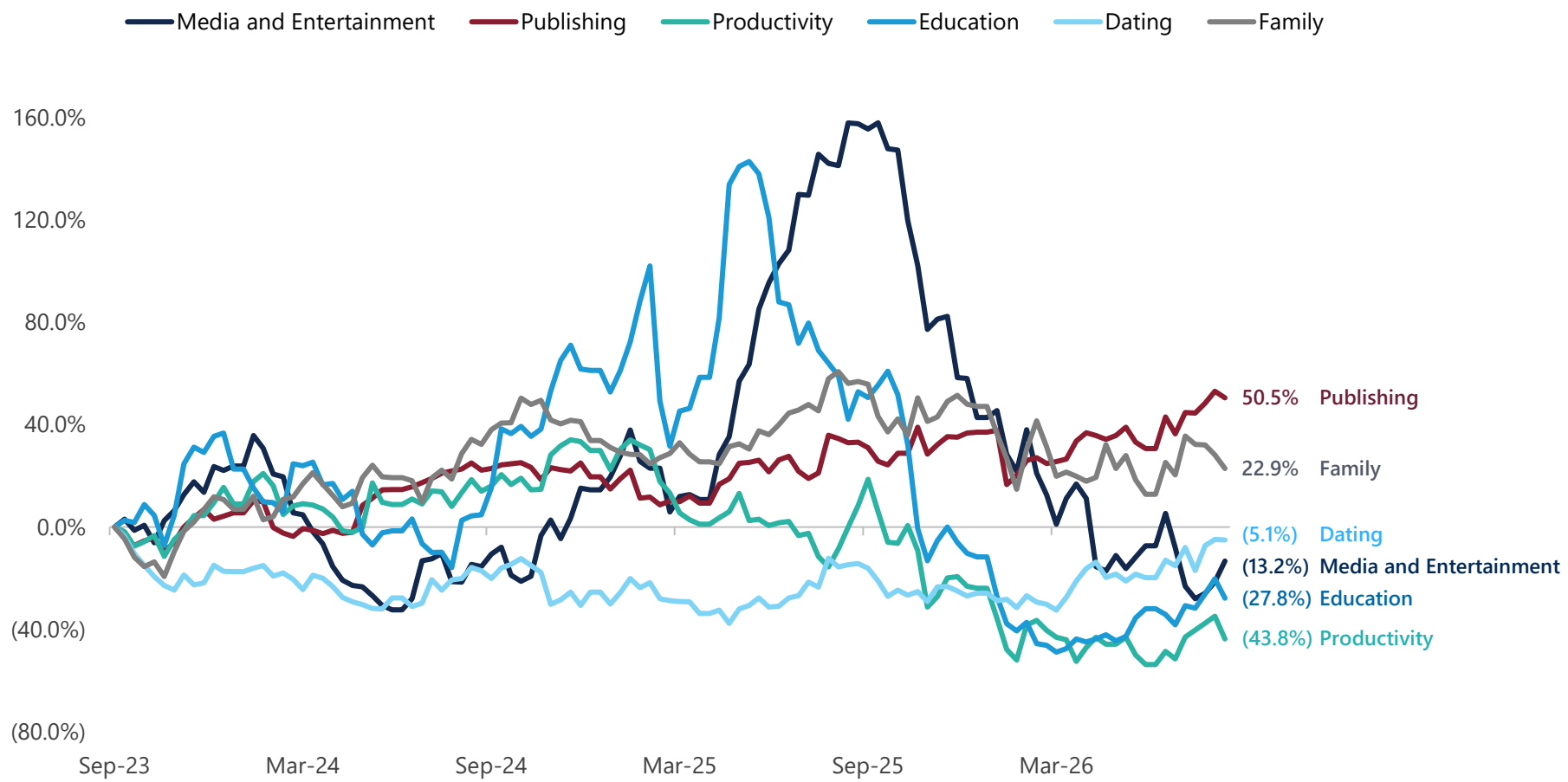
Public Markets Overview

05

Consumer Technology Valuation Environment

CSS valuations have been volatile since September 2023. Sharp 2025 run-ups in education and media and entertainment reversed in late 2025, and productivity has fallen furthest, as investors weigh AI disruption risk.

Relative Stock Performance (September 2023–Present)



Media and Entertainment

DEEZER NETFLIX ROBLOX SiriusXM Spotify

(13.2%)

Publishing

MarketWise News Corp The New York Times

50.5%

Productivity

Adobe BENDING SPOONS Dropbox WIX zoom

(43.8%)

Education

coursera duolingo

(27.8%)

Dating

bumble Grindr Match Group

(5.1%)

Family

CLEAR Gen INTUIT Life360

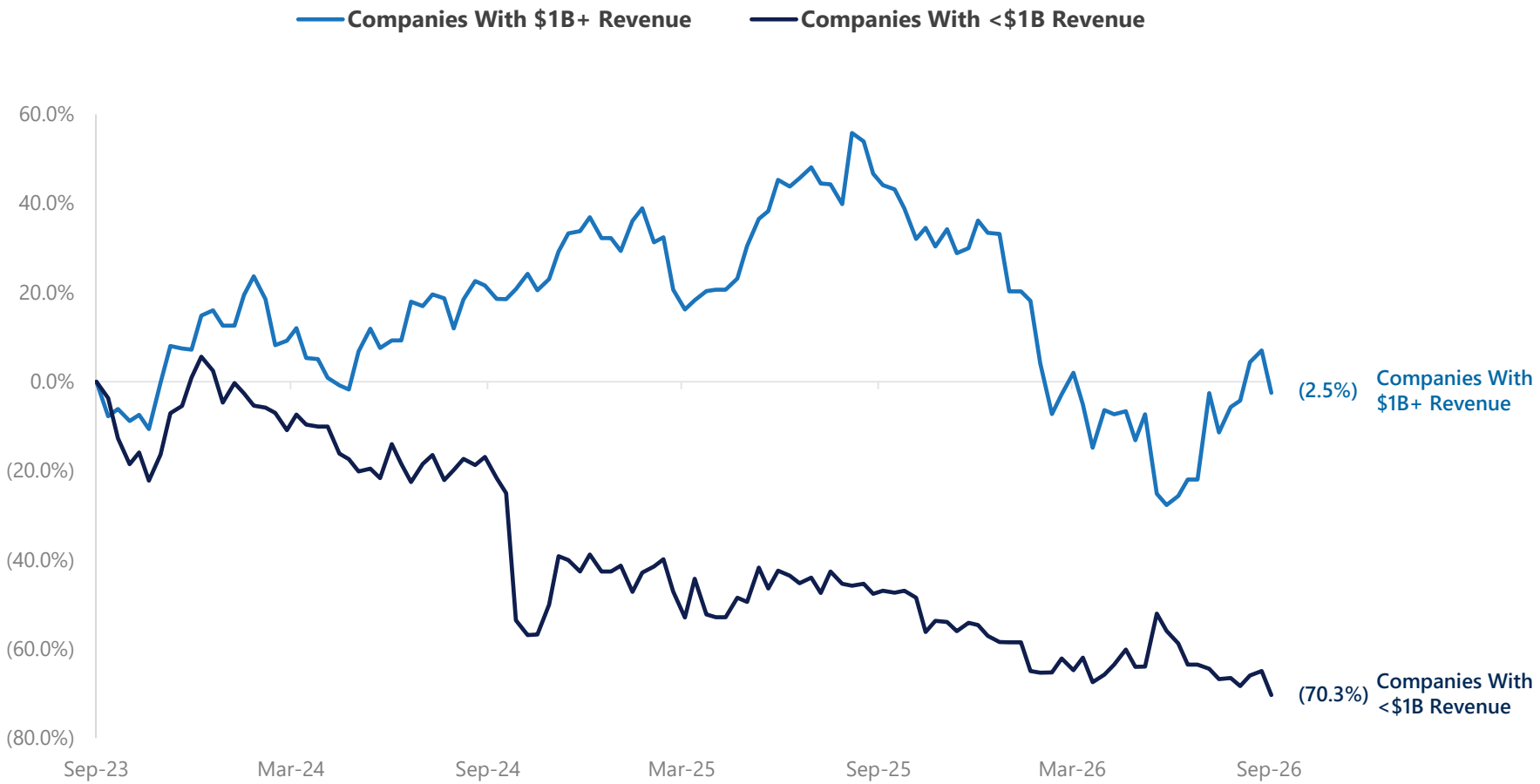
22.9%

Note: Performance shown represents median value of sector group.
Source: S&P Capital IQ as of September 2026.

Scaled CSS Companies Have Seen Better Share Price Appreciation in Recent Years Relative to Smaller Peers

In aggregate, companies with revenue in excess of $1 billion[1] have seen better share price performance relative to smaller peers.

Relative Stock Performance (September 2023–Present)



Companies With $1B+ Revenue[1]

Adobe · Bending Spoons · Dropbox · duolingo · Figma · Gen · Intuit · Match Group · Netflix · News Corp · The New York Times · Roblox · SiriusXM · Spotify · Wix · Zoom

(2.5%)

Companies With <$1B Revenue[1]

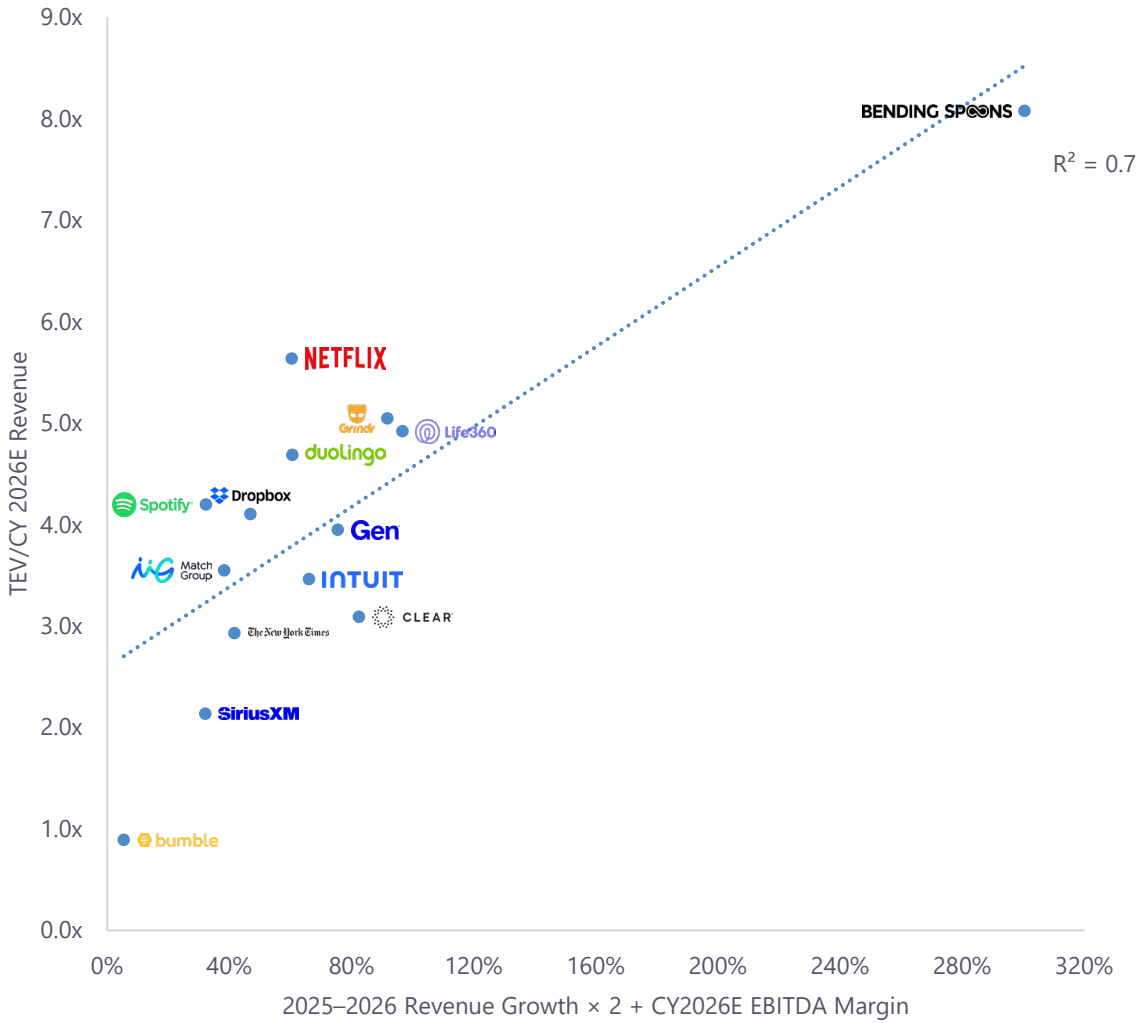
bumble · CLEAR · coursera · Deezer · Grindr · Life360 · MarketWise

(70.3%)

Note: Performance shown represents the median value of each company group.
Source: S&P Capital IQ as of September 2026.
(1) For FY2026E.

Consumer Subscription Software Valuations Are Tied to Rule of X Performance

2025–2026 Revenue Growth × 2 + 2026 EBITDA Margin



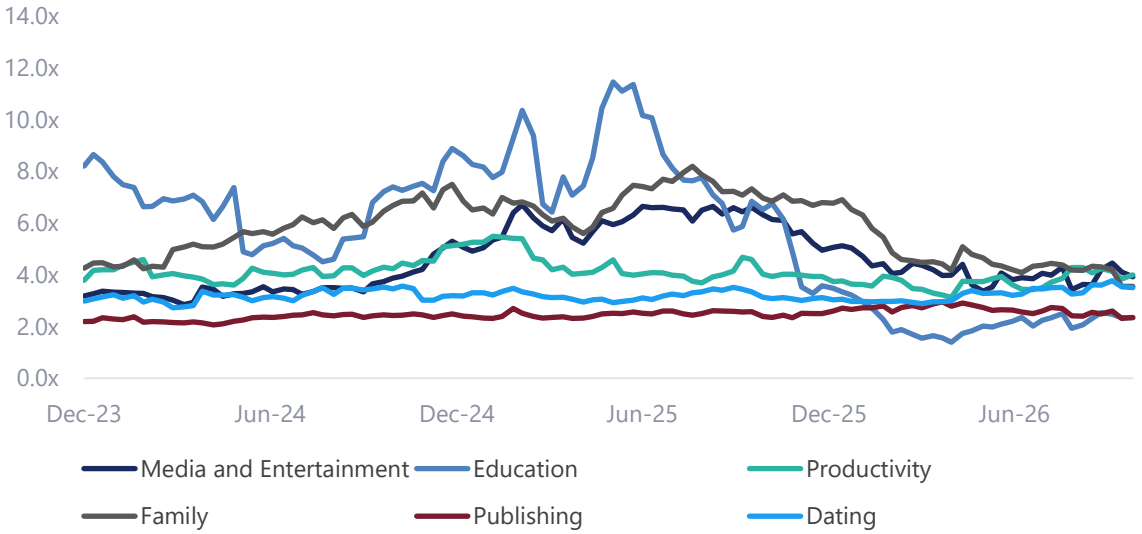
2026–2027E Revenue Growth × 2 + 2027E EBITDA Margin



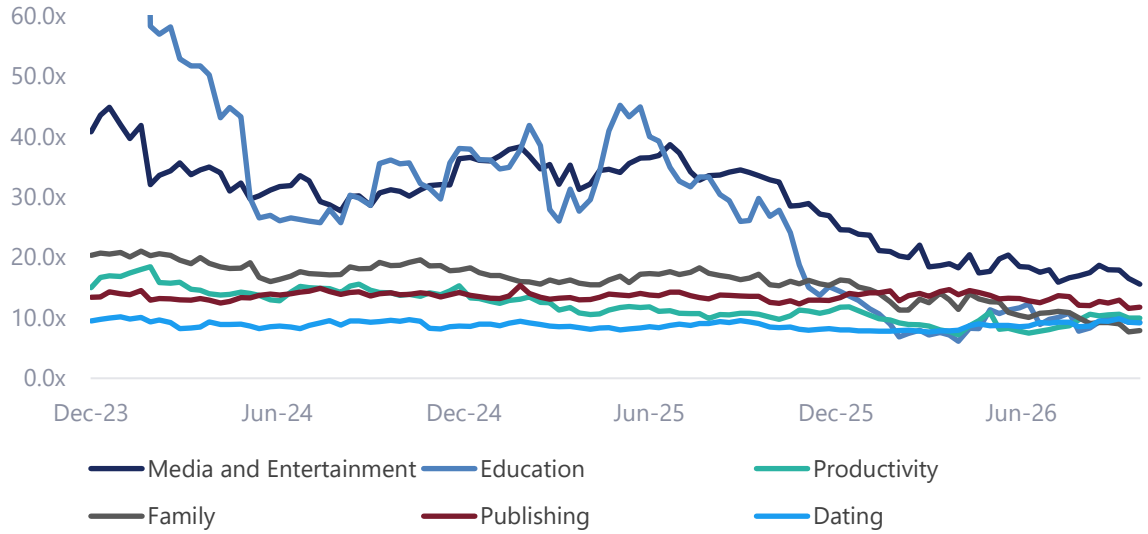
Note: Rule of X = revenue growth × 2 + EBITDA margin.
Source: S&P Capital IQ as of October 2026.

Consumer Subscription Software Sector Summary Public Trading Metrics

Enterprise Value/NTM Revenue



Enterprise Value/NTM EBITDA



Media and Entertainment	Education	Productivity	Family	Publishing	Dating
DEEZER, NETFLIX, ROBLOX, SiriusXM, Spotify	coursera, duolingo	Adobe, BENDING SPOONS, Dropbox, Figma, WIX, zoom	CLEAR, Gen, INTUIT, Life360	MarketWise, News Corp, The New York Times	bumble, Grindr, Match Group
3.8x/17.6x	3.6x/14.4x	3.5x/7.6x	4.3x/10.6x	3.3x/16.0x	3.4x/9.0x

2026E Revenue/2026E EBITDA Multiple

Notes: Multiples shown represent median value of sector group. Multiples in excess of 30x have been excluded from the calculations.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of October 2026.

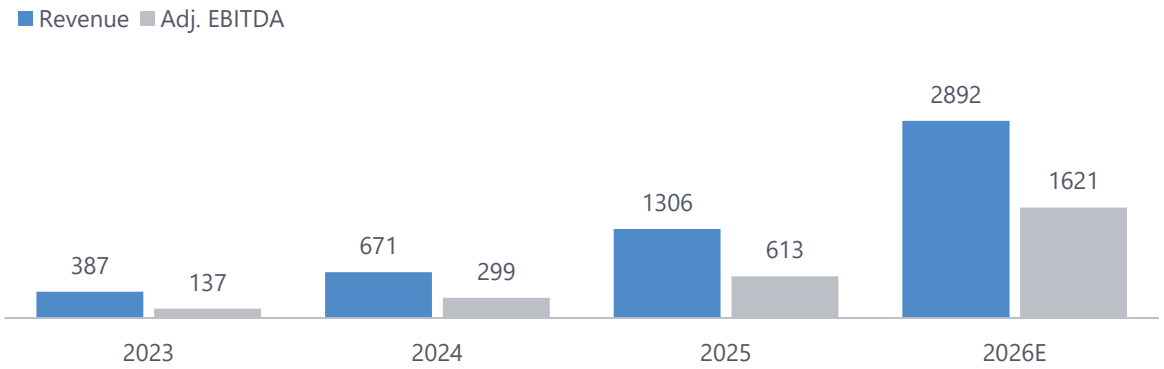
Bending Spoons' IPO

Bending Spoons' IPO could serve as a key public-market validation point for consumer subscription software, testing investor appetite for scaled, durable subscription models.

The Bending Spoons Playbook

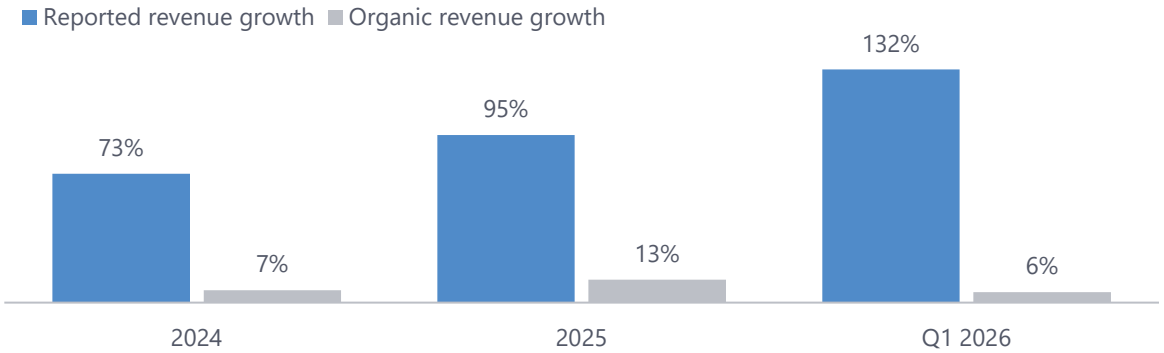
- We have covered Bending Spoons since 2019 and immediately understood the vision for Google and Berkshire Hathaway. The team's execution has been nothing short of extraordinary.
- Contrary to popular opinion, Bending Spoons does not involve buying "broken businesses." Instead, it buys durable and/or under-optimized businesses for fair prices and then implements its established playbook of cutting costs, consolidating systems, and increasing revenue.
- Expect to see many more companies try to replicate all or portions of the Bending Spoons playbook in the consumer ecosystem, including building their own offerings.
- To continue to grow, Bending Spoons will continue to acquire.
- 2026 Acquisitions so far: Airtable miro tractive

Revenue and Adjusted EBITDA ($M)[1]



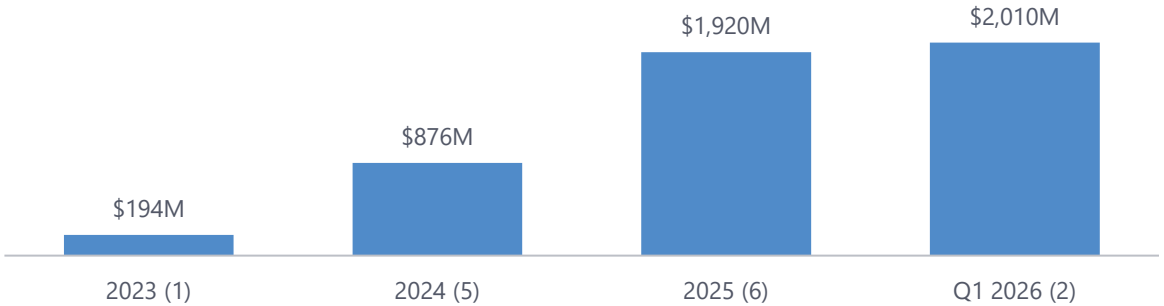
Reported vs. Organic Revenue Growth (%)[1]

Growth primarily driven by acquisitions.



Pace of Acquisitions ($M)[1]

Aggregate enterprise value; number of acquisitions completed in parentheses.



Revenue figures are presented on a gross GAAP basis; adjusted EBITDA is a non-GAAP measure. 2026 revenue and adjusted EBITDA are estimates; growth figures and acquisition activity are through Q1 2026.
Sources: Investing.com; Yahoo Finance.
(1) SEC, S&P Capital IQ.

Consumer Subscription Software Sector Public Company Valuation Detail

Media and Entertainment

Company	Stock Price	% of 52-Week High	Enterprise Value ($M)	EV/Revenue		EV/EBITDA		Revenue Growth		EBITDA Margin		Rule of 40	
				CY 2026E	CY 2027E	CY 2026E	CY 2027E	CY 26E/25E	CY 27E/26E	CY 2026E	CY 2027E	CY 2026E	CY 2027E
Netflix	$65.85	N/A	$279,708	5.5x	4.9x	16.4x	14.2x	13.4%	10.8%	33.4%	34.8%	46.7%	45.6%
Spotify	$584.22	N/A	$112,542	5.2x	4.5x	33.8x	26.0x	8.3%	14.9%	15.2%	17.2%	23.6%	32.1%
Roblox	$52.89	N/A	$36,582	5.3x	4.7x	30.4x	25.2x	3.8%	12.7%	17.4%	18.6%	21.3%	31.4%
Sirius XM	$27.63	N/A	$18,797	2.2x	2.2x	7.1x	7.1x	0.7%	1.4%	30.8%	30.3%	31.4%	31.7%
Deezer	$1.47	N/A	$90	0.1x	0.1x	6.2x	4.4x	(7.8%)	8.1%	2.4%	3.1%	(5.4%)	11.3%
Median				**5.2x**	**4.5x**	**16.4x**	**14.2x**	**3.8%**	**10.8%**	**17.4%**	**18.6%**	**23.6%**	**31.7%**
Mean				**3.7x**	**3.3x**	**18.8x**	**15.4x**	**3.7%**	**9.6%**	**19.9%**	**20.8%**	**23.5%**	**30.4%**

Publishing

Company	Stock Price	% of 52-Week High	Enterprise Value ($M)	EV/Revenue		EV/EBITDA		Revenue Growth		EBITDA Margin		Rule of 40	
				CY 2026E	CY 2027E	CY 2026E	CY 2027E	CY 26E/25E	CY 27E/26E	CY 2026E	CY 2027E	CY 2026E	CY 2027E
News Corp	$30.74	N/A	$18,593	2.0x	1.9x	10.8x	10.2x	8.1%	3.2%	18.5%	19.1%	26.7%	22.3%
The New York Times	$69.58	N/A	$10,006	3.2x	3.0x	15.6x	14.0x	10.5%	7.2%	20.6%	21.4%	31.1%	28.7%
MarketWise	$18.83	N/A	($209)	NM	NM	NM	NM	(0.2%)	9.5%	(1.5%)	(5.3%)	(1.6%)	4.1%
Median				**2.0x**	**1.9x**	**13.2x**	**12.1x**	**8.1%**	**7.2%**	**18.5%**	**19.1%**	**26.7%**	**22.3%**
Mean				**1.5x**	**1.4x**	**13.2x**	**12.1x**	**6.2%**	**6.6%**	**12.5%**	**11.8%**	**18.7%**	**18.4%**

Note: NM represents multiples <0x and >200x; N/A represents not available.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of October 23, 2026.

Consumer Subscription Software Sector Public Company Valuation Detail (cont.)

Productivity

Company	Stock Price	% of 52-Week High	Enterprise Value ($M)	EV/Revenue		EV/EBITDA		Revenue Growth		EBITDA Margin		Rule of 40	
				CY 2026E	CY 2027E	CY 2026E	CY 2027E	CY 26E/25E	CY 27E/26E	CY 2026E	CY 2027E	CY 2026E	CY 2027E
Adobe	$263.82	N/A	$103,824	3.9x	3.6x	8.2x	7.5x	12.3%	9.1%	47.8%	47.6%	60.1%	56.7%
Figma	$24.64	N/A	$11,534	7.8x	6.3x	77.5x	55.3x	40.7%	23.9%	10.1%	11.4%	50.8%	35.4%
Zoom	$95.77	N/A	$20,755	4.1x	3.9x	9.4x	9.0x	4.8%	4.4%	43.2%	43.4%	48.0%	47.8%
Bending Spoons	$44.08	N/A	$30,616	10.6x	7.2x	18.8x	12.3x	NA	47.0%	56.1%	58.5%	NA	105.6%
Dropbox	$37.83	N/A	$11,087	4.4x	4.4x	9.5x	9.5x	0.3%	(0.3%)	46.3%	46.4%	46.6%	46.1%
Wix	$81.94	N/A	$4,507	2.0x	1.8x	16.1x	10.6x	13.0%	10.9%	12.4%	16.9%	25.4%	27.8%
Median				**4.2x**	**4.2x**	**12.8x**	**10.1x**	**12.3%**	**10.0%**	**44.7%**	**44.9%**	**48.0%**	**46.9%**
Mean				**5.5x**	**4.5x**	**23.3x**	**17.4x**	**14.2%**	**15.9%**	**36.0%**	**37.4%**	**46.2%**	**53.2%**

Education

Company	Stock Price	% of 52-Week High	Enterprise Value ($M)	EV/Revenue		EV/EBITDA		Revenue Growth		EBITDA Margin		Rule of 40	
				CY 2026E	CY 2027E	CY 2026E	CY 2027E	CY 26E/25E	CY 27E/26E	CY 2026E	CY 2027E	CY 2026E	CY 2027E
Duolingo	$143.04	N/A	$5,465	4.5x	4.0x	17.1x	14.6x	17.1%	13.3%	26.5%	27.3%	43.6%	40.5%
Coursera	$5.08	N/A	$371	0.3x	0.2x	2.1x	1.5x	64.3%	21.9%	14.0%	16.4%	78.3%	38.4%
Median				**2.4x**	**2.1x**	**9.6x**	**8.1x**	**40.7%**	**17.6%**	**20.2%**	**21.9%**	**60.9%**	**39.5%**
Mean				**2.4x**	**2.1x**	**9.6x**	**8.1x**	**40.7%**	**17.6%**	**20.2%**	**21.9%**	**60.9%**	**39.5%**

Note: NM represents multiples <0x and >200x; N/A represents not available.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of October 23, 2026.

Consumer Subscription Software Sector Public Company Valuation Detail (cont.)

Dating

Company	Stock Price	% of 52-Week High	Enterprise Value ($M)	EV/Revenue		EV/EBITDA		Revenue Growth		EBITDA Margin		Rule of 40	
				CY 2026E	CY 2027E	CY 2026E	CY 2027E	CY 26E/25E	CY 27E/26E	CY 2026E	CY 2027E	CY 2026E	CY 2027E
Match Group	$45.73	N/A	$13,582	3.9x	3.8x	10.2x	9.6x	(0.0%)	4.0%	38.4%	39.1%	38.4%	43.1%
Grindr	$13.68	N/A	$2,761	5.1x	4.3x	11.9x	10.2x	24.5%	17.1%	42.8%	42.4%	67.3%	59.6%
Bumble	$5.96	N/A	$1,193	1.4x	1.5x	4.4x	5.0x	(13.4%)	(3.8%)	32.2%	29.7%	18.8%	25.9%
Median				**3.9x**	**3.8x**	**10.2x**	**9.6x**	**(0.0%)**	**4.0%**	**38.4%**	**39.1%**	**38.4%**	**43.1%**
Mean				**3.5x**	**3.2x**	**8.8x**	**8.3x**	**3.7%**	**5.8%**	**37.8%**	**37.1%**	**41.5%**	**42.8%**

Family

Company	Stock Price	% of 52-Week High	Enterprise Value ($M)	EV/Revenue		EV/EBITDA		Revenue Growth		EBITDA Margin		Rule of 40	
				CY 2026E	CY 2027E	CY 2026E	CY 2027E	CY 26E/25E	CY 27E/26E	CY 2026E	CY 2027E	CY 2026E	CY 2027E
Intuit	$343.39	N/A	$92,987	4.2x	3.8x	9.7x	8.6x	11.6%	9.1%	42.8%	44.3%	54.5%	53.3%
Gen Digital	$24.88	N/A	$22,536	4.2x	3.9x	8.5x	7.8x	12.7%	7.6%	50.1%	50.2%	62.8%	57.8%
Life360	$15.27	N/A	$3,577	5.3x	4.3x	26.7x	18.3x	38.4%	22.5%	19.9%	23.8%	58.3%	46.2%
Clear Secure	$45.38	N/A	$3,858	3.5x	3.0x	10.1x	8.5x	24.0%	14.5%	34.4%	35.9%	58.4%	50.4%
Median				**4.2x**	**3.9x**	**9.9x**	**8.5x**	**18.4%**	**11.8%**	**38.6%**	**40.1%**	**58.3%**	**51.8%**
Mean				**4.3x**	**3.8x**	**13.8x**	**10.8x**	**21.7%**	**13.4%**	**36.8%**	**38.5%**	**58.5%**	**51.9%**

Note: NM represents multiples <0x and >200x; NA represents not available.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of October 23, 2026.



Interviews With CSS Leaders

06

Headline



Nancy Xiao McLaughlin

Partner

Company

Headline is a global venture capital firm that leads rounds from seed through growth across applications, infrastructure, consumer, and FinTech.

Mission

Help founders win bigger by taking their success global.

Long-Term Vision

Build a boutique firm with global reach that backs category leaders from first check through IPO across the U.S., Europe, Asia, and Brazil.

Scale

$5 billion in AUM and 300+ portfolio companies.

Backing Breakout Consumer Brands in the Age of AI

What is Headline's story, its approach to consumer, and its core investment thesis?

Headline has been global from the start. Our founding partners are German immigrants to California who launched the firm as e.ventures in 1998. Today, we have teams in São Paulo, London, Berlin, Paris, Luxembourg, Tokyo, Taipei, and the U.S., with headquarters in San Francisco. Great companies can be built anywhere. Being on the ground in these local ecosystems enables us to meet exceptional founders early and help them scale globally.

I joined in August 2024 to help launch Headline's new Global Growth Fund. Our partners come from multi-billion-dollar growth platforms and have spent their careers investing in founders from Series B through pre-IPO. I was a founding member at Bond and, before that, at Kleiner Perkins.

Sonos, The RealReal, Fetch, Farfetch, Groupon, Acorns, Raisin, Gopuff, and Thrive Market are just a few of Headline's consumer portfolio companies. I led our investment in Grüns, the nutritional gummy brand Unilever acquired this year. Founder and CEO Chad Janis and his team turned daily nutrition into something people look forward to, and Grüns continues to set the pace for the category.

Our core thesis is this: CPG businesses differ, but the companies that scale to billion-dollar-plus outcomes share real similarities in team quality, product differentiation, business model, and omnichannel go-to-market, unlike the many bootstrapped businesses that reach $10 million in run rate—still very impressive—but never crack $100 million.

What qualities do breakout consumer companies share?

I've been investing in consumer brands for nearly 10 years and worked extensively with On, the sport and fitness apparel brand, while at Bond. On and Grüns are very different products, but they share a lot. It starts with founders who are genuinely product- and customer-obsessed. Sweating the details drives better retention, paybacks, and loyalty. The On founders were former Ironman champions and athletes, so they wanted to create shoes that wouldn't sacrifice performance for comfort. Chad Janis at Grüns made gummy supplements snackable with a sachet of eight bear-shaped gummies, then used that form factor as a platform to launch other benefit areas, including immunity, kids, energy, fiber, and nootropics products.

Growing both profitably and rapidly separates the wheat from the chaff. Both were profitable at the time of investment and still growing at a rapid clip.

Distribution is also key. D2C and Amazon are a start, but national retail gives a repeatable, B2B-like motion and much more brand awareness. Retailers want many SKUs from as few vendors as possible, so once a brand is on the shelf, they invest in growing its share. As a growth investor, I love seeing brands with early signs of omnichannel distribution.

A common concern is that OpenAI or another lab can simply add a feature and wipe a company out. How will consumer platforms coexist with frontier LLMs?

It depends on the category. Horizontal LLMs are excellent at many things, but if a workflow is specific enough that users want something purpose-built, there's room to win. Instinct chose to live within iMessage and WhatsApp rather than build another chatbot app. By contrast, we're bearish on consumer AI travel planners given how good Claude and ChatGPT already are at it.

Moats are hard to find, which is part of why we like the world of atoms. For example, the physicality of wearables like Whoop and Oura creates real differentiation and better retention.

The question is what a platform offers uniquely: supply, a hook, or data. One of our portfolio companies, Fetch, rewards users for scanning retail receipts and gives brands real purchase data in a channel where stock levels and retail CAC are opaque. With over 12 million active users and profitable growth, Fetch has built a unique behavior and workflow that a horizontal chatbot can't easily take over.

What framework does Headline use to tell a fad from something that can drive a truly great outcome? Are there key indicators?

It's a combination. One part is community, consumer love, and reviews. Another is your own taste and product judgment as an investor: if you truly believe in a product, that intuition is valuable. No matter how good the models get, you should not outsource your conviction to AI. Taking a risk because you believe in something is integral to the art of investing.

Then there are the numbers, because people vote with their dollars. High repeat rates, strong word-of-mouth and organic inbound, and payback on first purchase (or, for subscriptions, a short payback with good asymptotic retention) are customer love in quantified form. Fad risk also comes down to a macro call on where consumer behavior is heading.

What is Headline's secret sauce? Why should founders want to work with the firm?

Just as we look for customer love in a product, we aim to earn founder love: we show up when founders need it, and we mean what we say. Chad Janis at Grüns, Julie Wainwright at The RealReal, and José Neves at Farfetch can speak to it. José recently messaged me, unprompted, to say the team's human touch is unique among VC firms. We aim to be the hardest-working people on the cap table.

Tactically, we shine for founders with global ambitions. Our local teams have deep relationships with retailers, manufacturers, logistics companies, regulators, and operators across Europe, Asia, and Latin America.

One of our founding partners uses the German word *Grundvertrauen*: the basic trust that someone will have your back. We live that every day with our team, our founders, and everyone in our ecosystem.

Applause



Dylan Adelman

CEO

Company

Applause buys consumer software with great brands and loyal users, then plugs them into a unified AI platform to accelerate growth.

Mission

To acquire and grow the world's best consumer software brands.

Long-Term Vision

Curate a portfolio of world-class consumer software, operated on a unified platform that improves with each acquisition.

Scale

12 category-leading consumer apps with more than $30 million in ARR.

Conglomerates in CSS

How did Applause get its start? What drove the creation of the portfolio?

We saw a large and fragmented market full of great products that could be turned into great businesses. Many indie developers build great apps and ride the rising tide of organic distribution in the App Store. But they never build out a team, a marketing function, or a demand channel beyond organic traffic. Eventually, the product reaches an inflection point where the developer needs to raise money, hire people, learn marketing, or take other steps to continue growing. At that point, selling becomes a natural choice. Applause skips the zero-to-one uncertainty of being an app studio. Instead, we acquire a proven product, with proven demand, proven metrics, and a proven brand, and use those foundations to scale from one to 10. We also knew that most of the growth levers for apps, like marketing and lifecycle and monetization, were product-agnostic, so we could build a shared platform to drive growth for each new app we acquired. A password manager and a meditation app might sound like they have nothing in common, but in practice, the growth levers are almost identical. It wouldn't make sense for a single-app team to build a platform like ours, but it makes perfect sense with a portfolio, and the synergies improve with every new acquisition.

How does Applause evaluate new apps to add to the portfolio?

Bottom-up and quantitative. We look for durable and predictable businesses more than rapid growth. Rule number one is "Don't lose money." Durability is generally a function of retention, margins, and growth. Retention is our "idiot insurance." We could go to the beach for a year and still grow because of our retained subscribers. Margins are a proxy for operational complexity, since lower margins usually mean higher spend on labor and paid marketing. Growth is certainly valuable, but not all growth is created equal. We prefer organic growth that is driven by a strong brand because the strongest brands tend to have the most durable traffic. Branded organic traffic is the closest parallel to "owned real estate" in the App Store, and it is much better than a short-term rental of paid traffic from Meta or TikTok.

How does Applause run a portfolio of apps? Centralized or decentralized?

It started as a mix, and over time, we moved almost everything onto one platform rather than running each acquired app and team on its own. We centralize teams so they work across every product. Some investors have compared us to a consumer version of Constellation Software, and while we appreciate the comparison, we have a more centralized approach. Our centralized model has the benefit of greater synergies as the portfolio scales from 10 to 100 brands, unlike the dis-synergies that often arise from complexity in a decentralized model. Paywall optimization, lifecycle marketing, pricing, and ASO are product-agnostic growth workflows, which work the same for every app, so it makes more sense to build one automated platform than to have siloed, app-level teams manually repeating similar workflows. When we acquire a business with a great lifecycle team, they move to the corporate team, and then we turn their methods into automated tooling that runs across the portfolio. AI has increased our focus on centralization because most of the work to grow an app can be automated.

Has Applause seen any decrease in retention because of AI?

Our retention hasn't noticeably changed because of AI. Our apps are built around daily habits and workflows, which are less susceptible to AI risk than the "question and answer" apps, like translators and homework helpers, that were disrupted by ChatGPT. Our products don't easily translate to an AI chat box: a Dutch meditation app, a spam call blocker, a password manager, the list goes on. It is hard to stop a spam call with a prompt. It is a poor use of time to vibe code Dutch meditations. I think this is true for more apps than people appreciate. The average consumer is not going to use Tinder through an MCP connector. "AI risk" is only scary in the abstract, but it's easy to assess at the product level, so we just treat AI risk as one consideration among many for prospective acquisitions. The only connection between AI and our retention is how many people ask me this question.

How would Applause answer an IC member who says Apple could build this next week (Sherlocking)?

Most of our apps have already been "Sherlocked" by Apple, which has replicated some of their features. In every case, it has been positive for demand. Consider our spam call blocker Nomorobo. Apple built in spam call blocking on iOS over a decade ago. Do you still get spam calls? Of course! When Apple adds new features, it builds them for the lowest common denominator, and that often grows the category because of the consumer education about a new use case for the iPhone. Adding calorie tracking into the Health app taught one billion people that the iPhone could do this, and some customers go looking for a better version with additional functionality. Apple's checklist app didn't kill Todoist. Apple's fitness app didn't kill Strava. Apple's spam call blocking didn't kill our app Nomorobo. With over 1 billion people using iPhones, there will always be customers who want more than the default, and those people are also the most willing to pay for premium apps. So, I would tell that IC member that Sherlocking creates consumer awareness, and we benefit from that.

What is Applause most excited about over the next 12 months?

Is it cliché to say AI? AI has massively improved our operational speed over the past few years. Each new acquisition is faster to integrate, cheaper to operate, and adds more to shared learnings and systems across the portfolio. Almost everything we do starts and stops on a keyboard, so once a workflow is automated for one app, it is automated for every future app we acquire. The acquisition we closed last month can be run with our existing team, and the team of the acquired company is moving up to build a new growth channel for the whole portfolio instead of manually repeating the work that we automated. Without AI, we would have doubled headcount over the last 12 to 18 months. Instead, we barely hired. The other exciting part of AI is that our brands are getting more valuable. Now that anyone can vibe code an app, the App Store is turning into a flea market of no-name products, which drives more demand to the trusted niche brands in our portfolio. AI is making our apps cheaper to run, improving the value of our brands, and making everything more fun.

cloaked



Arjun Bhatnagar

Co-Founder & CEO

Cloaked Scan Hotline
+1 855.752.5625

Company

Privacy and identity protection for consumers and enterprises.

Mission

A world where everyone is safe and private in the age of AI.

Long-Term Vision

Transform personal privacy through AI agents that automatically monitor, manage, and enforce protection across a person's entire digital footprint.

Scale

- 750,000+ paying subscribers
- Over 20 million identities protected
- Over 3 billion records removed
- Over 133 million calls screened for spam
- $375 million Series B led by General Catalyst

Making Privacy the Default in the Age of AI

How does Cloaked convince consumers they need it? What's the hook?

People sign up for one of three reasons: they've been scammed or spammed, they're worried about their family's safety and finances, or they want to stop being tracked and surveilled. We lead with whichever one brought them in, and the product covers the rest. One subscription replaces the dozen tools they'd otherwise need: data removal, alias phone numbers and emails, virtual cards, call screening, identity monitoring.

Who is Cloaked's core customer?

The everyday American. Users are spread evenly from ages 25 to 80 and split roughly 50/50 by gender. We started with deep privacy enthusiasts and built the core technology for them, then shifted to the much larger group who care about privacy but don't want to become experts in it. That group buys when the product does the work for them, so we move people forward one step at a time rather than demanding they fix everything at once.

How does Cloaked think about pricing a single subscription?

We're still evolving, but our pricing is based on how much there is to protect, not on feature count. One plan covers an individual at a price that everyday people can afford; it rises as the scope expands to a partner or family, and again for executives whose net worth and network make them targets. Everyone gets the full product. No basic, standard, or premium tiers, because privacy only works when nothing is left exposed.

What does Cloaked do for enterprises?

Every employee is an attack surface. Executives face deepfakes, impersonation, and threats to their families; everyone else has exposed phone numbers, emails, and passwords that attackers use to phish their way inside. Traditional security tools stop at the company perimeter and never touch any of this. Cloaked for Business measures that human exposure across an organization, removes it, and deploys the same protection consumers get to every employee, with white-glove coverage for the executive team.

How has the General Catalyst Customer Value Fund (CVF) partnership worked, and why choose it over other options?

It turbocharged growth. CVF funds customer acquisition against the revenue those customers generate, so equity goes to product and the team. We've reached hundreds of thousands of paying subscribers faster than a traditional raise would have allowed, and the partnership with General Catalyst has become part of how we scale the mission.

What else should readers know?

AI has made a single data point, usually a phone number, enough to reconstruct someone's whole life: family, finances, passwords, cards. The defense is making the exposed data wrong. When people use different numbers, emails, and cards, what's already out there goes stale and loses its value. Next up is trust and safety for AI agents acting on your behalf, with their own identities and disposable cards, emails, and numbers, so the agent can transact without exposing the person behind it.



Dmitry Gurski

Co-Founder & CEO

Company

Flo Health provides a women's health app that covers cycle tracking, pregnancy, and menopause, with a freemium subscription model.

Mission

Improve women's health literacy and help users take a proactive role in their care at every life stage.

Long-Term Vision

Become a lifelong women's health partner, supporting women from their first period through perimenopause with personalized, medically backed insights.

Scale

More than 80 million monthly active users.

Building the Digital Front Door for Women's Health

Flo has evolved quite a lot since its launch in the App Store. What have you been focusing on lately, and how has Flo changed since you initially built it?

It's been a huge change. We launched Flo about 11 years ago as a simple period tracker. Since then, it has evolved into a fairly sophisticated health platform that covers different stages of life: trying to conceive, pregnancy, and, more recently, perimenopause. In our most recent updates, we added clinical services to Flo, meaning doctors and other health solutions.

You're adding more AI tools into a consumer product. How do you think about balancing or integrating AI tools with a consumer health platform?

This question comes down to two things.

The first is how to make these tools genuinely useful and show product-market fit and engagement. So far, I don't know of any real case where a stand-alone health assistant inside a health app has been truly successful at engaging users. Almost every big app has built one, but the real metrics aren't strong. We're addressing this by not building a lone, boring assistant. Instead, we use the same approach we've always used with our content: make it very engaging and simple and deliver information in small pieces. For example, our mascot, Battery, provides small AI-generated insights. It isn't just a chatbot. It's in a format people actually want to consume.

The second is medical accuracy. That is still largely a gray zone for health tech, because there's a fine line around diagnostics and medical device regulations that you can't cross. Companies are solving this in different ways. Some position these tools as a proxy for doctors or as doctor-supportive tools, but it remains a gray zone for now.

There's a lot of narrative that AI could disrupt businesses like Flo. What facts dispel that narrative?

It's really difficult to make long-term predictions, and such predictions are usually wrong. But here's what we see right now. Despite all the fears, which peaked around February, we don't see any decline in installs or engagement. The reason is that for consumers, it really matters to have solutions that are simple, well designed, even cute, and deeply specialized. I don't fully buy the idea that agents will kill apps. I think it will be a mixed world. I'm more convinced that the best apps will integrate agentic solutions and AI as part of their own offering.

Flo recently announced a deal with Google and its hardware. Can you tell me about it, and why you decided to partner with Google?

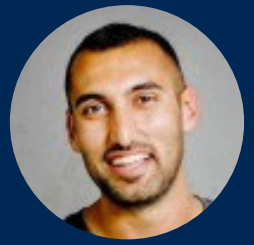
It's a very exciting partnership for us because it will bring new depth of experience and insights to our users. We'll offer wearable devices together with Google as part of our offering. We've envisioned this for many years, and now is the moment to do it with Google.

The partnership isn't just about devices. We'll also have a research partnership with Google, build models together, and integrate deeply with Google Health. That gives Flo additional data. Ultimately, the partnership is about capturing as many signals as possible and improving product quality as a result. Our device strategy is tightly connected to our core use cases. For example, we need nightly temperature to improve cycle predictions and to build digital contraception, which is a foundational part of our strategy.

Given the pace of change, what does Flo look like in three to five years?

I see the layer of non-digital services becoming a very significant part of the value for users and a major source of additional growth. That includes devices, clinical services, and all the physical things we're adding now. I also believe FDA-approved algorithms, which are medical devices in legal terms, will become a significant source of new value and growth. The product itself will transform a lot, partly through natural evolution and partly because of AI progress. I think you'll see Flo become much less of an app and much more of a real platform with a substantial presence in the real world. It's even quite possible that we'll have physical goods on retail shelves, such as our own branded devices.

ClassDojo



Sam Chaudhary

Co-Founder & CEO

Company

ClassDojo is a leading global education platform connecting teachers, students, and families. Founded in 2011, the company has expanded beyond classroom communication into a broader learning ecosystem, including its subscription offering, ClassDojo Plus, and virtual learning experiences through Dojo Islands.

Mission

Give every child an education they love by connecting teachers, families, and students and creating engaging learning experiences.

Long-Term Vision

Build a global education ecosystem that extends learning beyond the classroom through personalized experiences, family engagement, and digital learning tools.

Scale

More than 50 million teachers, parents, and students. Used in more than 180 countries.

Building the Future of Personalized Education

What is ClassDojo, and who do you serve?

ClassDojo started life as a communication app for teachers and kids and parents. The mission of the company is to give every child on Earth an education they love. We built this communication app spread quite far through schools and through school districts. We serve about one in four families in America now, about one in 20 kids on the planet. And now we build products that help kids learn, that their families sometimes pay for.

What pain point makes people pay versus use the free version?

ClassDojo offers four paid products designed to make high-quality education more accessible to families. These include a tutoring marketplace that connects families with qualified teachers for personalized, one-on-one instruction; Plus, its flagship subscription offering premium features such as detailed progress reports and access to bundled learning tools, including AI math and reading tutors; and a stand-alone AI reading tutor that helps children learn to read from scratch. Plus is designed to provide an affordable, comprehensive education subscription for families unable to spend thousands on private schooling, while the AI reading tutor has demonstrated up to two grade levels of reading progress in just four months.

How do you think about partner versus build?

ClassDojo takes a customer-centric approach to product development, evaluating whether it can better address families' needs through internally developed solutions or existing third-party products. Recognizing the potential for AI to deliver scalable, personalized education, ClassDojo identified an opportunity to leverage its established distribution, trust, and customer relationships to create safe and effective AI learning tools for children. After evaluating existing reading products, the company found that many required significant parental involvement and lacked a comprehensive, science-based approach. This led to the development of Sparks, an AI-powered reading tutor designed to help children learn independently with minimal parental supervision. Where high-quality solutions already exist, ClassDojo prioritizes integrating them rather than building competing products.

How do you think of AI: as a tailwind or a headwind?

ClassDojo views AI as a significant tailwind, both in driving internal productivity and enabling more effective, personalized learning experiences. AI has increased median engineering productivity by approximately 6x, allowing its ~200-person team to operate with the output of a much larger organization while reducing development costs and accelerating innovation. From a product perspective, AI enables scalable, individualized instruction, as demonstrated by Sparks, its adaptive reading tutor, which has reportedly helped children achieve two years of reading progress through 15-minute daily sessions over four months. While consumers remain cautious about AI, ClassDojo focuses on delivering tangible educational outcomes rather than promoting AI itself. Additionally, its established network of teachers, parents, and students provides a differentiated distribution advantage and a strong foundation for deploying AI-powered learning solutions.

Where do you see ClassDojo in three to five years?

Over the next three to five years, ClassDojo aims to advance its mission of providing every child with an education they love through two key growth initiatives: expanding its global reach and broadening its product offerings. Currently serving approximately one in 20 children worldwide, the company plans to accelerate international expansion and extend its communication platform beyond schools into other aspects of children's lives. In parallel, ClassDojo intends to build on its existing portfolio of products addressing key family needs, including personalized learning, literacy development, and safe digital experiences. Ultimately, the company envisions evolving beyond education into a broader platform that helps families provide their children with a fulfilling childhood.

GTCR



David A. Donnini

Managing Director, Head of Business & Consumer Services

Company

GTCR is a leading private equity firm founded in 1980, with extensive experience investing in technology-enabled consumer and subscription businesses. Relevant investments include SimpliSafe, Consumer Cellular, and Tactacam.

Mission

Build market-leading businesses by partnering with exceptional management teams and leveraging deep sector expertise, operational resources, and strategic capital.

Long-Term Vision

Scale differentiated consumer platforms with recurring revenue, strong customer engagement, and attractive retention through organic growth, product expansion, and strategic M&A.

Scale

More than 30 business and consumer services platform acquisitions.

Over 500 add-on acquisitions.

An aggregate purchase price of more than $35 billion.

How GTCR Invests in Consumer Tech

What recent consumer technology investments best illustrate GTCR's approach?

Our two most recent investments, both within the last 18 months, are Tactacam and SimpliSafe. Tactacam makes cellular-enabled remote trail cameras that let users capture photos and video from a remote location and access them anytime through an app. Outdoor enthusiasts use it to view wildlife, but the product has many other applications, including security. Tactacam reflects what we look for in consumer tech: a subscription-oriented service business with recurring revenue, strong customer loyalty, and limited churn, operating in a growing market with an expanding set of services.

SimpliSafe, which we invested in about a year ago, is a leader in do-it-yourself residential security. It operates as a direct-to-consumer subscription service: customers can order equipment online, by phone, or at retail, set up a residential-grade security system themselves, and subscribe to 24/7 professional monitoring. SimpliSafe delivers this at roughly half the cost of traditional providers such as ADT. It offers a great product, great service, and a great price, and it is a recurring-revenue service business with high retention.

What qualities make a consumer tech opportunity stand out to GTCR?

Recurring revenue, a subscription service model, and high retention are the foundation. Beyond that, we look closely at the customer acquisition engine and the depth of a company's capabilities across marketing, sales, and fulfillment. Where there is a product component, we look for innovation and strong engineering. On the service side, we want to see the same commitment to innovation: businesses that continually expand their offering and pursue new markets.

How does GTCR view hardware as part of a consumer tech business?

We are comfortable with, and often attracted to, hardware-enabled consumer service businesses. We view hardware as an additional capability a company brings to the table and another opportunity to differentiate in the marketplace. It is not a requirement, however. Several of our consumer subscription businesses are pure service plays. Hardware can be a valuable and compelling component, but it is not essential.

What is the single most important metric in evaluating a consumer tech business?

Retention. The best-in-class businesses we have seen achieve annual churn in the mid-to-high single digits, and low double digits is good to very good. Beyond that, benchmarks vary by industry.

We also distinguish between first-year churn and long-term churn. In many consumer subscription businesses, some customers are effectively trialing the service, so we treat first-year churn as part of the overall cost of customer acquisition. From the second year onward, we look for very high persistency.

Contracts add further nuance. In some industries, a minimum contract term is needed to amortize upfront costs, so we focus on retention after the contract period ends. Customers who stay beyond their initial commitment are a fundamentally different cohort, and their retention tells us the most about the business.

Are there areas of consumer tech that fall outside GTCR's focus?

We are generally less interested in hardware-only businesses without a recurring revenue component. We prefer established industries and essential services. We are more cautious about businesses that have emerged very rapidly with limited operating history, where there is a risk the demand proves to be a fad.

How is AI affecting consumer tech businesses, including GTCR's portfolio?

AI is a powerful force, and we are seeing it shape several of our consumer tech businesses. SimpliSafe is a good example. Around the time of our investment, the company launched a live video monitoring product with a significant AI component. Algorithms screen large volumes of video to isolate the key moments of activity, making it cost-effective for human agents to review a much smaller set of footage and intervene when needed. More broadly, we are seeing AI drive efficiencies on the cost and service side, such as in customer call centers. It is an exciting development.



CSS Landscape

07

The Consumer Product Spectrum: Application ↔ Software Continuum

Understanding where companies fall on the application ↔ software continuum is critical for evaluating growth strategies, pricing models, and customer retention. Positioning on this continuum reveals how businesses create value, whether through immersive experiences, practical tools, or a blend of both.



Applications

Value is driven primarily by content, entertainment, or experiential consumption.

Hybrids

Blend content and software functionality, delivering value through a mix of experiences, services, and practical tools.

Software

Deliver value through core utility and functionality, with tools (not content) at the center of the experience.

tv+ audible Disney+
ESPN+ frndly TV HBOmax
hulu NBA League Pass NETFLIX
Paramount+ peacock pressreader
Spotify The New York Times THE WALL STREET JOURNAL.

+Babbel Bumble coursera
duolingo grammarly headspace
Life360 NOOM ŌURA
PELOTON ring ROBLOX
tinder WHOOP ZWIFT

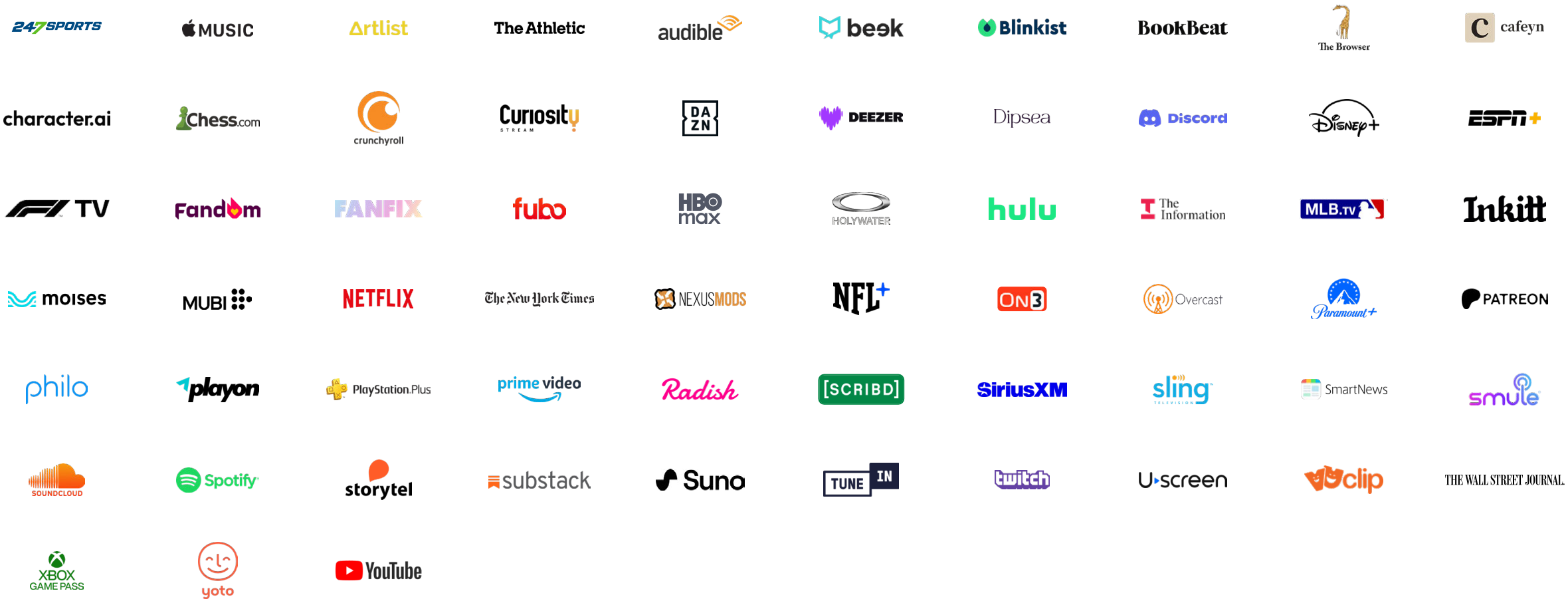
Adobe AutoTune Calendly
Canva ChatGPT Claude
Dropbox Evernote Figma
FL STUDIO LastPass Microsoft 365
Notion perplexity Robinhood

Note: The companies shown are illustrative, and this list is not exhaustive.

Entertainment

Interest in entertainment apps has never been higher, as many consumers shift their glance away from traditional television for streaming and gaming platforms.

The proliferation of niche apps and the fragmentation of content (as emphasized by the NFL partnering with six apps and channels) are beginning to frustrate consumers, with many spending more on subscription content than legacy cable bundles.



Note: The companies shown are illustrative, and this list is not exhaustive.

Fitness/Recreation/Outdoors

The fitness/recreation/outdoor segment remains highly competitive, but platforms that have built a strong sense of community are prospering.

Niche tools that delight consumers continue to grow steadily. AI appears to be more of a tailwind versus a headwind for developers due to improvements in marketing content and content creation.



Note: The companies shown are illustrative, and this list is not exhaustive.

AI Assistant

AI assistants have emerged as one of the largest new consumer subscription categories, led by ChatGPT, Claude, and Gemini, with paid adoption growing rapidly from a small base.

We are closely watching the rise of personal agents that complete tasks on users' behalf, and how they may reshape monetization beyond the traditional subscription model.



























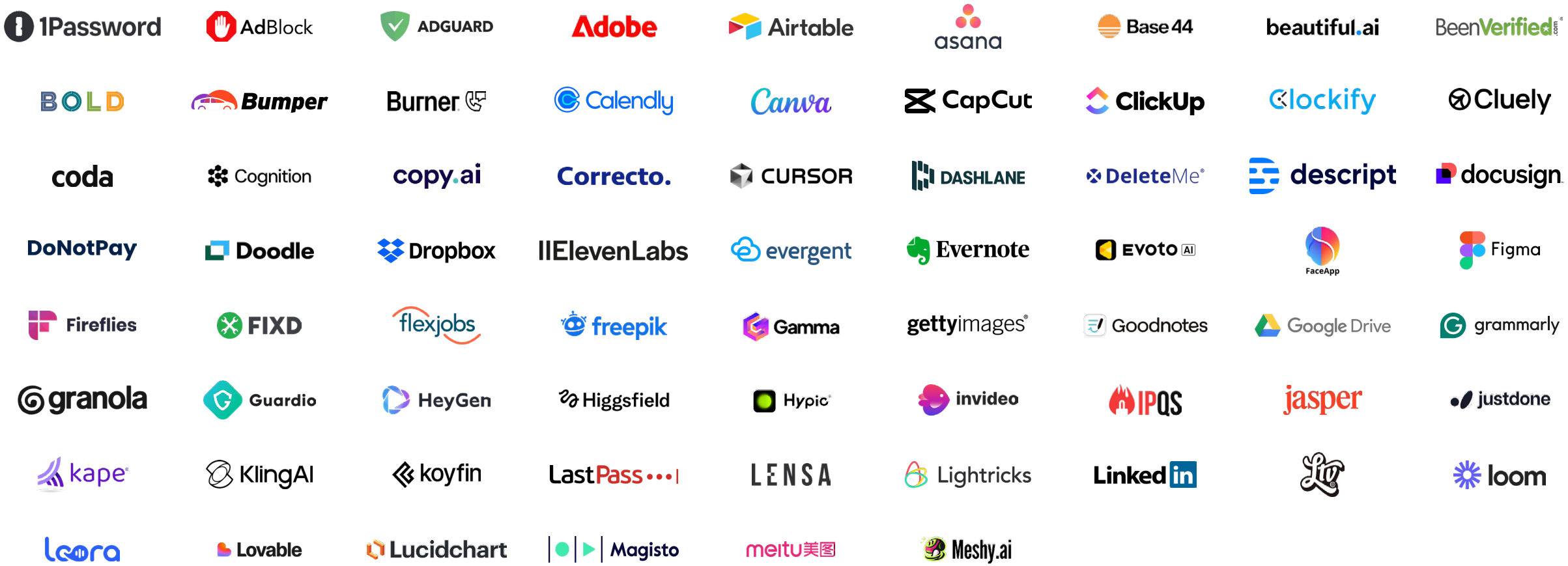


Note: The companies shown are illustrative, and this list is not exhaustive.

Prosumer

The prosumer category—where consumers and professionals overlap—has exploded in recent years, with more to come as gains in generative AI have created a whole new cohort of companies focused on increasing efficiency for consumers.

Houlihan Lokey is closely watching this category for disruption from the rise of agentic offerings that continue to streamline consumer workflows and tasks.

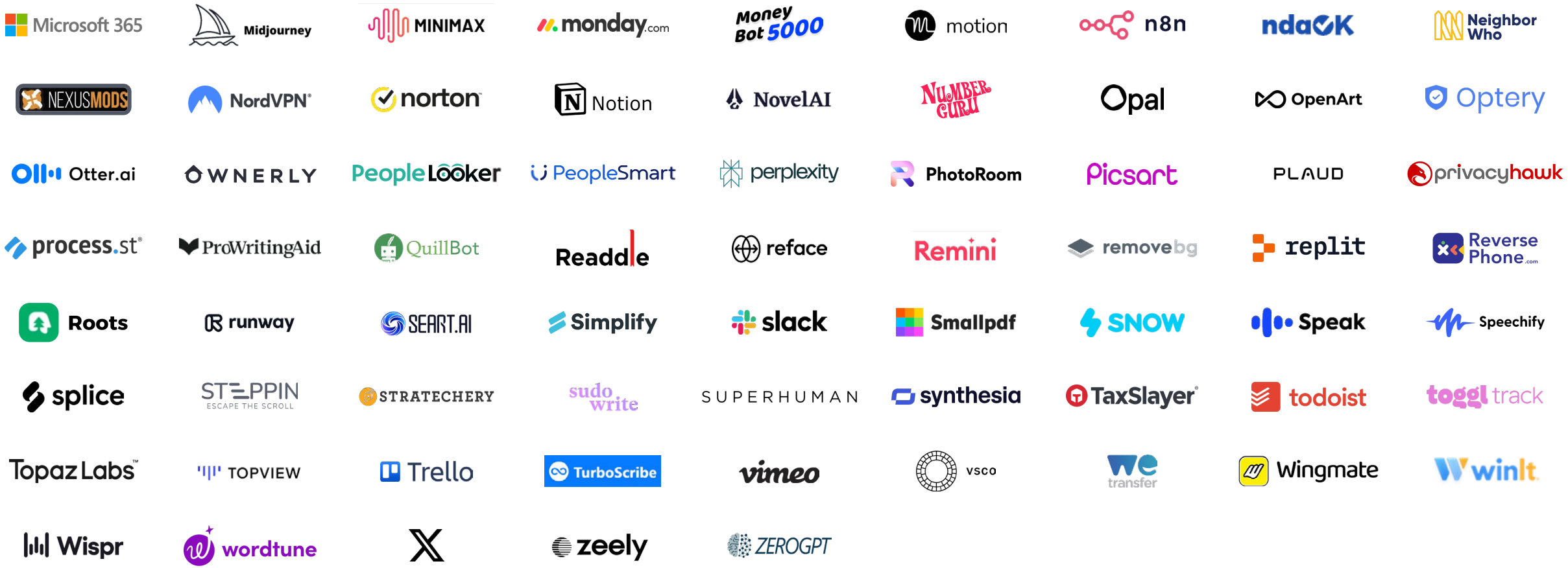


Note: The companies shown are illustrative, and this list is not exhaustive.

Prosumer (cont.)

The prosumer category—where consumers and professionals overlap—has exploded in recent years, with more to come as gains in generative AI have created a whole new cohort of companies focused on increasing efficiency for consumers.

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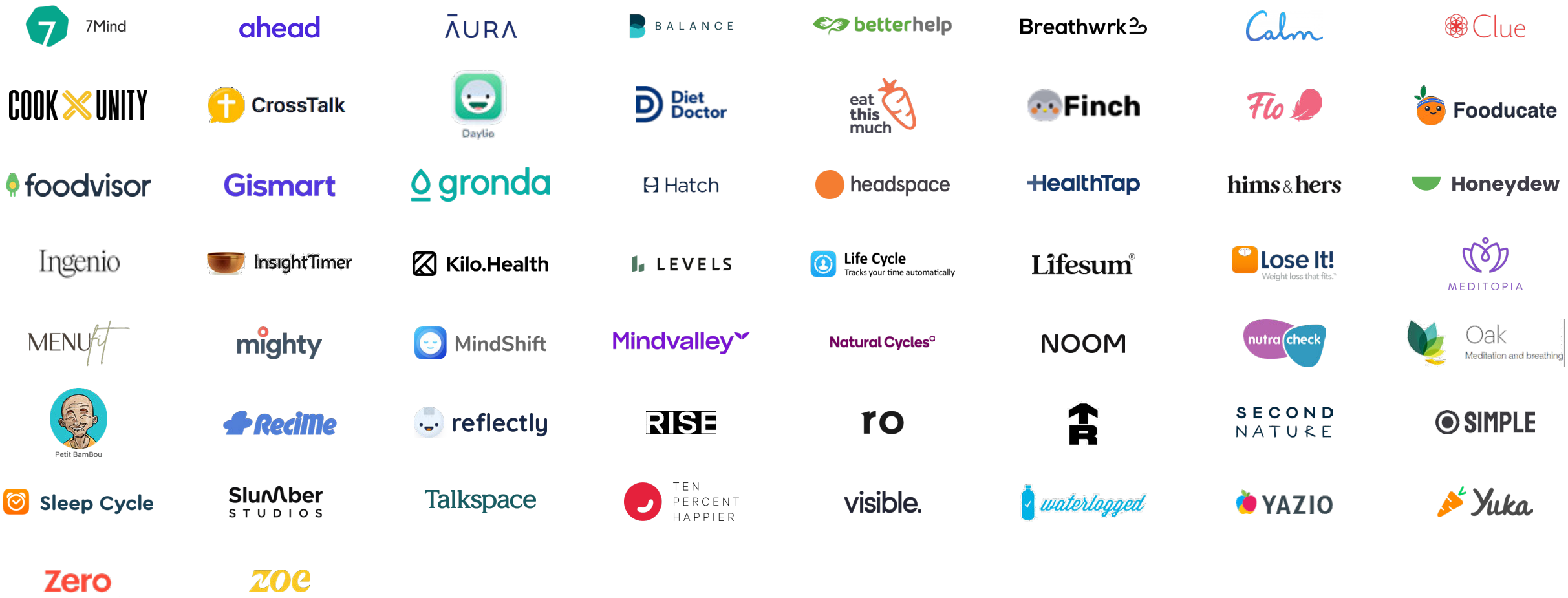


Note: The companies shown are illustrative, and this list is not exhaustive.

Health and Mindfulness

Health and mindfulness has grown as enterprises have started offering employees access to health and mindfulness platforms en masse.

By collecting and analyzing health data, these platforms deliver personalized insights into stress, sleep, and resilience. Consumers' growing comfort with sharing this data is fueling deeper adoption and measurable outcomes.

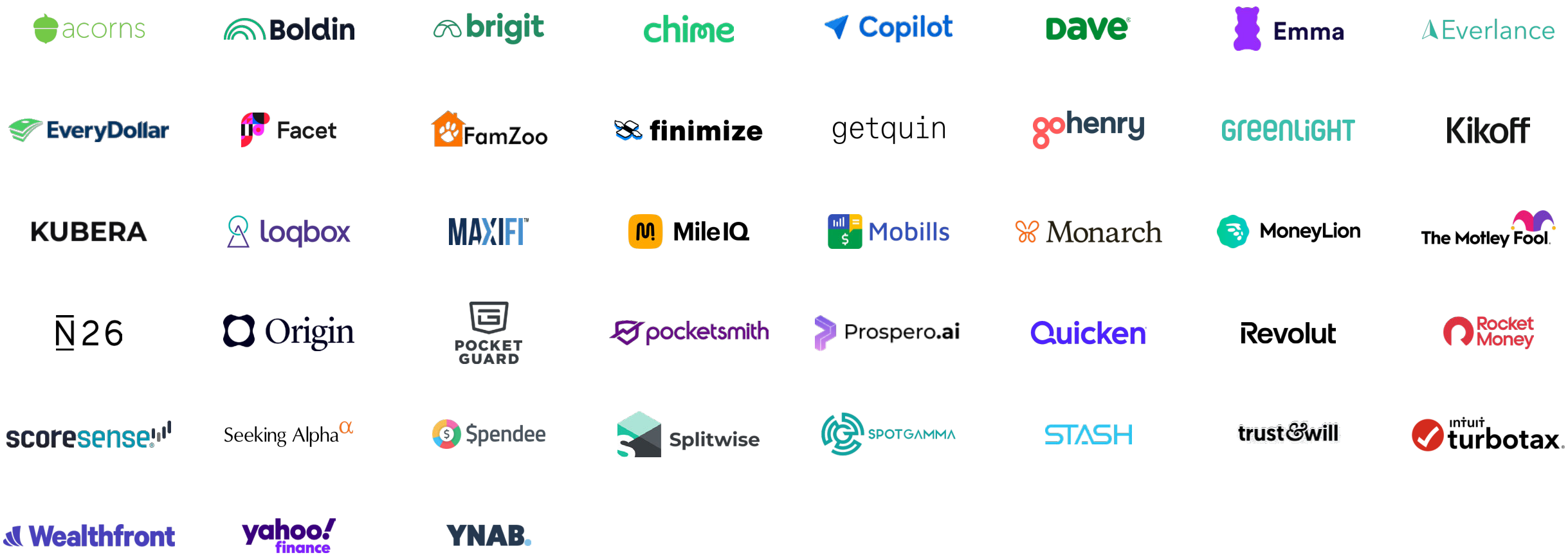


Note: The companies shown are illustrative, and this list is not exhaustive.

Personal Finance

Personal finance has bloomed recently as consumers look to digital platforms to manage all aspects of their financial lives.

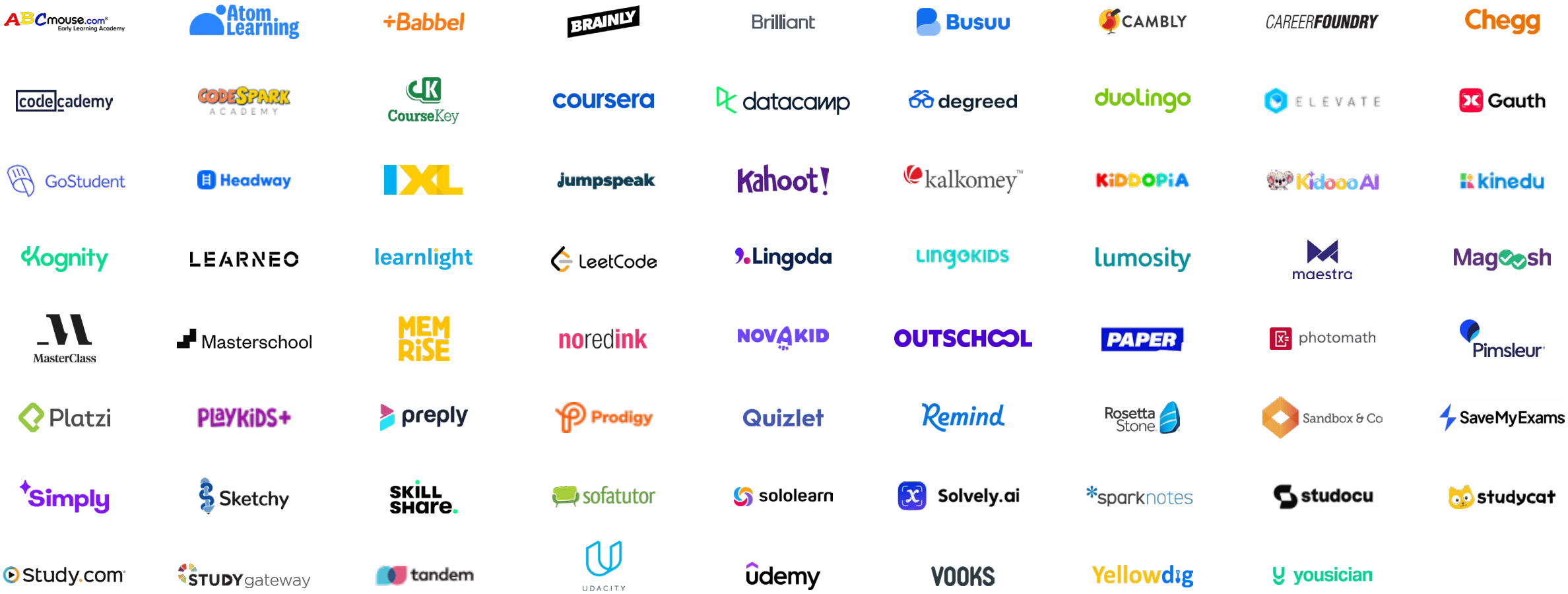
As financial literacy rises and consumers face an evolving landscape of tools, regulations, and market shifts, we are observing how and whether this momentum sparks disruption across the traditional financial advising industry.



Note: The companies shown are illustrative, and this list is not exhaustive.

EdTech

EdTech tools have evolved, with consumers now using them well beyond the classroom for hobbies, professional upskilling, and lifelong learning, increasingly delivered through digital platforms. As the category expands, data-driven insights and personalized learning paths are driving engagement, positioning EdTech to play a larger role in everyday education.

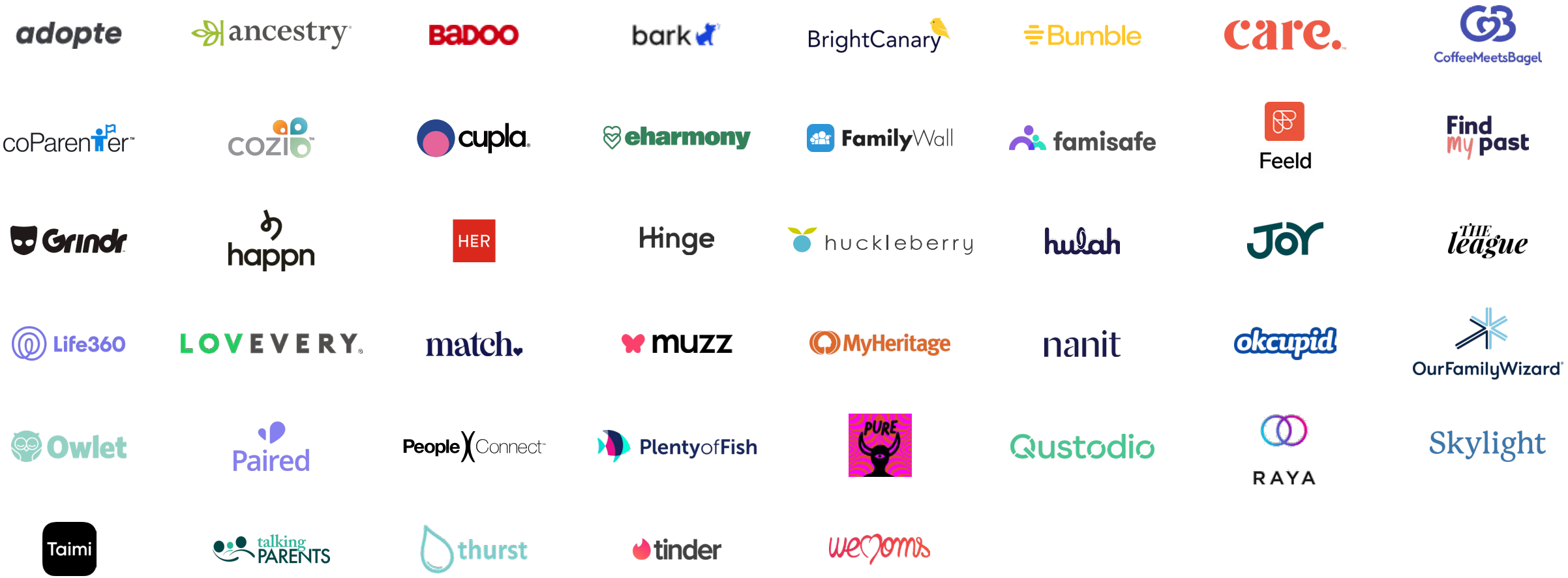


Note: The companies shown are illustrative, and this list is not exhaustive.

Family/Dating

Family apps remain an exciting opportunity as the classic whiteboard gets replaced with digital tools.

As these apps have continued to demonstrate clear value in maintaining relationships and connections, adoption has grown steadily and is expected to accelerate in the years ahead.

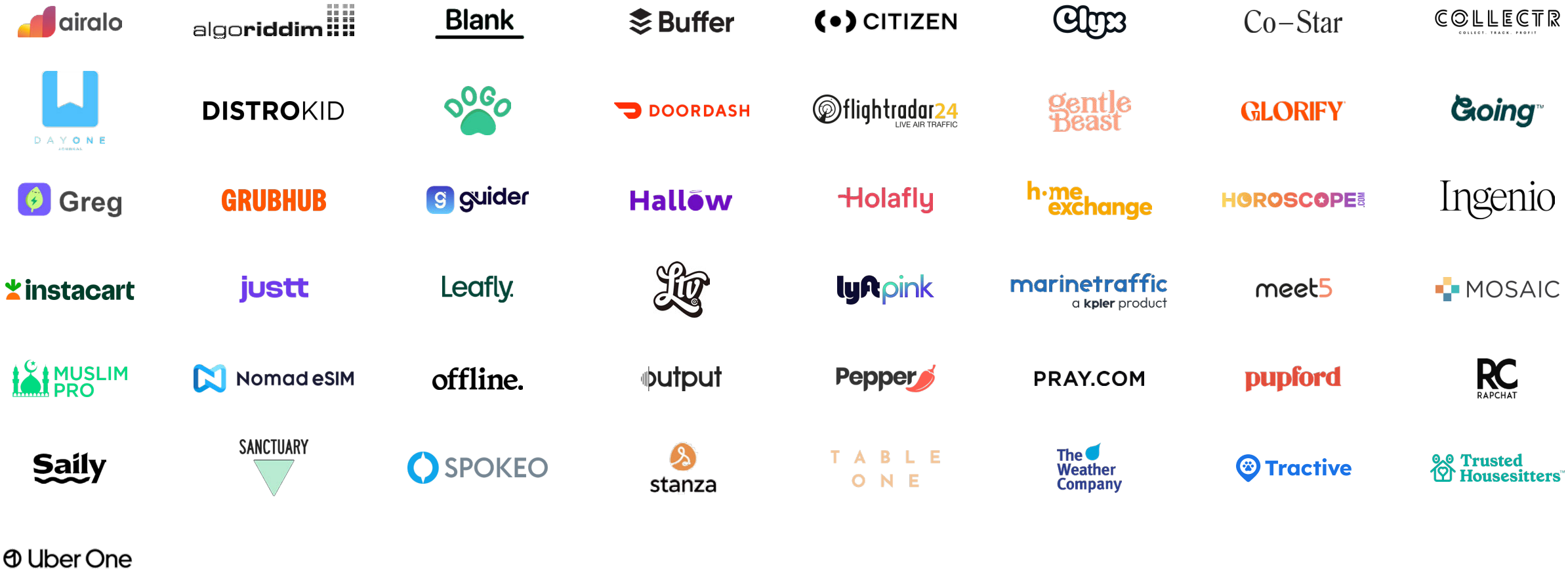


Note: The companies shown are illustrative, and this list is not exhaustive.

Other

Advances in AI have made it dramatically faster and cheaper to build products, opening the door to entirely new categories and app concepts that were previously out of reach.

Within the broader other category, religion is an exciting subgroup with many platforms serving a hungry and highly engaged consumer base.



Note: The companies shown are illustrative, and this list is not exhaustive.

The Pool of CSS Investors Continues to Grow

Premier CSS Growth Investors



Note: The companies shown are illustrative, and this list is not exhaustive.

The Pool of CSS Investors Continues to Grow (cont.)

Premier CSS Growth Investors



Premier CSS Seed Investors



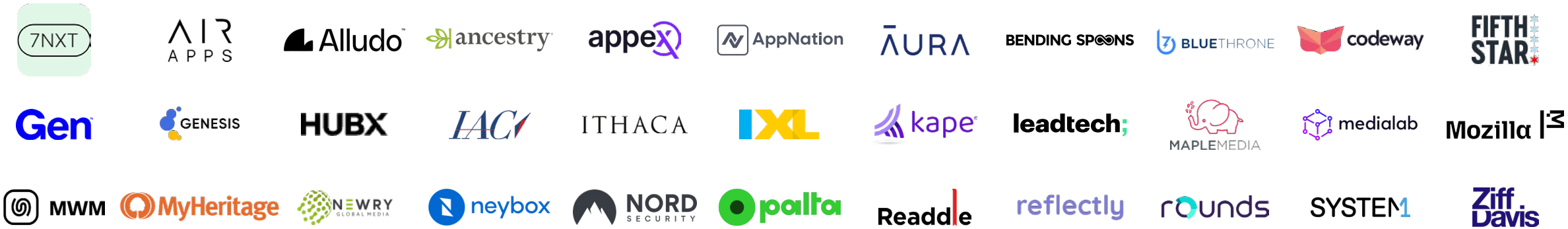
Note: The companies shown are illustrative, and this list is not exhaustive.

The Pool of CSS Investors Continues to Grow (cont.)

Premier CSS Buyout Investors



Premier CSS Aggregators



Note: The companies shown are illustrative, and this list is not exhaustive.



Appendix

08

Houlihan Lokey Is the **No. 1 Global Technology Advisor**

LEADING GLOBAL M&A ADVISOR

2025 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**458**
2	Goldman Sachs & Co	441
3	Rothschild & Co	400
4	JP Morgan	364
5	Morgan Stanley	357

Source: LSEG.
Excludes accounting firms and brokers.

2025 M&A Advisory Rankings
Global Transactions Under $1 Billion

	Advisor	Deals
1	**Houlihan Lokey**	**441**
2	Rothschild & Co	356
3	Goldman Sachs & Co	238
4	Jefferies LLC	224
5	Morgan Stanley	218

Source: LSEG.
Excludes accounting firms and brokers.

No. 1
M&A Advisor Globally

No. 1
M&A Advisor to Privately Held Mid-Cap Companies

1,700+
M&A Transactions Under $1 Billion in the Past Five Years

PREEMINENT TECHNOLOGY M&A FRANCHISE

2025 M&A Advisory Rankings
All Global Technology Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**128**
2	Goldman Sachs & Co	116
3	JP Morgan	112
4	Morgan Stanley	95
5	Rothschild & Co	81

Source: LSEG.
Excludes accounting firms and brokers.

2025 M&A Advisory Rankings
U.S. Technology Transactions Under $5 Billion

	Advisor	Deals
1	**Houlihan Lokey**	**64**
2	JP Morgan	60
3	Goldman Sachs & Co	43
4	William Blair & Co	41
5	Morgan Stanley	33

Source: LSEG.

No. 1
Technology M&A Advisor Globally

~140
Technology Finance Professionals Globally

35
Subverticals Covered



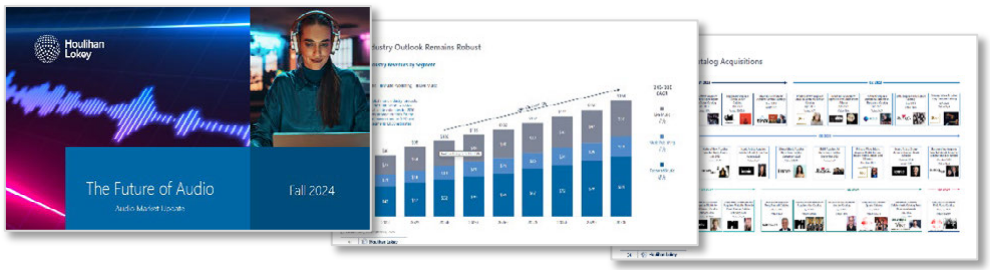
Houlihan Lokey Is at the **Forefront of Thought Leadership in Digital Media, Sports, and Entertainment**

Houlihan Lokey is highly active and up-to-date with the latest market trends across digital media, sports, and entertainment.

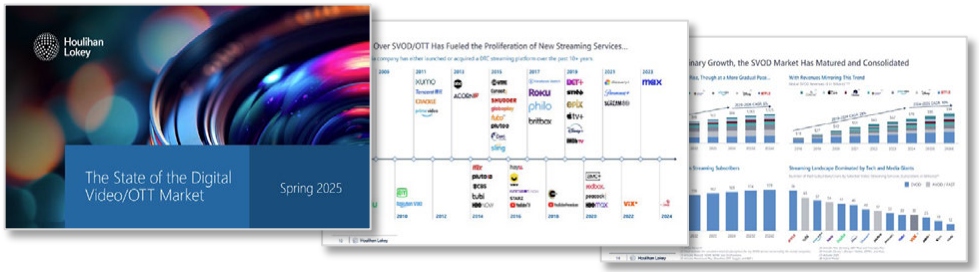
The Future of Audio







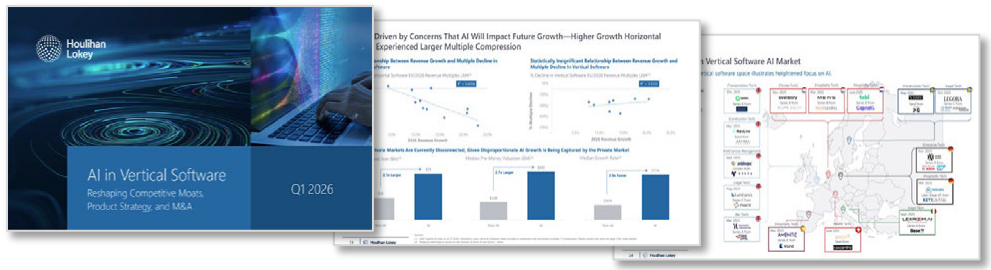
Digital Video/OTT



Sports



AI in Vertical Software



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