

# CLEAR SIGHT MONITOR

Compliance – Q3 2019

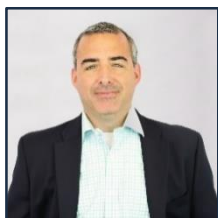
Market Perspective

Trading Multiples

Buzz Around the Industry

Featured Transactions

Public Market Activity



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**Jim McCabe**

*Director*

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## Select Upcoming Conferences

December 9-10, 2019

**Third-Party Risk Management & Oversight Summit**– San Francisco, CA

[Event Website](#)

December 10-12, 2019

**Gartner Identity & Access Management Summit**– Las Vegas, NV

[Event Website](#)

## PE-Backed Deals Make Headlines

Information has become one of the most important assets that any organization has. Couple this with the growing body of regulation - including GDPR, CCPA and other pending state laws – and data privacy and protection has become a top priority for any organization, big or small, regardless of the industry. Accordingly, the data privacy & protection market has been elevated in the eyes of investors, allowing vendors and service providers in this space to cash in on these trends. Evidencing these trends, we saw two landmark investments in this space in Q3 2019, as detailed below:

### 10-Jul-2019: Bregal Sagemount leads Series D for TrustArc

- TrustArc is a developer of a SaaS-based platform intended to build and manage privacy programs. The company's platform provides privacy compliance for GDPR, CCPA, and other data protection regulations through technology, expert consulting and certification solutions.
- The company raised \$70 million in Series D venture funding led by Breagal Sagemount. Accel, Icon Ventures, Baseline Ventures, Industry Ventures, and DAG Ventures also participated in the round.
- The funding will be used to accelerate the company's privacy technology innovation.

### 03-Jul-2019: Insight Partners invests in OneTrust

- OneTrust develops a technology platform designed for privacy management. The company's comprehensive, integrated, technology-based services include readiness and privacy impact assessments, data inventory and mapping automation, website scanning and consent management, subject rights requests, incident reporting and vendor risk management.
- The company raised \$200 million of Series A venture funding in a deal led by Insight Partners
- The investment will help grow the company's research and development capabilities, including an expansion of its product lines.

We expect the tailwinds in the data privacy and protection space to only increase as CCPA goes into effect in January and new state laws get crafted and enacted. This, in turn, will lead to greater investment and ultimately consolidation.

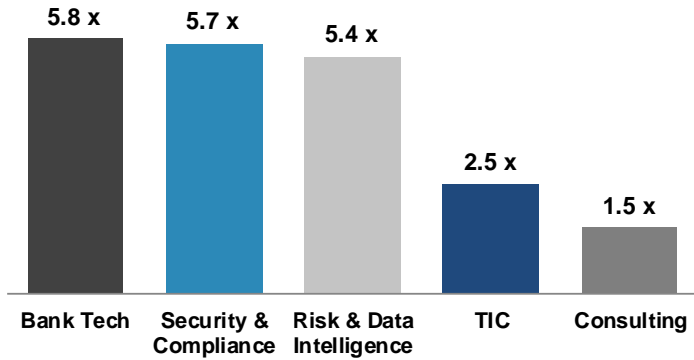


# TRADING MULTIPLES

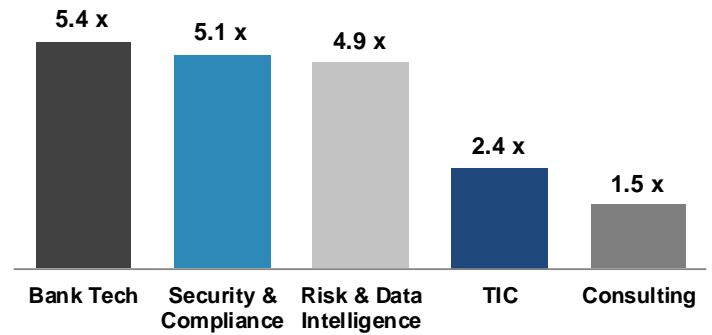
## Public Companies Median Trading Multiples

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

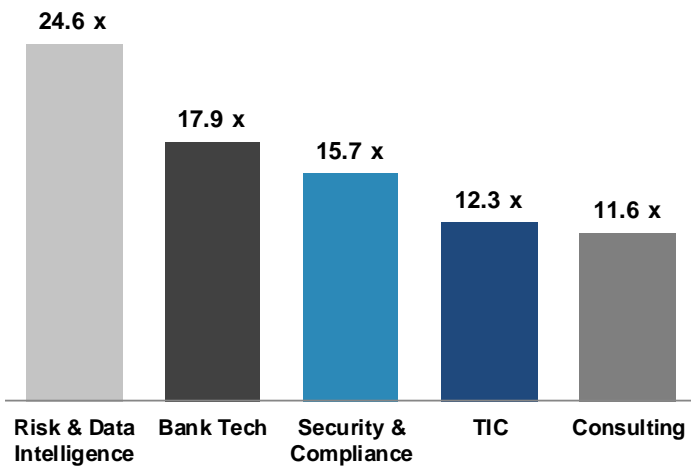
### 2019E EV / Revenue



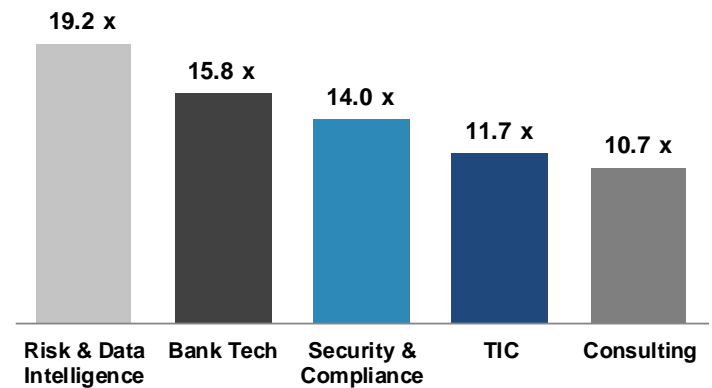
### 2020E EV / Revenue



### 2019E EV / EBITDA



### 2020E EV / EBITDA



## GENERAL COMPLIANCE

**AI-led Compliance: From Deal Prevention To Business Cure.** “As regulatory pressure intensifies and personal liability mounts, compliance officers are under increased pressure do the right thing every time, personally and professionally.” Read more [here](#).

**Regulators Double Down on Compliance Scrutiny.** “The government is strongly signaling that companies can no longer afford to have anything but effective, comprehensive compliance programs.” Read more [here](#).

**Awash in regulations, companies struggle with compliance.** “The list of regulatory compliance challenges facing companies grows longer every time a new regulation is introduced. But do security regulations even work?.” Read more [here](#).

## FINANCIAL SERVICES COMPLIANCE

**Australia Audits PayPal for Money Laundering, Terror Law Compliance.** “Australia’s financial intelligence agency on Tuesday ordered an audit of PayPal Holdings Inc’s compliance with local anti-money laundering and counter-terrorism financing laws, saying it was concerned reporting obligations had not been met.” Read more [here](#).

**New EU Rules on AML Group-Wide Policies Effective From 3 September 2019.** “The European Commission has published new regulatory technical standards that apply specifically to credit and financial institutions, including e-money institutions, payment institutions, investment firms, AIFMs and UCITs ManCos.” Read more [here](#).

**Proposed bill targets FASB rulemaking procedures.** “The Responsible Accounting Standards Act would apply the Administrative Procedures Act to the independently operated Financial Accounting Foundation (FAF), which oversees FASB. The legislation would require FAF to consider the impact their accounting principles will have on the U.S. economy, market stability, and availability of credit.” Read more [here](#).

## HEALTHCARE COMPLIANCE

**INSIGHT: Medicare Changes Long-Term Care Facility Compliance, Arbitration Rules.** “Long-term care facilities face changes to their compliance programs and arbitration agreements under new rules from the Medicare and Medicaid agency. Nixon Peabody’s Edward Clancy says the rules are intended to promote greater flexibility, but create possible confusion.” Read more [here](#).

**External Claim Audits Key to Strong Hospital Compliance Programs.** “Strong hospital compliance programs use external claim audits to identify and correct coding and billing processes that lead to claim denials and possible fraud investigations.” Read more [here](#).

**The Importance of Contract Management for Healthcare Compliance.** “As every healthcare company knows, the repercussions of not remaining compliant with industry regulations are severe.” Read more [here](#).

## LIFE SCIENCES COMPLIANCE

### **Life Sciences Quarterly: SEC Enforcement and Class Actions Regarding FDA Communications.**

“Panelists discuss a trend they are seeing in U.S. Securities and Exchange Commission enforcement and class-action securities fraud matters related to life sciences companies' communications with the U.S. Food and Drug Administration.” Read more [here](#).

**The Importance of Pursuing Clinical Trial Costs.** “The FDA is stressing more on data integrity, and in December 2018, it finalized its draft of “Data Integrity and Compliance with cGMP Guidance. The number of drug GMP warning letters has continuously increased; the FDA issued almost 200 percent more warning letters in 2018 as compared to 2015.” Read more [here](#).

**Health orgs make strategic plans beyond CMS and ONC rules.** “Deloitte shows how many providers – and even more payers – are going beyond checking boxes on new regs, understanding that wider data sharing has become a strategic necessity.” Read more [here](#).

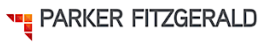
## DATA & PRIVACY

**California Consumer Privacy Act Update: What Has Changed and What Remains the Same?** “California legislators passed several noteworthy amendments to the California Consumer Privacy Act on 13 September 2019. The California governor has until 13 October 2019 to act on these amendments.” Read more [here](#).

**Managing Cookie Consent and Cookie audits for GDPR and CCPA Compliance.** “As consumers' awareness of the use of cookies and similar tracking technologies has begun to soar, global lawmakers and regulators have taken a keen interest in how companies are using website and mobile tracking – particularly in the area of consent. This has evidenced itself through enforcement actions, new EU supervisory authorities' guidance and stark warnings of changes to come.” View webcast [here](#).

# FEATURED M&A TRANSACTIONS

## Q3 2019 Compliance M&A Transactions

Announced	Target / Issuer	Buyer	Transaction Value (\$mm)	Target Description
30-Sep-19	 tracerisk	 Continuity	N/A	<ul style="list-style-type: none"> <li>Tracerisk is a developer of cloud-based enterprise risk management solutions for community banks</li> </ul>
24-Sep-19	 Sterling COMPLIANCE	 ICS INTEGRATED COMPLIANCE SOLUTIONS	N/A	<ul style="list-style-type: none"> <li>Sterling Compliance LLC provides risk management and compliance services to community banks and credit unions.</li> </ul>
16-Sep-19	 CHARTWELL REGULATORY COMPLIANCE & RISK MANAGEMENT	 MVB	N/A	<ul style="list-style-type: none"> <li>Chartwell Compliance is a provider of integrated regulatory compliance, financial crimes prevention, and enterprise risk management services.</li> </ul>
9-Sep-19	 ventiv	 TAILWIND	N/A	<ul style="list-style-type: none"> <li>Ventiv Technology Inc. develops cloud based risk management, claims, and safety software platforms and solutions for organizations.</li> </ul>
3-Sep-19	 hsi Health & Safety Institute	 Waud Capital	N/A	<ul style="list-style-type: none"> <li>Health &amp; Safety Institute, Inc. provides EH&amp;S training solutions to customers in the United States and Canada.</li> </ul>
19-Aug-19	 PARKER FITZGERALD	 accenture	N/A	<ul style="list-style-type: none"> <li>Parker Fitzgerald advises financial services companies on financial and non-financial risk, regulation and financial technology.</li> </ul>
13-Aug-19	 RegTek SOLUTIONS	 Bloomberg	N/A	<ul style="list-style-type: none"> <li>RegTek Solutions, Inc. offers control and compliance software solutions for global trade and transaction reporting.</li> </ul>
6-Aug-19	 LockPath	 NAVEX GLOBAL	N/A	<ul style="list-style-type: none"> <li>LockPath, Inc. develops and provides corporate governance, risk management, regulatory compliance, and information security software solutions.</li> </ul>
1-Aug-19	 Peer39	 O3 INDUSTRIES	N/A	<ul style="list-style-type: none"> <li>Peer39 Inc. develops AI-powered contextual targeting, fraud detection and verification, and reporting tools.</li> </ul>
24-Jul-19	 OSPREY Compliance Software	 Steele	N/A	<ul style="list-style-type: none"> <li>Osprey Compliance Software LLC develops and offers corporate compliance and oversight software solutions.</li> </ul>
22-Jul-19	 IndustrySafe	 VECTOR SOLUTIONS	N/A	<ul style="list-style-type: none"> <li>IndustrySafe, Inc. develops safety management software that helps organizations to record, track, and trend safety data to improve workplace safety, ensure regulatory compliance, and reduce risks.</li> </ul>

# FEATURED PRIVATE PLACEMENTS

## Q3 2019 Compliance Private Placements

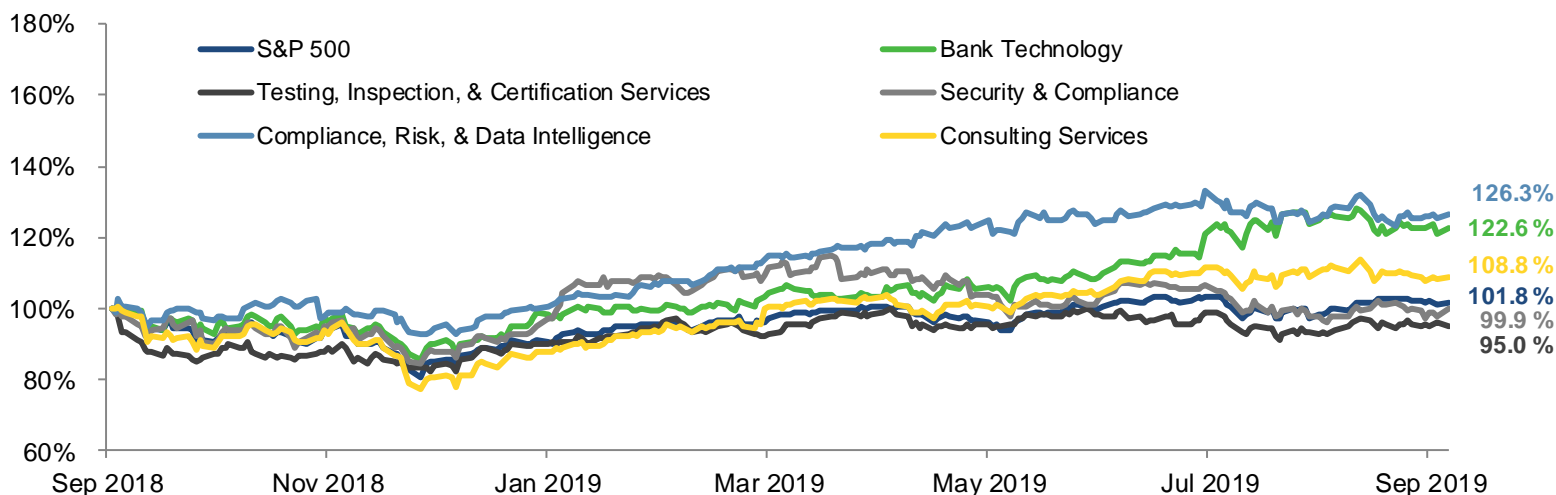
Announced	Target / Issuer	Investor(s)	Transaction Value (\$mm)	Target Description
30-Sep-19	 KENNA Security	 citi VENTURES	\$48.0	<ul style="list-style-type: none"> <li>Kenna Security, Inc. is an early-stage technology company that provides vulnerability management and risk intelligence solutions.</li> </ul>
25-Sep-19	 VERAFIN	 SPECTRUM EQUITY	\$515.0	<ul style="list-style-type: none"> <li>Verafin Inc. develops cloud based enterprise fraud detection and anti-money laundering software solutions for financial institutions in North America.</li> </ul>
25-Sep-19	 ARCEO.AI	 FOUNDERS FUND  Lightspeed	\$37.0	<ul style="list-style-type: none"> <li>Arceo Labs, Inc. through its brand Arceo, provides cyber security and cyber analytics services to insurance industry firms.</li> </ul>
17-Sep-19	 Trulioo Building Trust Online	 Goldman Sachs	\$60.0	<ul style="list-style-type: none"> <li>Trulioo Inc. provides global identity verification online portal for the online payments industry worldwide.</li> </ul>
16-Sep-19	 FOSSA	 BainCapital VENTURES	\$8.5	<ul style="list-style-type: none"> <li>FOSSA, Inc. provides open source compliance solutions for real-time defense against license violations.</li> </ul>
10-Sep-19	 COMPLIANCEQUEST Quality. Compliance. Collaboration. Communication.	 INSIGHT PARTNERS	\$36.0	<ul style="list-style-type: none"> <li>ComplianceQuest, Inc. develops and offers cloud enterprise quality management system (EQMS) that is built and run on the cloud Salesforce platform, and customer relationship management solutions.</li> </ul>
6-Sep-19	 Checkr	 Accel	\$160.6	<ul style="list-style-type: none"> <li>Checkr, Inc. provides background checks and related services for global enterprises and startups.</li> </ul>
5-Sep-19	 FUSION RISK MANAGEMENT	 VISTA EQUITY PARTNERS	N/A	<ul style="list-style-type: none"> <li>Fusion Risk Management, Inc. develops business continuity, disaster recovery, and risk management solutions.</li> </ul>
18-Jul-19	 ARMCO ACES RISK MANAGEMENT	 NEW CAPITAL PARTNERS	NA	<ul style="list-style-type: none"> <li>ARMCO is a provider of quality assurance software for the financial services industry. The company offers a wide range of mortgage quality control compliance and transaction risk management technologies.</li> </ul>
10-Jul-19	 TrustArc Privacy Compliance	 Bregal Sagemount	\$70.0	<ul style="list-style-type: none"> <li>Trust Arc Inc., develops and delivers Software-as-a-Service-based data privacy management solutions.</li> </ul>
3-Jul-19	 OneTrust PRIVACY, SECURITY & THIRD-PARTY RISK	 INSIGHT PARTNERS	\$200.4	<ul style="list-style-type: none"> <li>OneTrust, LLC develops a Web-based enterprise software platform for data privacy compliance.</li> </ul>

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

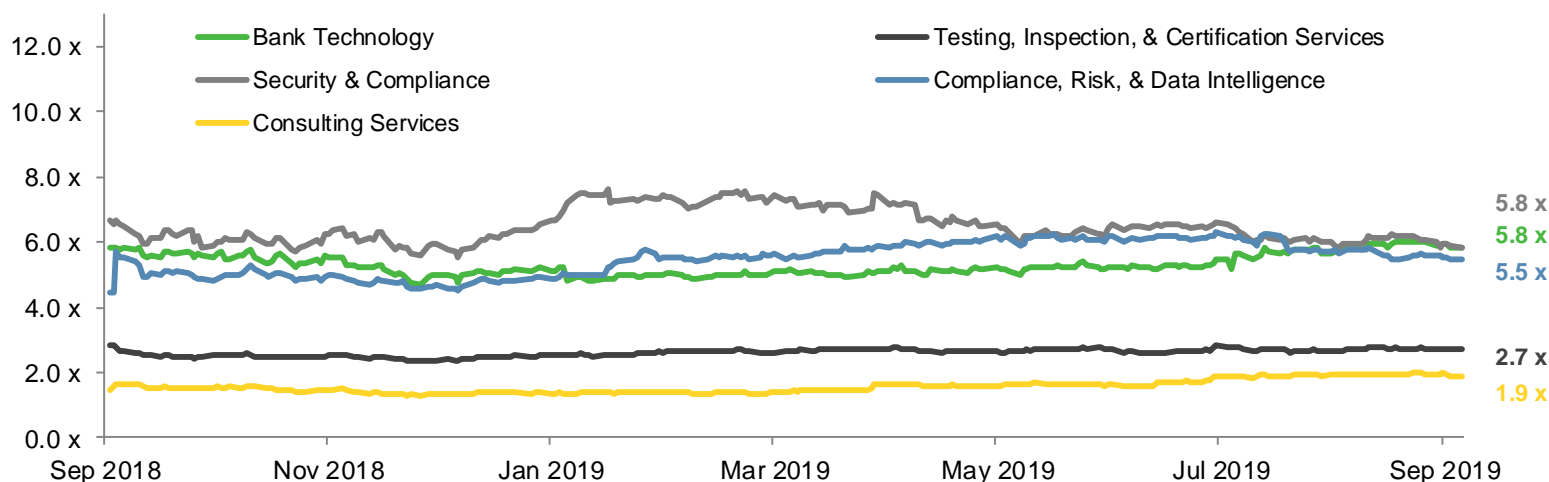
Source: Capital IQ



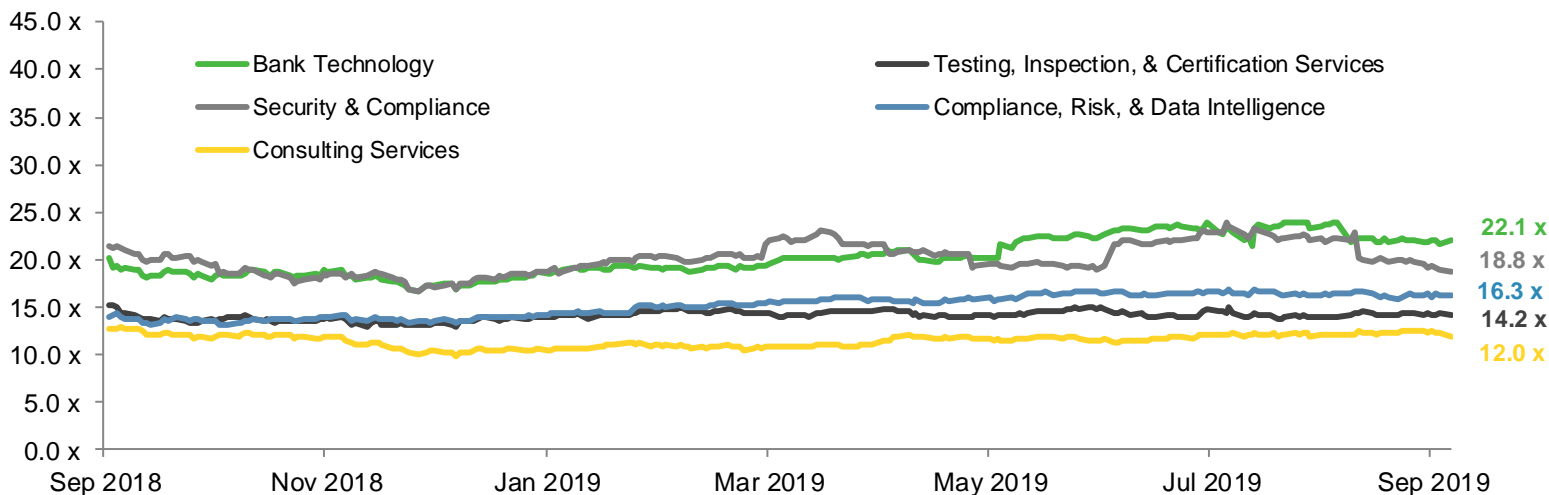
## Indexed Stock Price Performance – Last Twelve Months



## EV / LTM Revenue – Last Twelve Months



## EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, equity research reports, market data as of 30-Sep-2019

## Public Market Comparable Companies

### Select Bank Technology Companies

Banking Technology	Closing Price 30-Sep-2019	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2019	2020	LTM	2019	2020	
ACI Worldwide	\$ 31.33	87.4 %	\$ 3,720	\$ 4,966	4.0 x	3.6 x	3.4 x	22.7 x	13.7 x	11.6 x	17.6 %
Bottomline Technologies	39.35	53.1	1,819	1,831	4.3	4.3	3.9	NM	18.7	16.4	9.0
Fidelity	132.76	93.9	82,529	99,851	8.0	8.1	7.4	NM	19.5	16.2	40.7
Fiserv	103.59	94.2	70,535	91,029	6.4	6.3	5.9	16.5	16.0	14.5	39.1
Jack Henry & Associates	145.97	90.1	11,286	11,147	7.1	7.0	6.6	26.8	21.8	20.2	26.4
High		94.2 %	\$ 82,529	\$ 99,851	8.0 x	8.1 x	7.4 x	26.8 x	21.8 x	20.2 x	40.7 %
Median		90.1	11,286	11,147	6.4	6.3	5.9	22.7	18.7	16.2	26.4
Mean		83.7	33,978	41,765	6.0	5.8	5.4	22.0	17.9	15.8	23.1
Low		53.1	1,819	1,831	4.0	3.6	3.4	16.5	13.7	11.6	0.2

### Select Compliance, Risk, & Data Intelligence Companies

Compliance, Risk, & Data Intelligence	Closing Price 30-Sep-2019	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2019	2020	LTM	2019	2020	
EQS Group	\$ 68.15	82.2 %	\$ 82	\$ 120	2.5 x	2.9 x	2.6 x	NM	34.0 x	22.3 x	(3.9%)
GB Group	6.67	85.0	1,295	1,369	7.3	6.1	5.3	33.6	25.4	22.0	21.8
Thomson Reuters	66.89	93.9	34,025	36,012	6.2	6.1	5.8	35.0	24.4	18.8	17.6
Wolters Kluwer	73.03	98.9	19,851	22,117	4.4	4.3	4.1	16.0	14.7	13.7	27.3
Workiva	43.83	68.4	2,286	2,187	8.1	7.5	6.5	NM	NM	NM	NM
High		98.9 %	\$ 34,025	\$ 36,012	8.1 x	7.5 x	6.5 x	35.0 x	34.0 x	22.3 x	27.3 %
Median		85.0	2,286	2,187	6.2	6.1	5.3	33.6	24.9	20.4	19.7
Mean		85.7	11,508	12,361	5.7	5.4	4.9	28.2	24.6	19.2	16.7
Low		68.4	82	120	2.5	2.9	2.6	16.0	14.7	13.7	(0.0)

### Select Consulting Services Companies

Business Consulting	Closing Price 30-Sep-2019	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2019	2020	LTM	2019	2020	
Accenture	\$ 192.35	94.8 %	\$ 126,226	\$ 120,537	2.8 x	2.8 x	2.6 x	16.7 x	16.5 x	15.3 x	16.7 %
Capgemini	117.87	91.6	20,321	23,644	1.5	1.5	1.5	11.7	9.9	9.3	12.9
CBIZ	23.50	95.2	1,334	1,679	1.8	1.8	1.7	14.4	14.0	12.9	12.5
CRA International	41.39	76.3	367	456	1.1	1.0	1.0	12.1	10.7	10.1	8.8
Franklin Covey	34.35	87.4	494	508	2.3	2.2	2.0	NA	NA	NA	6.4
FTI Consulting	105.23	94.3	4,215	4,468	2.1	2.0	1.9	14.4	14.0	13.3	14.2
Heidrick & Struggles	25.76	57.7	511	367	0.5	0.5	0.5	4.3	4.3	4.2	11.8
Huron Consulting	60.70	94.3	1,466	1,765	2.1	2.1	2.0	17.3	17.1	15.0	12.3
ICF International	80.70	93.4	1,595	1,964	1.4	1.3	1.2	15.2	14.0	12.8	9.1
Korn Ferry	36.35	73.4	2,079	1,881	1.0	1.0	0.9	6.7	6.1	5.7	14.4
Resources Connection	16.64	85.3	537	564	0.8	0.8	0.8	9.6	9.4	8.9	8.1
High		95.2 %	\$ 126,226	\$ 120,537	2.8 x	2.8 x	2.6 x	17.3 x	17.1 x	15.3 x	16.7 %
Median		91.6	1,466	1,765	1.5	1.5	1.5	13.2	12.3	11.5	12.3
Mean		85.8	14,468	14,348	1.6	1.5	1.5	12.3	11.6	10.7	11.6
Low		57.7	367	367	0.5	0.5	0.5	4.3	4.3	4.2	6.4

Source: Capital IQ, equity research reports, market data as of 30-Sep-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			LTM EBITDA Margin
	30-Sep-2019				LTM	2019	2020	LTM	2019	2020	
Checkpoint	\$109.50	82.5%	\$16,670	\$14,986	7.6 x	7.5 x	7.3 x	16.6 x	14.6 x	14.0 x	45.5%
Proofpoint	129.05	97.1	7,858	6,811	8.1	7.7	6.5	NM	NM	NM	(2.9)
Qualys	75.57	77.8	3,193	2,897	9.3	9.0	7.8	30.4	22.5	19.4	30.7
SecureWorks	12.93	51.9	1,093	976	1.8	1.8	1.7	NM	NM	NM	(0.6)
Verint	42.78	66.9	2,856	3,254	2.6	2.4	2.2	18.2	9.9	8.6	14.0
High		1.0 %	\$ 16,670	\$ 14,986	9.3 x	9.0 x	7.8 x	30.4 x	22.5 x	19.4 x	0.3 %
Median		66.9	3,193	3,254	7.6	7.5	6.5	18.2	14.6	14.0	0.5
Mean		58.9	6,334	5,785	5.9	5.7	5.1	21.7	15.7	14.0	8.3
Low		0.8	1,093	976	1.8	1.8	1.7	16.6	9.9	8.6	(2.9)














### Select Testing, Inspection, & Certification Companies

TIC	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
	30-Sep-2019				LTM	2019	2020	LTM	2019	2020	
Applus Services	\$ 12.98	90.2 %	\$ 1,857	\$ 2,414	1.2 x	1.2 x	1.2 x	9.5 x	7.5 x	7.2 x	12.9 %
Bureau Veritas	24.10	93.9	10,897	13,345	2.4	2.4	2.3	12.9	12.0	11.3	18.5
Intertek Group	67.38	91.6	10,965	12,047	3.3	3.3	3.1	15.2	15.2	14.4	21.5
SGS	2,479.60	91.7	18,932	21,396	3.1	3.2	3.1	17.2	14.4	13.9	18.0
High		93.9 %	\$ 18,932	\$ 21,396	3.3 x	3.3 x	3.1 x	17.2 x	15.2 x	14.4 x	21.5 %
Median		91.7	10,931	12,696	2.7	2.8	2.7	14.0	13.2	12.6	18.2
Mean		91.9	10,663	12,301	2.5	2.5	2.4	13.7	12.3	11.7	17.7
Low		90.2	1,857	2,414	1.2	1.2	1.2	9.5	7.5	7.2	12.9

Source: Capital IQ, equity research reports, market data as of 30-Sep-2019  
 Note: Any negatives multiples or multiples greater than 35.0x are marked "NM"

## RECENT DEALS

# CLIENT SUCCESS

 <i>has been acquired by</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has acquired</i>  <b>BUY-SIDE</b> ADVISOR	 <i>has been acquired by</i> <b>HERO_digital.</b> <i>a portfolio company of</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has been acquired by</i>  <i>a portfolio company of</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has been recapitalized by</i>  <b>SELL-SIDE</b> ADVISOR
 <i>has been acquired by</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has been acquired by</i>  <i>a portfolio company of</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has been acquired by</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has been acquired by</i>  <i>a subsidiary of</i>  <b>SELL-SIDE</b> ADVISOR	 <i>has been acquired by</i>  <b>SELL-SIDE</b> ADVISOR

We would like to thank all of our clients, colleagues, and friends for helping to reinforce Clearsight as the *leader* in advising high-end technology and business services companies.

### ABOUT US

Clearsight Advisors is a premier, independent investment bank dedicated to providing world-class M&A and capital raising solutions exclusively to growth-oriented Technology and Business Services companies. Clearsight combines deep market insights across software, services, and data. This market knowledge combined with superior strategic and financial advice allows Clearsight to act as a catalyst, enabling entrepreneurs, private equity owners, and boards of directors to successfully advance their vision. Clearsight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information, please visit [www.clearsightadvisors.com](http://www.clearsightadvisors.com)

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