

CLEAR SIGHT MONITOR

Compliance – Q4 2019

Market Perspective

Trading Multiples

Buzz Around the Industry

Featured Transactions

Public Market Activity



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Select Upcoming Conferences

March 31 – April 1, 2020
HCCA Compliance Institute– Virtual
[Event Website](#)

Conference Information Pending Further News Updates

April 29 – May 1, 2020
**CBI's Pharmaceutical Compliance Congress
 2020 – Washington, DC**
[Event Website](#)

May 18 – 20, 2020
**Compliance Week 2020 Conference –
 Washington, DC**
[Event Website](#)

Compliance & Risk 2020 Outlook

Between changes in regulation, technological advancements, and shifting consumer preferences, data privacy compliance is a dynamic issue for every business. These trends are expected to continue for the foreseeable future, necessitating even greater attention from business owners. We narrow down the top compliance and risk concerns for the upcoming year and assess their ramifications across industries.

Emerging State Level Data Privacy Regulations

The most immediate compliance development in 2020 is the California Consumer Privacy Act (CCPA), which went into effect on January 1, 2020. Like GDPR before it, the CCPA is a landmark privacy law that gives consumers the power to take back control of their privacy and personal data. The impact of the legislation is significant. Not only is it expected to cost billions of dollars in initial compliance initiatives – an estimated \$55 billion – but it fundamentally changes how companies operate and work with consumer data. As far as data privacy laws go, CCPA marks a beginning, but not an end. The ramifications for companies in 2020 and beyond hinges upon their ability to remain aware of evolving regulations and rapidly adapt their business practices in response.

The Continued Wave of Compliance Start-Ups

In an October 2019 report, IAPP noted over 300 businesses now selling privacy compliance solutions, ranging from large professional services firms among the Big4 to tech start-ups and everything in between. Without a doubt there is a lot of energy and capital going into data privacy in 2020. After all, CCPA, as GDPR before it, has widespread implications for all businesses – no matter where they are located. As we've discussed, it fundamentally changes how corporations collect, store, secure and use customers personal data. Although data privacy is not a new risk, the expanding body of regulations has certainly shined a spotlight on it, increasing awareness among stakeholders and effectively increasing the underlying risk (e.g. reputational, loss of business) and cost (e.g. fines, penalties) of non-compliance.

AI versus Data Privacy, Striking a Balance

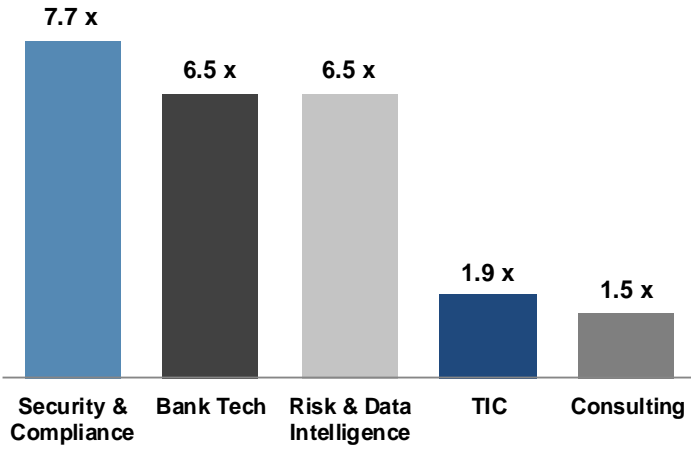
Advancements in AI and ML have fueled innovation across virtually every sector, reshaping how businesses operate, make decisions and drive productivity gains. Despite the promise of these technologies, they may pose a critical risk to consumers and the companies that employ them. Simply, true AI technologies must be trained on massive amounts of data. When these solutions are implemented in privacy-sensitive industries like healthcare and finance, protecting this data and maintaining compliance must remain at the fore. We have seen some discussion on this topic beginning to take root, but expect it to accelerate and get a voice over the course of 2020.



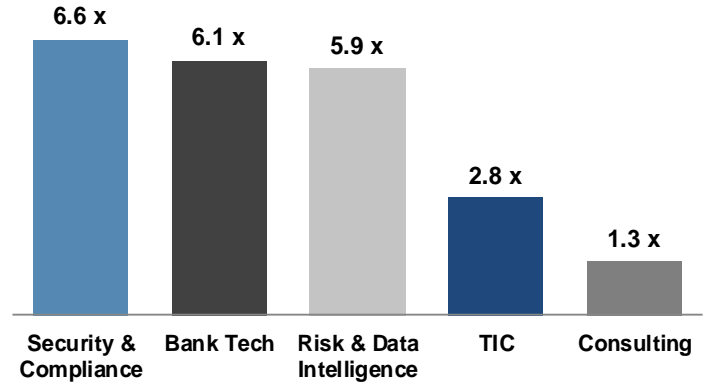
Public Companies Median Trading Multiples

■ Bank Tech
 ■ Security & Compliance
 ■ Risk & Data
 ■ TIC
 ■ Consulting Services

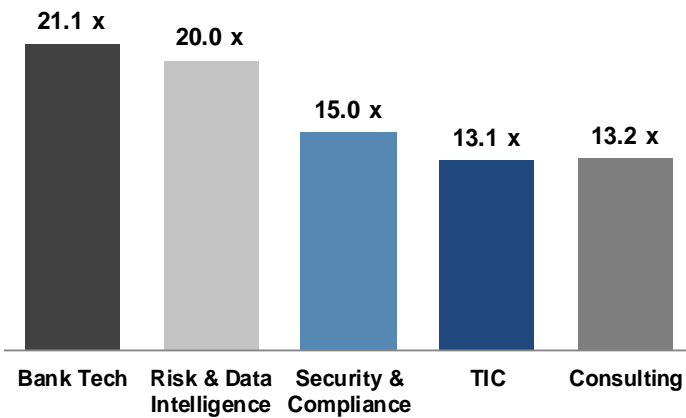
2019E EV / Revenue



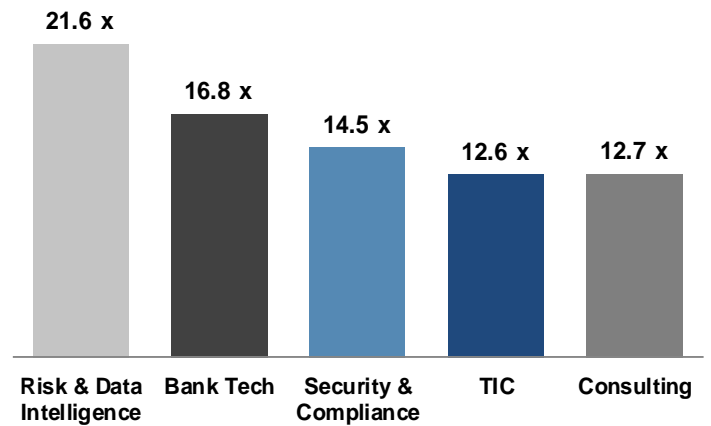
2020E EV / Revenue



2019E EV / EBITDA



2020E EV / EBITDA



Source: Capital IQ, market data as of 31-Dec-2019

GENERAL COMPLIANCE

California Privacy Law Plan May Ease Compliance for Data Brokers. “Companies that sweep up data about consumers and sell it to other firms would be getting a break under proposed rules for enforcing California’s new privacy law, attorneys said.” – [Bloomberg](#)

How the Justice Department Incentivizes Companies to Invest in Compliance. “If a company has a strong compliance program, it should be given special consideration, the deputy assistant attorney general overseeing the DOJ’s criminal division says.” – [WSJ](#)

Auditors Look to Modernize Rules to Include Environmental, Social and Cybersecurity Issues. “Under rules proposed by standards board, auditors of private companies would be able to review nonfinancial issues without company first doing so.” – [WSJ](#)

FINANCIAL SERVICES COMPLIANCE

Secure Act, Fiduciary Rules Set Up a Doozy of a Compliance Year. “Along with new sweeping retirement planning rules ushered in under the Setting Every Community Up for Retirement Enhancement (Secure) Act, advisors and broker-dealers will have new fiduciary-related rules to comply with in the new year.” – [Think Advisor](#)

U.S. Bank Supervisor Sees Weaknesses in Compliance With Due Diligence Rule. “Some banks have failed to put in place adequate policies to comply with a rule that requires them to identify the owners of corporate accounts, a senior regulator said.” – [WSJ](#)

Reg BI Compliance Race is On. “With four months remaining until enforcement with the Securities and Exchange Commission’s Regulation Best Interest kicks in, broker-dealers and advisors are wondering if they “need to race to comply” with Reg BI, particularly if the rule is going to suffer the same fate as the now-defunct Labor Department fiduciary rule...” – [Think Advisor](#)

HEALTHCARE / LIFE SCIENCES COMPLIANCE

HIPAA Compliance and AI Solutions. “With the growing use of artificial intelligence (AI) solutions in the healthcare industry, executives must ensure that the technology that their organization is using is HIPAA compliant.” – [JD Supra](#)

3 Coding Compliance Strategies to Improve Reimbursement, Quality. “Improving clinical documentation quality, leveraging technology, and educating providers are key ways hospitals improve coding compliance in a value-based world.” – [Revcycle Intelligence](#)

Why Pharma Manufacturers Can’t Leave Compliance to Chance. “Good Manufacturing Practice (GMP) Validation is an essential element of quality assurance underpinning the safety of pharmaceutical and biotech products and processes as set out, initially, by the US FDA and now widely adopted by regulatory bodies globally such as Europe’s EMA and the UK’s MHRA.” – [European Pharmaceutical Manufacturer](#)

DATA & PRIVACY

Record Retention is a Key Component of Your Privacy and Cyber Compliance Program. “In 2019, we saw regulators put a renewed focus on how long businesses retain personal information. The most significant action came in October, when the Berlin Commissioner for Data Protection and Freedom of Information issued a €14.5million fine against German real estate company, Deutsche Wohnen SE, relating to the excessive retention of personal data. This sends a clear message that organisations can no longer ignore their obligations relating to data retention.” – [Norton Rose Fulbright](#)

How to Balance Privacy Compliance and AI Implementation. “Once data does become subject to data privacy laws, compliance will fall on businesses to accurately map, monitor and understand how data is collected, used, shared and retained.” – [Law.com](#)

Why 67% of Companies fear They Can't Sustain Privacy Compliance. “Data privacy management and protocol got a facelift with the enactments of the General Data Protection Regulation and the California Consumer Privacy Act. Many companies failed to meet compliance standards in time for GDPR. And for companies that met the deadline, 67% fear they won't be able to sustain compliance...” – [CIO Dive](#)

FEATURED M&A TRANSACTIONS

Q4 2019 Compliance M&A Transactions

Announced	Target	Buyer	Transaction Value (\$mm)	Target Description
13-Dec-19	 COALFIRE	 Apax PARTNERS	ND	<ul style="list-style-type: none"> Coalfire is a provider of information technology audit, security assessment and IT compliance services
11-Dec-19	WhistleB	 NAVEX GLOBAL	ND	<ul style="list-style-type: none"> WhistleB is an operator of a global whistleblowing and incident management SaaS platform based in Stockholm, Sweden
5-Dec-19	 Meercat riskview	 VelocityEHS CVC CAPITAL PARTNERS	ND	<ul style="list-style-type: none"> Meercat is a provider of real-time risk management services via its proprietary Riskview software
25-Nov-19	 First Advantage	 SILVERLAKE	\$1,500	<ul style="list-style-type: none"> First Advantage is a developer of background screening and identity verification software that gives employers and housing providers access to actionable information
20-Nov-19	Privacy Core e-learning	 OneTrust	ND	<ul style="list-style-type: none"> Privacy Core is an e-learning platform providing market leading courses on data privacy and safety requirements, developed by the International Association of Privacy Professionals (IAPP)
19-Nov-19	NYMITY	 TrustArc	ND	<ul style="list-style-type: none"> Nymity is a provider of privacy compliance solutions that minimize time to compliance with the world's privacy laws, including the CCPA, GDPR, and LGPD
12-Nov-19	 HOST COMPLIANCE	 GRANICUS	ND	<ul style="list-style-type: none"> Host Compliance delivers a comprehensive solution suite designed to help solve local and state governments' short-term rental registration, compliance, monitoring, tax collection, audit and enforcement challenges
17-Oct-19	 WolfePak SOFTWARE	 Charlesbank CAPITAL PARTNERS LLC	ND	<ul style="list-style-type: none"> Wolfepak Software is a provider of enterprise resource planning, operational and regulatory compliance software to the oil and gas industry
15-Oct-19	 GORDIAN COMPLIANCE SOLUTIONS	 RIA in a Box	ND	<ul style="list-style-type: none"> Gordian Compliance Solutions is a wealth management compliance consulting firm
14-Oct-19	Compliance Advisory Services	 FORESIDE	ND	<ul style="list-style-type: none"> Compliance Advisory Services is a provider of regulatory compliance consulting services for financial institutions
07-Oct-19	 J-SCREEN A HIRE RIGHT COMPANY peoplecheck A HIRE RIGHT COMPANY	 HIRE RIGHT	ND	<ul style="list-style-type: none"> J-Screen and PeopleCheck are background screening providers based in Tokyo, Japan, and Newcastle, Australia, respectively

Source: Capital IQ

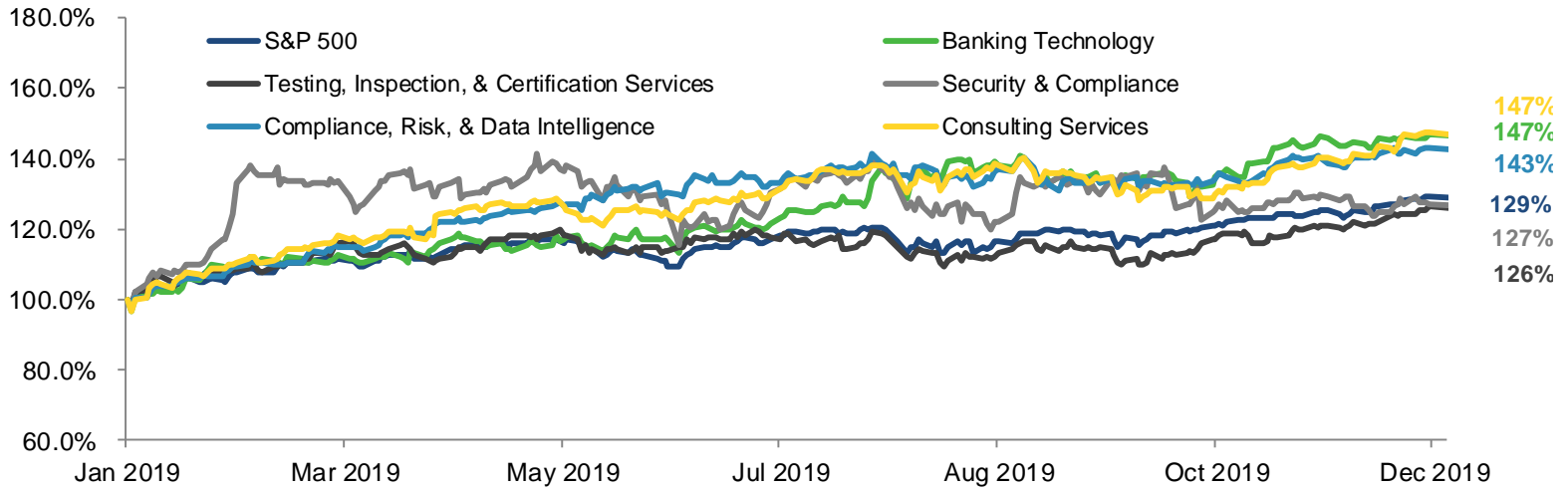
FEATURED PRIVATE PLACEMENTS

Q4 2019 Compliance Private Placements

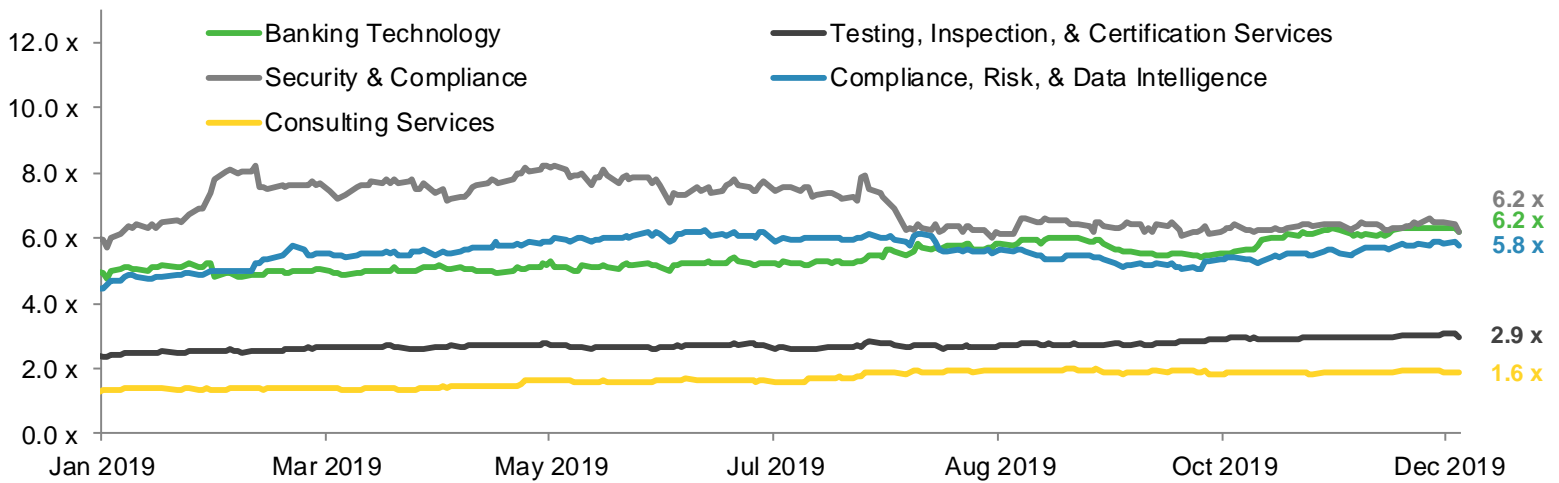
Announced	Target / Issuer	Investor(s)	Transaction Value (\$mm)	Target Description
27-Dec-19	 SAYARI	 ARSENAL	\$9.0	▪ Sayari Labs is a developer of a financial intelligence and supply chain risk management platform
17-Dec-19	 FISCAL TECHNOLOGIES®	 	\$4.7	▪ Fiscal Technologies is a developer of a software platform that identifies areas of risk and fraud within vendor spend and transactions
17-Dec-19	 LOGICGATE	 	\$24.8	▪ LogicGate is an agile process automation platform enabling organizations to operationalize governance, risk, and compliance (GRC) programs, based in Chicago, IL
16-Dec-19	 SheerID		\$64.0	▪ SheerID is a provider of a verification technology platform designed to make eligibility verification instant, easy and secure for all enterprises
25-Nov-19	 Tookitaki	 	\$19.2	▪ Tookitaki is a provider of an intelligent decision support system (DSS) designed to create compliance programs for the financial services industry
19-Nov-19	 QUANTIVATE		ND	▪ Quantivate is a SaaS governance, risk and compliance solution provider serving banks and credit unions
19-Nov-19	 TRM		\$4.2	▪ TRM Labs is a developer of a regulatory technology platform designed to address compliance in the cryptocurrency industry
19-Nov-19	 shield compliance		\$5.0	▪ Shield Compliance is an operator of a compliance platform intended to manage risk and operational demand associated with legalized cannabis banking industry
12-Nov-19	 styra		\$14.0	▪ Styra is a provider of enterprise authorization service intended to codify and enforce access based on data-driven context
24-Oct-19	 VERY GOOD SECURITY		\$35.0	▪ Very Good Security is a developer of a data security platform designed to transfer data without any security breach
9-Oct-19	 SmartSearch		ND	▪ SmartSearch is a UK-based provider of RegTech software focused on Anti-Money Laundering (“AML”) solutions

Note: Private placement transactions listed may include other investors; primary investor(s) only included above
Source: Capital IQ

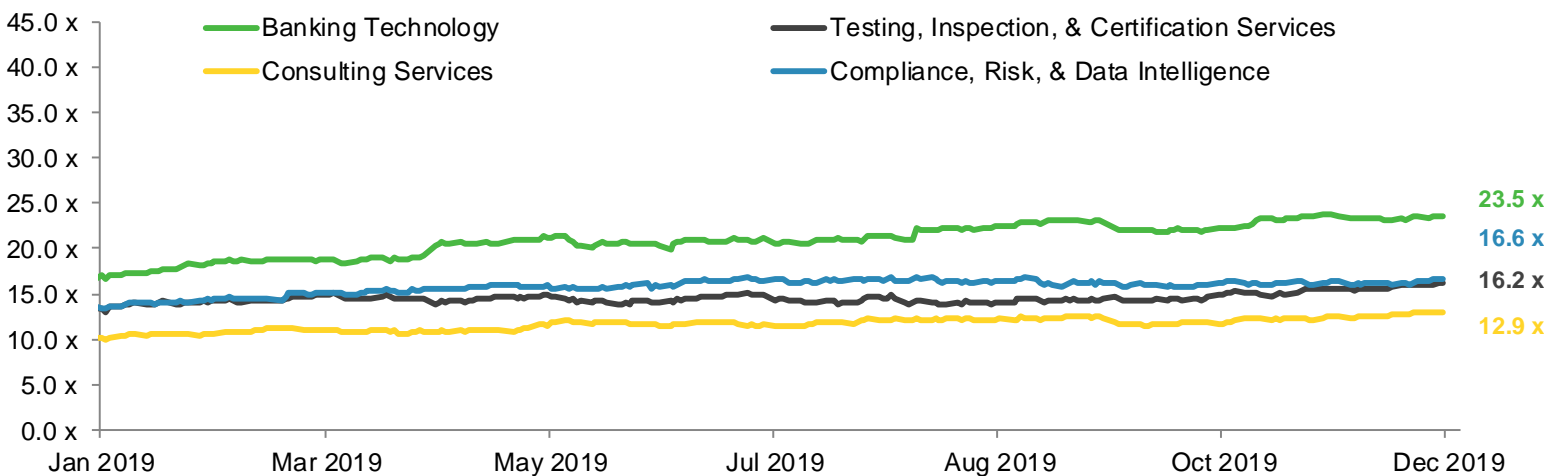
Indexed Stock Price Performance – Last Twelve Months



EV / LTM Revenue – Last Twelve Months



EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, equity research reports, market data as of 31-Dec-2019

Public Market Comparable Companies

Select Bank Technology Companies

Banking Technology	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2019A EBITDA Margin
	31-Dec-2019				2019A	2020P	2019A	2020P	
ACI Worldwide	\$ 37.89	99.4 %	\$ 4,473	\$ 5,733	3.6 x	3.4 x	15.7 x	13.3 x	16.0 %
Bottomline Technologies	53.60	98.8 %	2,484	2,494	5.8	5.3	25.5	22.2	8.7 %
Fidelity	139.09	98.4 %	86,632	102,865	10.0	7.6	24.0	16.8	32.9 %
Fiserv	115.63	98.0 %	78,761	101,273	6.5	6.1	18.2	16.4	34.7 %
Jack Henry & Associates	145.67	95.3 %	11,254	11,147	6.9	6.5	21.1	20.4	27.7 %
High		99.4 %	\$ 86,632	\$ 102,865	10.0 x	7.6 x	25.5 x	22.2 x	34.7 %
Median		98.4 %	11,254	11,147	6.5	6.1	21.1	16.8	27.7 %
Mean		98.0 %	36,721	44,703	6.5	5.8	20.9	17.8	24.0 %
Low		95.3 %	2,484	2,494	3.6	3.4	15.7	13.3	8.7 %

Select Compliance, Risk, & Data Intelligence Companies

Compliance, Risk, & Data Intelligence	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2019A EBITDA Margin
	31-Dec-2019				2019A	2020P	2019A	2020P	
EQS Group	\$ 70.14	83.3 %	\$ 82	\$ 114	2.8 x	2.7 x	NM	23.5 x	(2.1%)
GB Group	10.33	96.8 %	2,011	2,077	9.4	7.4	NM	30.7	23.6%
Thomson Reuters	71.62	96.4 %	36,362	38,430	6.5	6.2	25.6	19.8	18.5%
Wolters Kluwer	72.97	96.0 %	19,451	21,515	4.2	4.0	14.4	13.7	28.3%
Workiva	42.05	65.6 %	2,209	2,001	6.8	5.9	NM	NM	NM
High		96.8 %	\$ 36,362	\$ 38,430	9.4 x	7.4 x	25.6 x	30.7 x	28.3%
Median		96.0 %	2,209	2,077	6.5	5.9	20.0	21.6	21.1%
Mean		87.6 %	12,023	12,827	5.9	5.2	20.0	21.9	17.1%
Low		65.6 %	82	114	2.8	2.7	14.4	13.7	(2.1%)

Select Consulting Services Companies

Business Consulting	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2019A EBITDA Margin
	31-Dec-2019				2019A	2020P	2019A	2020P	
Accenture	\$ 210.57	98.7%	\$ 142,335	\$ 136,975	3.1 x	2.9 x	19.4 x	16.6 x	16.1%
Capgemini	122.21	92.3%	20,892	21,002	1.3	1.3	8.9	8.1	14.9%
CBIZ	26.96	95.2%	1,533	1,912	2.0	1.9	18.6	14.5	10.8%
CRA International	54.29	96.9%	465	614	1.4	1.3	14.2	13.0	9.5%
Franklin Covey	31.84	76.1%	458	467	2.0	1.9	28.5	15.4	7.1%
FTI Consulting	112.92	95.5%	4,482	4,557	1.9	1.9	13.2	13.0	14.7%
Heidrick & Struggles	32.80	73.4%	654	429	0.6	0.6	5.6	5.3	12.5%
Huron Consulting	68.46	97.1%	1,654	1,981	2.3	2.2	20.1	17.0	11.2%
ICF International	92.73	99.0%	1,767	2,081	1.4	1.3	15.9	13.7	8.8%
Korn Ferry	42.56	85.9%	2,411	2,465	1.3	1.2	8.9	7.3	14.2%
Resources Connection	16.33	91.1%	527	585	0.8	0.8	10.0	10.3	8.0%
High		99.0%	\$ 142,335	\$ 136,975	3.1 x	2.9 x	28.5 x	17.0 x	16.1%
Median		95.2%	1,654	1,981	1.4	1.3	14.2	13.0	11.2%
Mean		91.0%	16,107	15,733	1.6	1.6	14.8	12.2	11.6%
Low		73.4%	458	429	0.6	0.6	5.6	5.3	7.1%

Source: Capital IQ, equity research reports, market data as of 31-Dec-2019

Notes: Any negatives multiples or multiples greater than 35.0x are marked "NM"

Public Market Comparable Companies

Select Security & Compliance Companies

Security & Compliance	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2019A EBITDA Margin
	31-Dec-2019				2019A	2020P	2019A	2020P	
Checkpoint	\$110.96	83.6%	\$16,892	\$15,313	7.7x	7.5x	15.0x	14.5x	45.1%
Proofpoint	114.78	85.9%	7,112	6,971	7.9	6.6	NM	NM	31.7%
Qualys	83.37	85.8%	3,511	3,212	10.0	8.8	23.2x	20.6x	31.7%
SecureWorks	16.66	66.9%	1,416	1,277	2.3	2.2	NM	NM	(1.4%)
Verint	55.36	86.6%	3,699	4,091	3.0	2.8	12.4x	11.1x	13.7%
High		86.6%	\$16,892	\$15,313	10.0x	8.8x	23.2x	20.6x	45.1%
Median		85.8%	3,699	4,091	7.7	6.6	15.0	14.5	31.7%
Mean		81.8%	6,526	6,173	6.2	5.6	16.9	15.4	24.2%
Low		66.9%	1,416	1,277	2.3	2.2	12.4	11.1	(1.4%)

Select Testing, Inspection, & Certification Companies

TIC	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2019A EBITDA Margin
	31-Dec-2019				2019A	2020P	2019A	2020P	
Applus Services	\$ 12.79	86.4 %	\$ 1,830	\$ 2,320	1.2 x	1.1 x	7.1 x	6.7 x	13.5 %
Bureau Veritas	26.10	96.1 %	11,819	13,875	2.4	2.3	12.1	11.4	18.8 %
Intertek Group	77.50	97.8 %	12,613	13,466	3.4	3.3	14.4	13.9	20.8 %
SGS	2,737.25	98.3 %	21,129	21,960	3.2	3.1	13.5	13.1	17.5 %
High		98.3 %	\$ 21,129	\$ 21,960	3.4 x	3.3 x	14.4 x	13.9 x	20.8 %
Median		97.0 %	12,216	13,671	2.8	2.7	12.8	12.3	18.1 %
Mean		94.7 %	11,848	12,905	2.5	2.5	11.8	11.3	17.6 %
Low		86.4 %	1,830	2,320	1.2	1.1	7.1	6.7	13.5 %

Source: Capital IQ, equity research reports, market data as of 31-Dec-2019
 Note: Any negatives multiples or multiples greater than 35.0x are marked "NM"

RECENT DEALS



has been acquired by




SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has acquired



BUY-SIDEADVISOR



has been acquired by



a portfolio company of



SELL-SIDEADVISOR



has been acquired by



a portfolio company of



SELL-SIDEADVISOR



has been recapitalized by



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a portfolio company of



SELL-SIDEADVISOR



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SELL-SIDEADVISOR



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