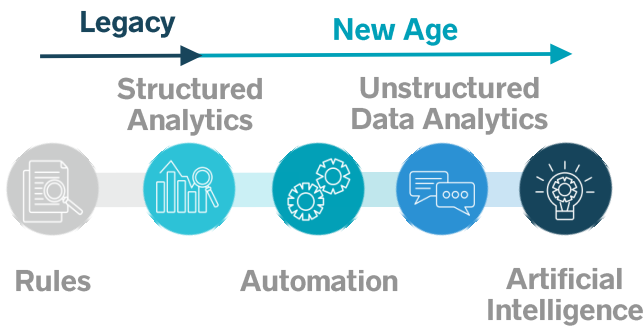


Compliance Technology & Services Market Monitor

- Market Overview
- Sector Spotlight
- Public Market Performance
- M&A Activity

Innovation, Regulation, Consolidation: AML & KYC in 2020 and Beyond

Anti-money laundering (AML) and know your consumer (KYC) compliance is an essential business function for all financial institutions (FIs). Yet, non-compliance with AML and KYC accounted for greater than **60%** of total global penalties against FIs in 2019, **totaling \$8.35 billion** in fines alone. How can something that is so mission critical operate so inefficiently? The answer is relatively simple. Despite advances in technology, data and analytics, AML and KYC practices and processes remain relatively antiquated for primarily two reasons. First, practices are highly manual, require immense resources and are wrought with inefficiencies. Second, legacy technology platforms are aging, rules-based and simply inadequate (e.g. cannot access and/or process external, unstructured data); according to Celent these systems often, “generate a high proportion of false positives, often surpassing **80 or 90%** of alerts...”



To further compound the issue, AML legislation is evolving and becoming increasingly complex, putting further stress on AML and KYC operations. For example, in 2018, the CDD rule was enacted, requiring banks to gather and verify the individuals who own and control a company when opening an account. This simple rule alone dramatically increased the complexity of onboarding and monitoring customers.

Further, both the EU (2020 Action Plan) and the US (Anti-Money Laundering Act of 2020) have proposed new legislation to overhaul the current AML systems in their respective jurisdictions. Both measures are intended to harmonize existing AML rules and ensure they are implemented more effectively as well as to enhance oversight and enforcement across its member states.

With the AML solutions market expected to grow at a **CAGR of 19.5%** from \$1.5 billion in 2019 to \$3.6 billion in 2024, now is the time for financial institutions to adapt their compliance operations beyond legacy solutions and explore more modern platforms that are fit-for-purpose and utilize the latest in cloud computing and AI/ML technology.

Successfully utilizing innovative AML and KYC technology will be critical to meet the heightened compliance requirements and overcome the resource strains that have only been exacerbated by the COVID-19 crisis. New entrants in the sector, such as **Sayari** and **Hummingbird** are already attracting attention, both having raised institutional capital in the last quarter. These newcomers and others seek to disrupt the status quo and unseat incumbent tech and data providers. Incumbents in the space will need to adapt to compete and avoid losing market share and/or obsolescence.

Sector Leadership



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Director

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SAYARI

- > **Founded:** 2015
- > **Location:** Washington, D.C.
- > **Total Raised:** \$14.7 M
- > **Date of Last Raise:** 7.7.2020

hummingbird

- > **Founded:** 2016
- > **Location:** San Francisco, CA
- > **Total Raised:** \$11.2 M
- > **Date of Last Raise:** 7.18.2020

Sector Spotlight

General Compliance

Debunking The Myth That Greater Compliance Makes IT More Secure. “Bottom Line: Excelling at compliance doesn’t protect any business from being hacked, yet pursuing a continuous risk management strategy helps.” – [Forbes](#)

Rising Compliance Requirements to Propel Key Management as a Service Market at 25.9% CAGR between 2020 and 2030: P&S Intelligence. “In the wake of the rising cyber attacks, adoption of cloud technologies, and focus on digital transformation, the need to meet the associated regulatory compliance is increasing around the world.” – [GlobeNewswire](#)

ANALYSIS: Deconstructing the 2020 DOJ Compliance Guidance. “It’s been a couple of weeks since the Department of Justice released its latest version of the ‘Evaluation of Corporate Compliance Programs’ (2020 Guidance).” – [Bloomberg News \(Law\)](#)

Financial Services Compliance

Banks Face Increasing Compliance Risks, OCC Says. “The coronavirus pandemic has forced some financial institutions to reduce staff or reassign personnel at a time when applications for government relief programs are flooding in, heightening banks’ compliance risks, the Office of the Comptroller of the Currency said.” – [Wall Street Journal](#)

How Privacy-Enhanced Technologies Can Make Financial Crime Compliance More Effective. “Financial Institutions are investing substantial resources in combating money laundering and other forms of financial crime.” – [ABA](#)

Keeping Up With The Compliances: A 2020 AML Guide for Money Service Businesses. “Money laundering has become a huge problem worldwide. Money service businesses or MSBs have become the new vehicle for criminal groups to laundry cash and move it across the borders and inside countries.” – [Finance Magnates](#)

Sector Spotlight

Healthcare / Life Sciences Compliance

After the Curve: AN Analysis of the Changing face of Healthcare. “In the same way that the events of September 11, 2001, suddenly and permanently changed the way we travel, the current Coronavirus (COVID-19) pandemic is suddenly and permanently changing the way we deliver, consume and pay for healthcare services in the United States.” – [National Law Review](#)

Patient Safety and Risk Management Software – Global Market Insights and outlook Through 2017-2018. “The Global Patient Safety and Risk Management Software Market is poised to grow at a CAGR of around 10.3% by 2028.” – [Business Wire / Research and Markets](#)

Tech optimization: Fine-tuning cybersecurity defenses. “Every day, there are countless cyberattacks by malicious actors on healthcare provider organizations.” – [Healthcare IT News](#)

Data & Privacy

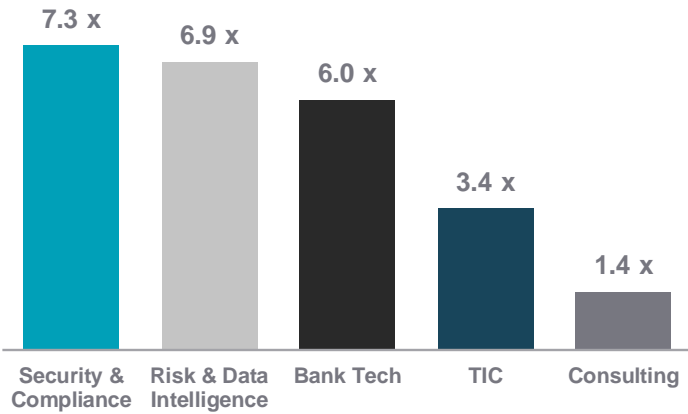
Market forces, not regs, leading the charge for data privacy. “Data privacy is about to become a more tangible concept to Americans not due to regulation like the CCPA, but because the most influential brand in the nation is making it a pillar of how it does business.” – [Compliance Week](#)

Revised DOJ compliance guidance offers risk-management lessons for cybersecurity leaders. “In February 2017, the Criminal Division of the US Justice Department (DOJ) issued its first-ever guidance for prosecutors of white-collar crime to use when assessing whether a company complied with its own risk management program.” – [CSO United States](#)

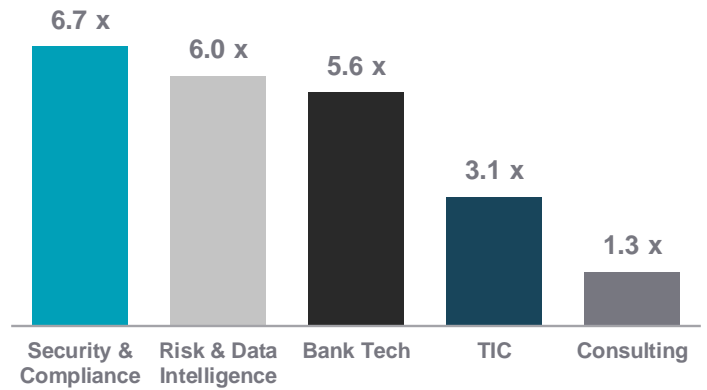
Democratic privacy bill proposes new data agency. “A draft privacy bill from Sen. Sherrod Brown (D-Ohio) would require companies seeking to collect sensitive personal data to receive a “certification of compliance” from a newly created independent agency.” – [Compliance Week](#)

Public Market Performance

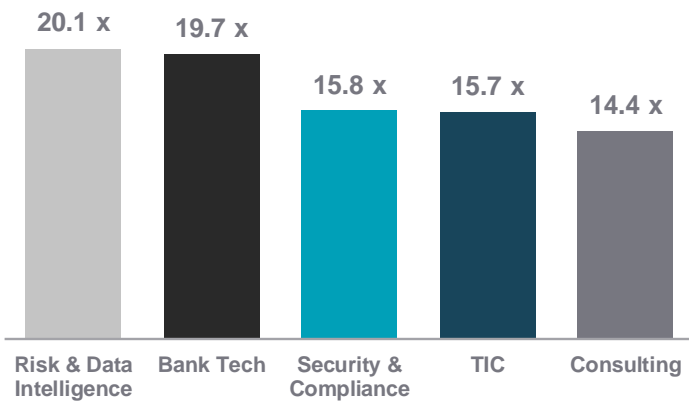
2020E EV / Revenue



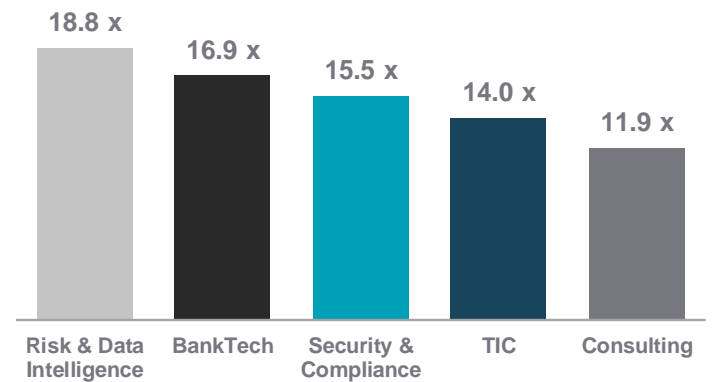
2021E EV / Revenue



2020E EV / EBITDA



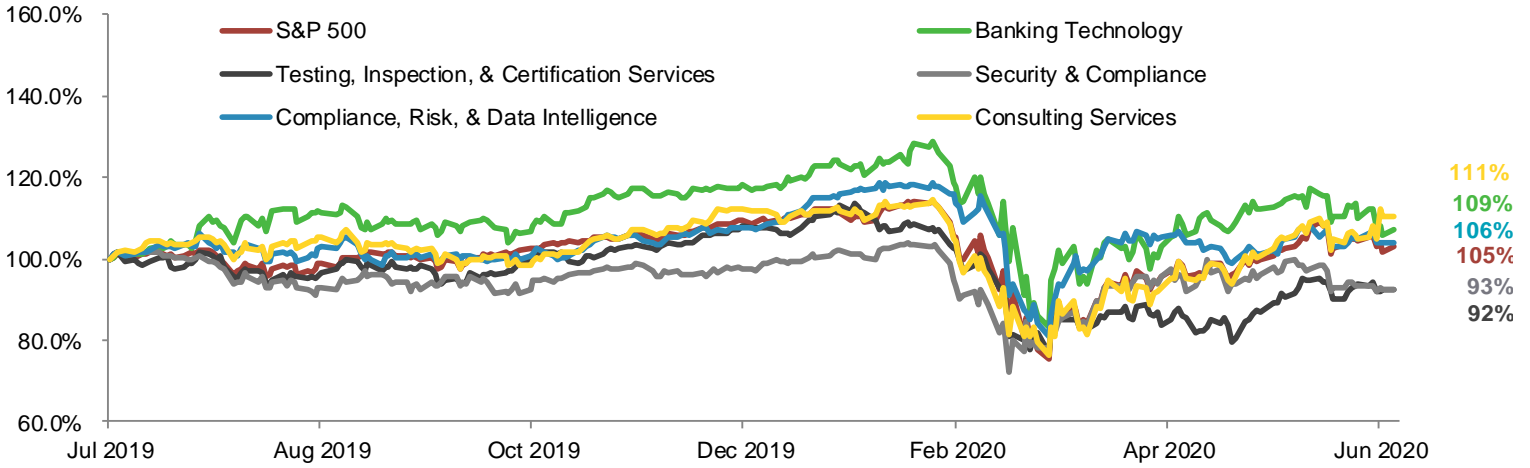
2021E EV / EBITDA



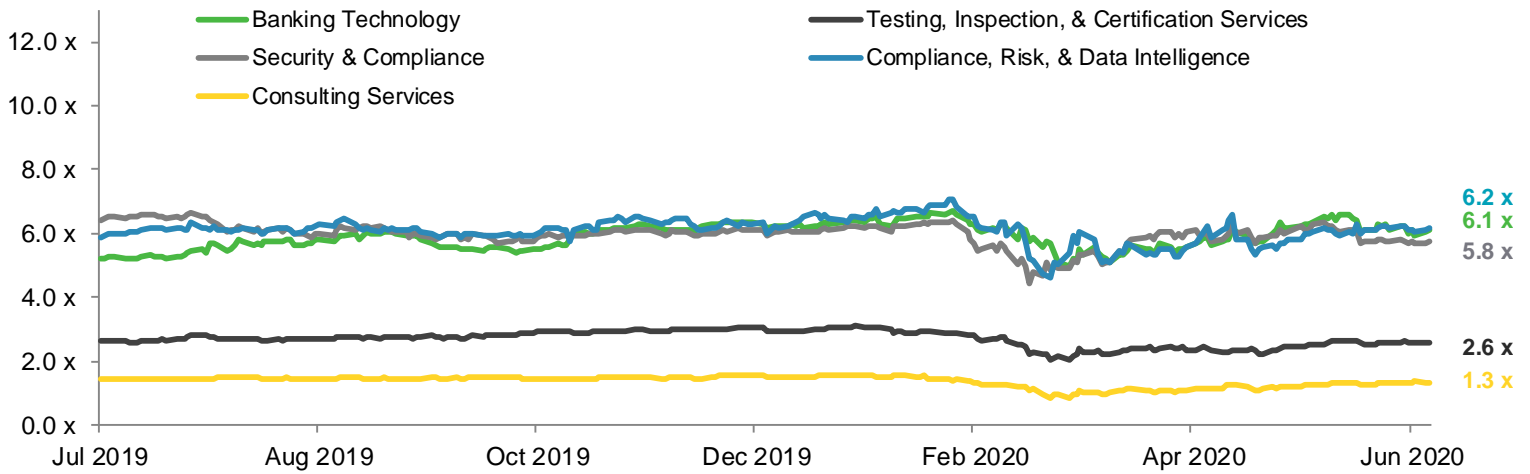
Source: Capital IQ, market data as of 30-Jun-2020

Public Market Performance

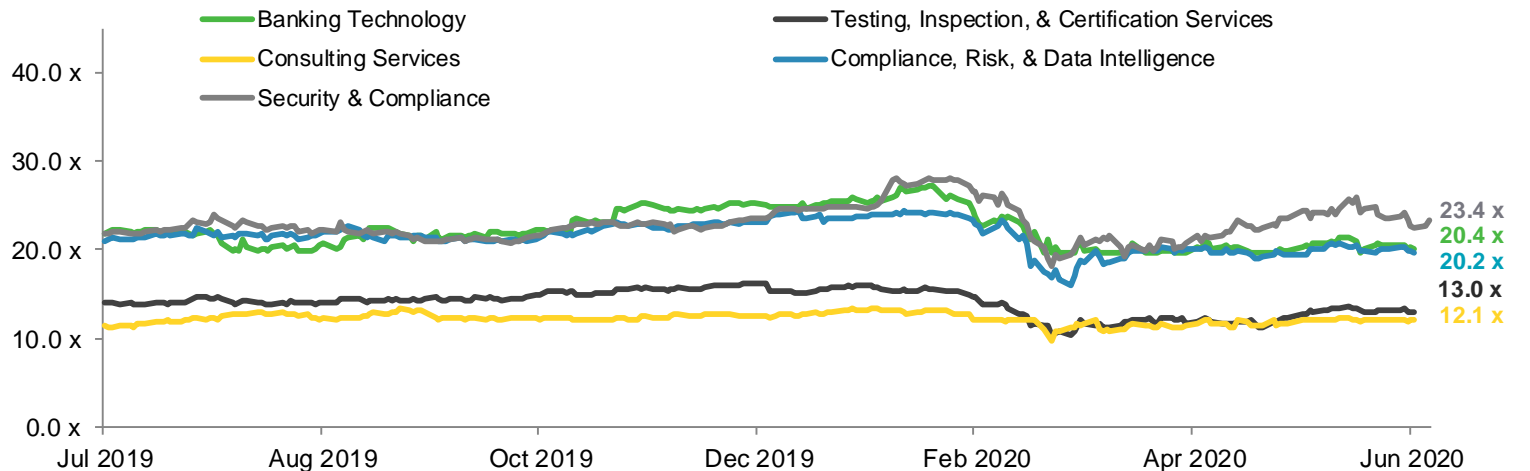
Compliance Market Indices Performance – 1 Year



LTM EV / Revenue Multiple Trend – 3 Years



LTM EV / EBITDA Multiple Trend – 3 Years



Source: Public filings as of 30-Jun-2020, Capital IQ

Note: Multiples charts may differ from Comparable Company Analysis figures due to detailed adjustments made to the Comparable Company Analysis.

Public Market Performance

Select Bank Technology Companies

	Closing Price 30-Jun-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2020E Revenue Growth	2020E EBITDA Margin
					LTM	2020	2021	LTM	2020	2021		
Banking Technology												
Fidelity	\$134.09	84.8%	\$83,946	\$103,387	9.1x	8.2x	7.6x	26.4x	19.7x	16.9x	19.9%	43.0%
Fiserv	97.62	78.1	66,692	89,362	6.2	6.0	5.6	18.2	16.1	14.3	0.2	37.2
Jack Henry & Associates	184.03	94.4	14,158	14,104	8.4	8.4	7.9	27.8	26.2	24.2	7.3	31.9
ACI Worldwide	26.99	68.6	3,249	4,561	3.4	3.3	3.1	20.9	13.3	11.2	9.7	24.8
Bottomline Technologies	50.77	88.7	2,351	2,353	5.3	5.2	4.7	24.6	24.8	20.8	4.0	21.1
High		94.4%	\$83,946	\$103,387	9.1x	8.4x	7.9x	27.8x	26.2x	24.2x	19.9%	43.0%
Median		84.8	14,158	14,104	6.2	6.0	5.6	24.6	19.7	16.9	4.0	24.8
Mean		82.9	34,079	42,753	6.5	6.2	5.8	23.6	20.0	17.5	4.3	23.1
Low		68.6	2,351	2,353	3.4	3.3	3.1	18.2	13.3	11.2	0.2	21.1

Select Compliance, Risk & Data Intelligence Companies

	Closing Price 30-Jun-20	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2020E Revenue Growth	2020E EBITDA Margin
					LTM	2020	2021	LTM	2020	2021		
Compliance, Risk, & Data Intelligence												
Thomson Reuters	\$70.00	83.9%	\$35,077	\$37,610	6.4x	6.3x	6.0x	32.7x	20.1x	18.8x	1.0%	31.3%
Wolters Kluwer	79.72	96.3	21,221	23,285	4.3	4.2	4.0	14.8	14.4	13.8	4.6	28.9
Avalara	133.09	95.9	10,437	9,986	24.4	21.7	17.5	NM	NM	NM	22.8	NA
Workiva	53.49	83.4	2,523	2,309	7.5	6.9	6.0	NM	NM	NM	14.1	NA
GB Group	8.50	83.4	1,654	1,700	6.9	7.4	6.9	34.6	34.3	30.4	1.7	22.0
High		96.3%	\$35,077	\$37,610	24.4x	21.7x	17.5x	34.6x	34.3x	30.4x	22.8%	31.3%
Median		83.9	10,437	9,986	6.9	6.9	6.0	32.7	20.1	18.8	4.6	28.9
Mean		88.6	14,183	14,978	9.9	9.3	8.1	27.4	23.0	21.0	8.8	27.4
Low		83.4	1,654	1,700	4.3	4.2	4.0	14.8	14.4	13.8	1.0	22.0

Select Business Consulting Companies

	Closing Price 30-Jun-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2020E Revenue Growth	2020E EBITDA Margin
					LTM	2020	2021	LTM	2020	2021		
Business Consulting Services												
Accenture	\$214.72	98.5%	\$146,680	\$144,215	3.2x	3.2x	3.0x	20.0x	17.8x	17.1x	1.7%	18.2%
Capgemini	114.73	84.3	20,031	24,325	1.5	1.4	1.3	12.0	9.5	8.5	11.8	14.4
FTI Consulting	114.55	79.5	4,490	4,758	2.0	2.0	1.8	14.3	14.5	12.4	5.8	13.6
ICF International	64.83	68.1	1,272	1,893	1.3	1.3	1.2	15.0	14.4	12.6	(0.3)	8.9
CBIZ	23.97	83.4	1,353	1,676	1.8	1.8	1.7	13.2	14.4	12.4	(1.0)	12.5
Korn Ferry	30.73	69.9	1,688	1,590	0.8	1.0	0.9	6.0	7.6	6.7	(16.7)	10.6
Huron Consulting	44.25	62.4	1,078	1,455	1.6	1.8	1.6	13.7	22.6	13.2	(5.1)	7.9
CRA International	39.50	67.9	322	533	1.1	1.1	1.1	11.9	12.6	11.4	4.0	9.1
Resources Connection	11.97	66.8	387	385	0.5	0.6	0.6	7.2	9.3	6.7	(6.5)	6.2
Heidrick & Struggles	21.62	65.1	436	425	0.6	0.8	0.7	6.1	7.3	6.3	(20.4)	10.3
Franklin Covey	21.40	51.1	299	315	1.5	1.4	1.3	16.9	14.4	NA	(1.6)	10.0
High		98.5%	\$146,680	\$144,215	3.2x	3.2x	3.0x	20.0x	22.6x	17.1x	98.5%	18.2%
Median		67.9	1,272	1,590	1.5	1.4	1.3	13.2	14.4	11.9	(1.0)	10.0
Mean		63.6	16,185	16,506	1.5	1.5	1.4	12.4	13.1	10.7	(2.7)	9.4
Low		51.1	299	315	0.5	0.6	0.6	6.0	7.3	6.3	(20.4)	6.2

Source: Capital IQ, equity research reports, market data as of 30-Jun-2020

Notes: \$ in millions (except share price), companies sorted by EV, any negative multiples or multiples greater than 35.0x are marked "NM", any negative margin trends are marked "NA"

Public Market Performance

Select Security & Compliance Companies

	Closing Price 30-Jun-20	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2020E Revenue Growth	2020E EBITDA Margin
					LTM	2020	2021	LTM	2020	2021		
Security & Compliance												
Checkpoint	\$107.43	88.8%	\$17,193	\$15,601	7.8x	7.7x	7.5x	16.5x	15.8x	15.5x	1.0%	49.1%
Proofpoint	114.56	83.2	7,137	6,950	7.3	6.8	5.8	NM	NM	NM	15.0	14.0
Qualys	106.23	87.3	4,522	4,190	12.3	11.7	10.4	33.0	27.6	23.9	11.2	42.5
Verint	45.18	75.5	2,915	3,344	2.6	2.7	2.5	22.6	10.7	9.4	1.9	25.0
High		88.8%	\$17,193	\$15,601	12.3x	11.7x	10.4x	33.0x	27.6x	23.9x	15.0%	49.1%
Median		85.3	5,830	5,570	7.5	7.3	6.7	22.6	15.8	15.5	6.5	19.5
Mean		83.7	7,942	7,521	7.5	7.2	6.5	24.0	18.0	16.3	7.0	20.5
Low		75.5	2,915	3,344	2.6	2.7	2.5	16.5	10.7	9.4	1.0	14.0

Select Testing, Inspection, & Certification Companies

	Closing Price 30-Jun-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2020E Revenue Growth	2020E EBITDA Margin
					LTM	2020	2021	LTM	2020	2021		
Testing, Inspection, and Certification												
SGS	\$2,505.96	80.5%	\$19,101	\$20,675	3.1x	3.4x	3.1x	16.5x	15.7x	14.0x	(11.0)%	21.6%
Intertek Group	72.26	88.1	11,760	12,858	3.4	3.6	3.5	16.6	17.8	15.5	(12.1)	20.3
Bureau Veritas	22.72	72.2	10,295	12,105	2.3	2.3	2.2	12.2	12.9	11.2	(9.2)	18.1
High		88.1%	\$19,101	\$20,675	3.4x	3.6x	3.5x	16.6x	17.8x	15.5x	(9.2)%	21.6%
Median		80.5	11,760	12,858	3.1	3.4	3.1	16.5	15.7	14.0	(10.1)	20.3
Mean		80.3	13,719	15,213	2.9	3.1	2.9	15.1	15.5	13.6	(10.8)	20.0
Low		72.2	10,295	12,105	2.3	2.3	2.2	12.2	12.9	11.2	(12.1)	18.1

Source: Capital IQ, equity research reports, market data as of 30-Jun-2020

Notes: \$ in millions (except share price), companies sorted by EV, any negative multiples or multiples greater than 35.0x are marked "NM", any negative margin trends are marked "NA"

Featured M&A Activity

Date	Target	Buyer/Investor	EV	Summary
Jun-20	 INTEGRIS SOFTWARE	 OneTrust PRIVACY, SECURITY & TRUST <i>(Insight Partners and Coatue Management)</i>	ND	<ul style="list-style-type: none"> Integrus Software is a provider of data discovery and classification software intended to help companies manage data privacy
Jun-20	 Stanley Davis	 Dye & Durham <i>(Seastone Investments)</i>	ND	<ul style="list-style-type: none"> Stanley Davis provides cloud-based e-service software, secretarial, administrative, and compliance services for company formations
Jun-20	 AMERICAN SAFETY COUNCIL	 Ridgemont EQUITY PARTNERS™	ND	<ul style="list-style-type: none"> American Safety Council is a provider of OSHA-compliant online licensing training and certification
Jun-20	 Guardian Analytics™	 NICE	ND	<ul style="list-style-type: none"> Guardian developed a risk management tool for online fraud detection, forensics, and ongoing risk monitoring to financial institutions for addressing AML compliance requirements
Jun-20	 TRAPETS SURVEILLANCE & COMPLIANCE	 MONTERRO	\$33.1 M	<ul style="list-style-type: none"> Trapets AB develops AML, KYC screening, and trade surveillance solutions
May-20	 ACA COMPLIANCE GROUP <i>nka Wheelhouse Advisors</i>	 PELICAN CAPITAL	\$7.8 M	<ul style="list-style-type: none"> ACA Compliance Group is a provider of governance, risk, and compliance advisory services and technology solutions
May-20	 arvato BERTELSMANN Financial Solutions Risk Management	 experian ™	\$202.8 M	<ul style="list-style-type: none"> The Risk Management division of Arvato offers credit rating services, including authentication, monitoring, and anti-fraud services
May-20	 avedos GRC GmbH	 TEC <i>(Main Capital Partners)</i>	ND	<ul style="list-style-type: none"> Avedos develops enterprise management software solutions for governance, risk and compliance (GRC) services
May-20	 taxweb	 SOVOS <i>(Hg Capital)</i>	ND	<ul style="list-style-type: none"> Taxweb develops tax determination software for enterprises operating in Brazil
May-20	 SHARPLINE ALLOCATIONS	 FRANCO SIGNOR YOUR COMPLIANCE AUTHORITY <i>(BV Investment Partners)</i>	ND	<ul style="list-style-type: none"> Sharpline Allocations, Inc. provides Medicare secondary payer (MSP) compliance services
May-20	 Lifeguard Solutions	 COMPLIANCEQUEST Quality, Compliance, Collaboration, Communication <i>(Insight Partners)</i>	ND	<ul style="list-style-type: none"> Lifeguard Solutions is a provider of QHSE (quality, health, safety and environmental) management solutions
May-20	 Cerberus <i>nka BDO Cerberus</i>	 BDO	ND	<ul style="list-style-type: none"> Cerberus Limited (nka BDO Cerberus Regulatory Consulting) provides risk and regulatory compliance consultancy services
Apr-20	 DivvyCloud	 RAPID7	\$147.8 M	<ul style="list-style-type: none"> DivvyCloud develops a software that allows enterprise customers to automate security, compliance, and governance risks
Apr-20	 NIKE GROUP	 accenture	ND	<ul style="list-style-type: none"> The Nike Group provides regulatory and consulting services and technology allowing users to constantly monitor new regulatory requirements and adapt to new rules

Source: Public filings as of 30-Jun-2020, Capital IQ, Pitchbook


Featured Private Placements

Date	Target	Buyer/Investor	Capital Raised	Summary
Jun-20			\$11.2 M	<ul style="list-style-type: none"> Ubble is a developer of an identity verification platform designed to improve secure customer validation processes
Jun-20			ND	<ul style="list-style-type: none"> SecurityGate is a provider of a security, risk, and compliance management platform intended to manage the complete cyber risk assessment process
Jun-20			\$100.0 M	<ul style="list-style-type: none"> Payfone is a developer of an identity-verification software designed to protect against identity theft and social engineering attacks from professionals
Jun-20			\$15.0 M	<ul style="list-style-type: none"> RiskIQ develops a digital threat management platform designed to offer unified insight and control for external threats
May-20			ND	<ul style="list-style-type: none"> Secberus is a developer of a SaaS-based Cloud Security Posture Management and Compliance Reporting (CSPM) platform intended to provide end-to-end security and risk visibility
May-20			\$8.2M	<ul style="list-style-type: none"> Hummingbird Regtech develops a platform for managing AML operations at banks
Apr-20			\$16.0 M	<ul style="list-style-type: none"> Deep Labs is a developer of a persona intelligence-based platform designed to facilitate an advanced understanding of how an actor's behaviors change
Apr-20			\$37.7 M	<ul style="list-style-type: none"> Safety Culture is a developer of an enterprise compliance checking platform designed to facilitate inspections by improving workplace standards
Apr-20			ND	<ul style="list-style-type: none"> Railsbank Technology develops an API banking and compliance technology platform that connects a global network of banks
Apr-20			\$15.0 M	<ul style="list-style-type: none"> Okera is a provider of an active data access platform intended to offer companies to deliver secure data access in multi-cloud and hybrid cloud environments
Apr-20			\$87.0 M	<ul style="list-style-type: none"> Privitar develops products for privacy preserving data mining and sophisticated data anonymization
Mar-20			\$8.0 M	<ul style="list-style-type: none"> Exempt Me Now, Inc., dba Resilia, is a developer of an automated filing platform that simplifies compliance processes for non-profit organizations

Source: Public filings as of 30-Jun-2020, Capital IQ, Pitchbook

About ClearSight

ClearSight Advisors is an independent merchant banking firm dedicated to driving the Knowledge Economy by providing world-class M&A and capital raising solutions exclusively to growth-oriented Business Services and Technology companies. ClearSight combines deep market insights across software, services and data. ClearSight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information about ClearSight, visit www.clearsightadvisors.com

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Select Transactions

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The Reporting Software and Consulting Divisions of



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a portfolio company of




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has been acquired by



Sellside Advisor

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has been acquired by



a portfolio company of



Sellside Advisor



has been acquired by



Sellside Advisor



a portfolio company of



has been acquired by




Sellside Advisor


The Managed Services Division of




has been acquired by




Sellside Advisor



has been acquired by



BuySide Advisor



has acquired

