

Compliance, Risk & Cybersecurity

Market Monitor

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Risk and Regulatory Market: Regulation in the Biden Administration

One of the Trump Administration's policy priorities was deregulation, with the promise that, "for every new federal regulation, two existing regulations must be eliminated," as stated in Trump's first 100-day action plan. Although efforts and enactment varied over the last four years, the perception by corporations and compliance professionals was that regulation was lax or limited and enforcement agencies were short-handed if not gutted. As a result, the compliance environment was somewhat crippled and highly unpredictable. With Biden's administration now installed, there will be change, with moves to reinstate regulation and empower regulatory bodies. The impact of these changes is yet to be determined, but early actions signal that it could be significant.

Of the federal agencies that were impacted by Trump Administration deregulation, the Consumer Financial Protection Bureau (CFPB) is often cited as one that was significantly weakened. The CFPB is responsible for regulating consumer financial products and services. A 2019 report by a coalition of consumer advocates said the CFPB's enforcement actions declined 80% from 2015 to 2018, from 55 to 11. Brookings tracked this significant decrease in enforcement and other deregulation efforts by the Trump Administration.

Now, financial services and technology businesses are faced with recentering their compliance programs as enforcement increases. Continue to the Sector Spotlight on page two to see how business are reacting.

Cybersecurity Market: The Automation Illusion

Ten years ago, Marc Andreessen famously noted in the Wall Street Journal that, "software is eating the world." The gist of this argument will be familiar to most and has been borne out in subsequent as the virtual dimension has overtaken the physical. The trend for enterprises to undertake digital transformation initiatives to automate, streamline and better serve customers has moved from forward-thinking to table stakes in an eyeblink. Furthermore, the pandemic has accelerated this trend, as remote and virtual workspaces become the norm. However, too much technology without the human element facilitating its integration can create major problems.

One of the consequences of the trend to digital has been the meteoric rise in cybersecurity concerns and subsequent investment in software to address them. The investment in cybersecurity technologies, from threat intelligence platforms to endpoint detection to network traffic analysis, has led the way in the fight against threats, with over \$8.5B invested in cybersecurity software in 2020 alone, according to Gartner.

Yet, for all this investment in technology, there is something missing, commonly referred to as the "cybersecurity skills gap." Businesses are finding that even a full stack of automated tools for cyber defense requires trained, experienced professionals with the ability to respond to the threats these systems detect. While these tools help cyber professionals address problems more efficiently and separate the signal from the noise, all of this automation had coincided with, rather than alleviated, a widening skills gap. For a full analysis of how businesses and investors are responding to the cybersecurity skills gap, read our latest blog.

Source: Brookings Tracker, Gartner, Business Wire

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Sector Leadership



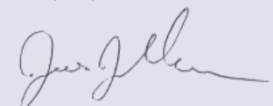
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Sector Spotlight: Regulation in the Biden Administration

Issue Brief

- As is common during administration changes, compliance professionals and business owners are preparing for shifts in the regulatory regime and degree of enforcement. Many are forecasting an increase in regulatory enforcement as the Biden Administration aims to change course from Trump era deregulation.
- For financial institutions, the focus is on consumer protection and compliance with forecasted regulatory changes prioritizing the response to COVID-19 and economic recovery. New regulation is likely to include a new look at student loan debt, bank overdraft fees, housing discrimination, and payday loans among other initiatives.
- As a result, businesses are shifting their attention to their compliance framework and areas that may have become lax over the last four years. Where compliance gaps are found, businesses are turning to software and services to address deficiencies.
- Now more than ever, it's critical that businesses invest in data-driven and continuous compliance programs that are able to adapt more easily to administration changes, new regulation and identified misconduct. To not only meet the demands of a new regulatory regime but work toward a long-term compliance framework, businesses should refresh their risk assessments, evaluate their programs against the latest DOJ guidance, and document all compliance initiatives and progress.

Forecasted Trends



More Regulatory Predictability

In terms of both funding and staffing of regulatory agencies, experts predict that the Biden administration will be more predictable.



New Initiatives and Programs

With COVID-19 leading priorities, new regulation imposed will likely be consumer and economic recovery focused.



Leadership Changes

The Trump administration left several regulatory agencies gutted. Biden's first move will be to appoint new leadership and fill vacancies at the DOJ, CFPB, SEC, and others.



A Corporate Focus on ESG

Biden campaigned heavily on environmental and social justice initiatives which will further the trend of corporate investment in ESG.

What Experts Are Saying

In a recent *Compliance Week* survey, industry professionals shared their forecasts for regulation and enforcement in the Biden Administration.

Karen Moore

CCO & Privacy Counsel, Unisys

"I'm particularly invested in having a new arrangement for personal data transfers from the EU to replace the now disemboweled Privacy Shield regime."

Mark Constable

VP & CCO, Hingham Savings Bank

"We will watch for potential leadership changes at the top to see which direction of increased or reduced regulatory burden we move."

Cari Reed

SVP & CCO, Option Care Health

"[ACA] coverage changes impact our internal policies and processes, and we'll need to adopt revisions, communicate, and train to them, as well as consider how we monitor and audit going forward."

Source: *Compliance Week*, *Boston Globe*, *Performline*

Sector Spotlight: Cybersecurity

Motorola Solutions Acquires Delta Risk

Target



Acquirer



Deal Commentary

- Motorola Solutions continues to expand its offerings to encompass not just its hardware-driven legacy, but the services and software that allow it to offer holistic solutions to enterprises looking for an integrated, single-vendor solution.
- In an announcement to existing and target customers, Delta Risk said, "Joining the Motorola Solutions team gives Delta Risk access to a broad set of resources and capabilities that will enhance the combined offerings and services we offer. For our existing customers, it will be business as usual going forward, and you can rest assured that continuing to provide a high level of service will remain a priority."

Transaction Summary

On September 21st, 2020, Motorola Solutions, a global provider of communication infrastructure, devices, accessories, software, and services, announced the acquisition of Delta Risk, a developer of cybersecurity services software. Delta Risk's software provides solutions across cloud infrastructure, training, compliance, and incident response, among others.

Transaction Information

Announced Date	21-September-2020
Deal Type	Acquisition

Target Information

Year Founded	2007
Target HQ	San Antonio, TX
# of Employees	~90

Deloitte Acquires Root9B, LLC (R9B)

Target



Acquirer Deloitte.

Deal Commentary

- Deloitte bolsters its MSSP offering by acquiring R9B's services and cutting-edge MDR platform, which allows them significant leverage with their SOC to make analysts more effective and responsive to security incidents, while proactively hunting for threats.
- Deborah Golden, Deloitte Risk & Financial Advisory Cyber and Strategic Risk leader and principal, said, "The addition of R9B's business will expand our complement of skilled cyber professionals and leading technologies, while also offering our clients an advantage against adversaries. Our newly combined powerful and innovative solutions for preventing, detecting and mitigating cyber threats are unlike anything we've seen available in today's market."

Transaction Summary

On January 25th, 2021, Deloitte & Touche LLP announced its acquisition of substantially all the assets of Root9B, LLC (R9B), a leading provider of advanced cyber threat hunting services and solutions. In addition to its threat hunting platform, R9B offers credential risk assessment tools, security strategy courses and advisory and consulting services.

Transaction Information

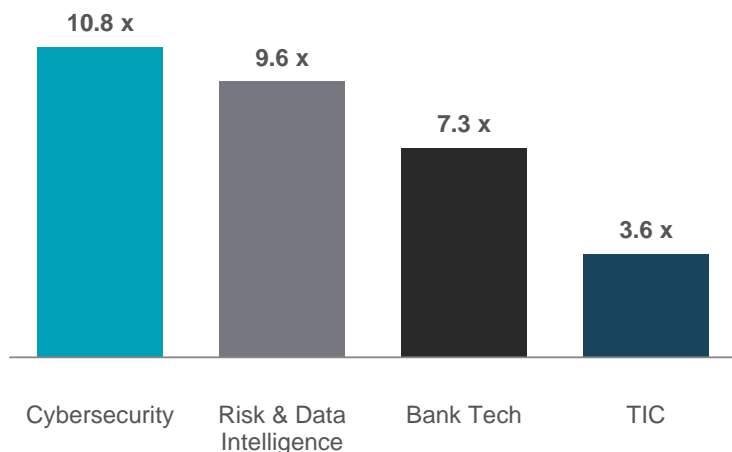
Announced Date	21-January-2021
Deal Type	Acquisition

Target Information

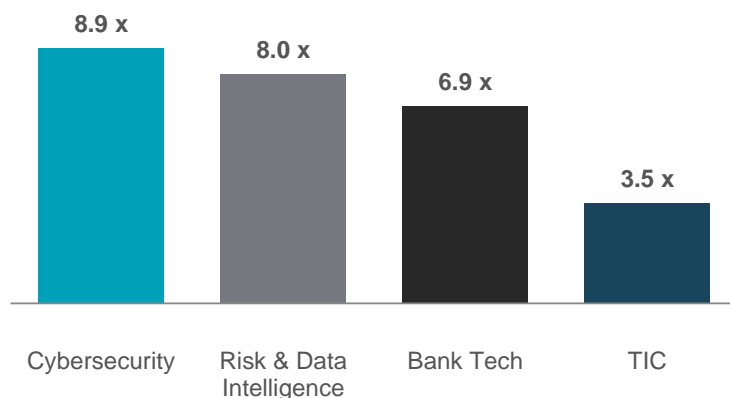
Year Founded	2011
Target HQ	Colorado Springs, CO
# of Employees	~81

Public Market Performance

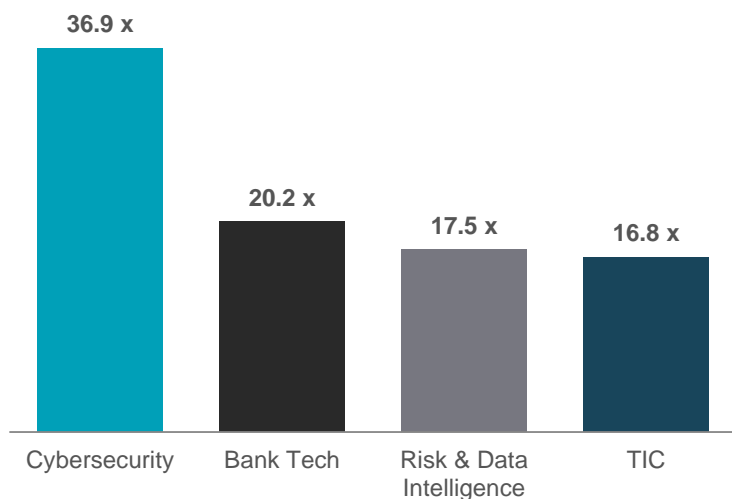
2020E EV / Revenue



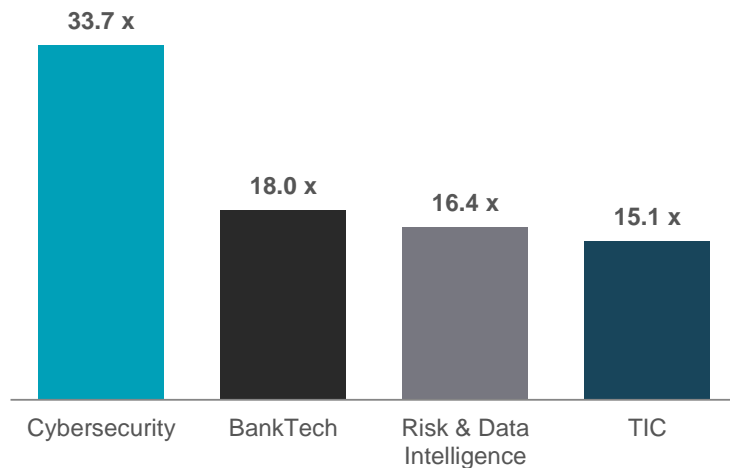
2021E EV / Revenue



2020E EV / EBITDA



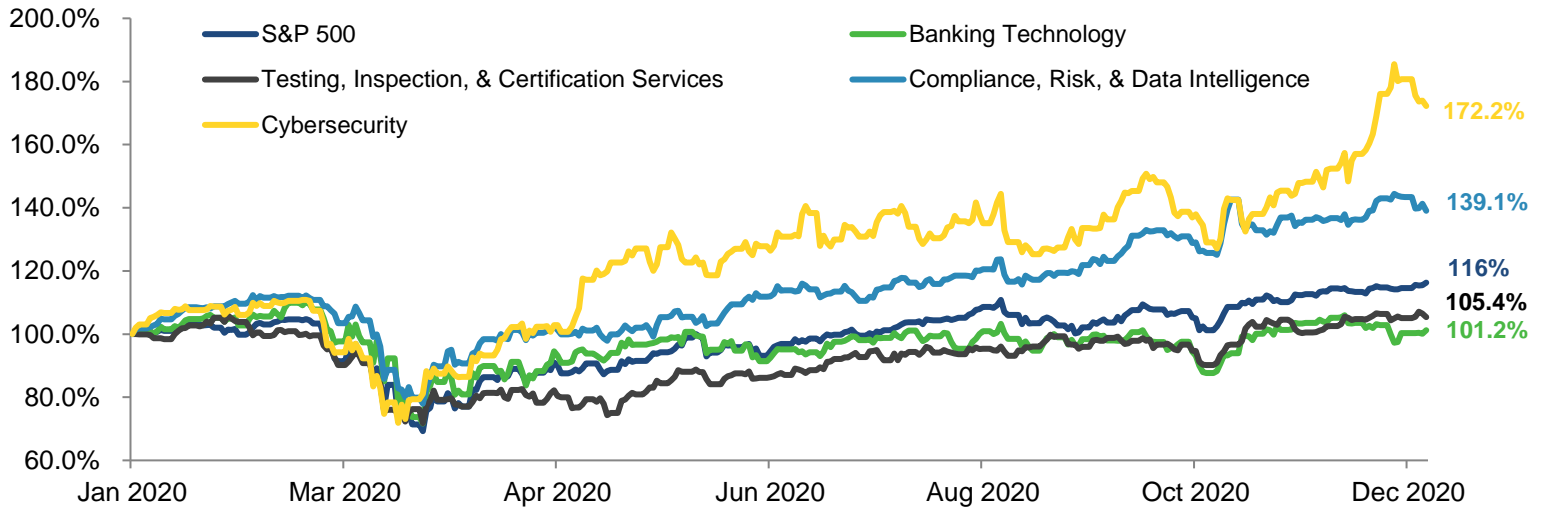
2021E EV / EBITDA



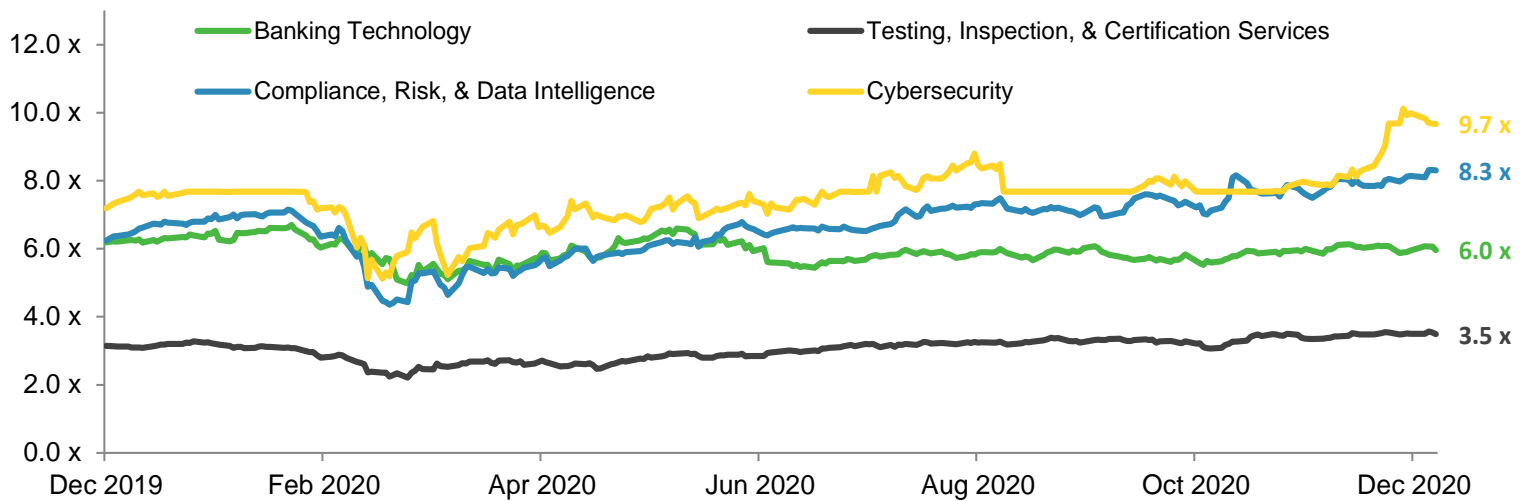
Source: Capital IQ, market data as of 31-Dec-2020

Public Market Performance

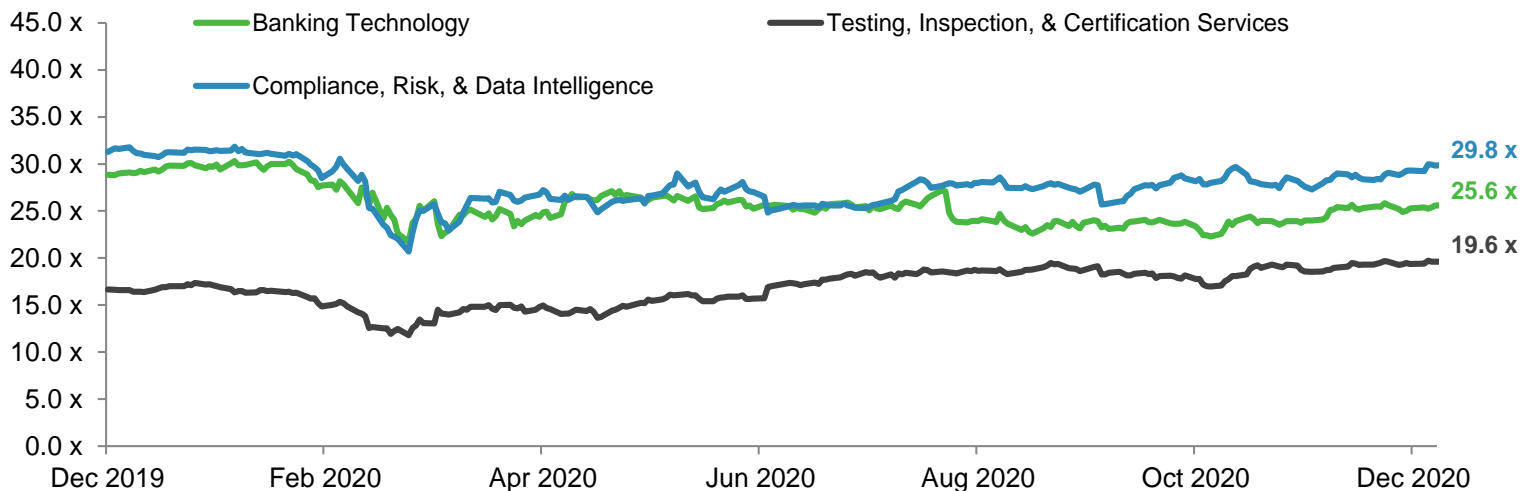
Compliance Market Indices Performance – 1 Year



LTM EV / Revenue Multiple Trend – 3 Years



LTM EV / EBITDA Multiple Trend – 3 Years



Source: Public filings as of 31-Dec-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

Bank Technology Index

	Closing Price 31-Dec-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2020E EBITDA Margin
					2020	2021	2020	2021	
Banking Technology									
Fidelity	\$141.46	89.4%	\$88,947	\$103,387	8.2x	7.5x	19.6x	16.7x	41.8%
Fiserv	113.86	91.1	77,837	99,189	6.6	6.2	18.1	15.7	36.5
Jack Henry & Associates	161.99	80.6	12,412	12,335	7.2	6.7	22.5	21.3	31.7
	High	91.1%	\$88,947	\$103,387	8.2x	7.5x	22.5x	21.3x	41.8%
	Median	89.4	77,837	99,189	7.2	6.7	19.6	16.7	36.5
	Mean	87.0	59,732	71,637	7.3	6.8	20.1	17.9	36.7
	Low	80.6	12,412	12,335	6.6	6.2	18.1	15.7	31.7

Compliance, Risk, and Data Intelligence Index

	Closing Price 31-Dec-20	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples 2020E	2021	EV / EBITDA Multiples 2020E	2021	2020E EBITDA Margin
Compliance, Risk, & Data Intelligence									
Thomson Reuters	\$81.76	90.1%	\$40,645	\$42,285	7.1x	6.8x	21.9x	20.6x	32.4%
Wolters Kluwer	79.72	88.3	21,221	23,712	4.2	4.1	14.2	13.8	29.4
Avalara	164.89	89.4	14,892	14,285	29.2	23.1	NM	NM	1.2
RELX PLC	22.32	81.8	43,116	53,124	5.5	5.1	16.3	14.2	33.8
Workiva	91.62	97.7	4,367	4,158	14.0	10.3	NM	NM	2.2
GB Group	8.50	93.9	1,674	1,720	6.3	5.9	26.1	24.7	24.0
	High	93.9%	\$43,116	\$53,124	29.2x	23.1x	26.1x	24.7x	33.8%
	Median	89.4	18,057	18,999	6.7	6.3	19.1	17.4	24.0
	Mean	86.1	20,986	23,214	11.0	9.2	19.6	18.4	20.1
	Low	97.7	1,674	1,720	4.2	4.1	14.2	13.8	1.2

Source: Capital IQ, equity research reports, market data as of 31-Dec-2020

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

Public Market Performance

Cybersecurity Index

	Closing Price 31-Dec-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2020E EBITDA Margin
					2020E	2021	2020E	2021	
Cybersecurity									
FireEye, Inc.	\$23.06	90.3%	\$5,252	\$5,381	5.8x	5.5x	39.7x	37.0x	14.5%
Fortinet, Inc.	148.53	96.9	25,127	23,518	9.2	7.9	31.2	27.1	29.4
Okta, Inc.	254.26	88.5	35,961	35,378	43.0	33.0	NM	NM	2.9
Palo Alto Networks, Inc.	355.39	94.8	37,492	37,718	10.1	8.4	39.9	37.0	25.2
Rapid7, Inc.	90.16	95.3	5,121	5,275	13.0	10.9	NM	NM	3.6
SailPoint Technologies Inc.	53.24	89.3	5,107	4,984	14.0	12.5	NM	NM	10.1
Telos Corporation	32.98	99.8	2,133	2,315	12.9	8.4	NM	NM	4.0
Tenable Holdings, Inc.	52.26	91.7	5,837	5,607	12.8	10.8	NM	NM	6.8
High		99.8%	\$37,492	\$37,718	43.0x	33.0x	39.9x	37.0x	29.4%
Median		93.3	5,252	5,381	12.9	8.4	39.7	37.0	8.0
Mean		93.3	16,599	16,367	15.4	12.4	36.9	33.7	12.0
Low		88.5	2,133	2,315	5.8	5.5	31.2	27.1	2.9

Testing, Inspection & Certification Index

	Closing Price 31-Dec-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2020E EBITDA Margin
					2020E	2021E	2020E	2021E	
Testing, Inspection, and Certification									
SGS	\$3,017.80	92.8%	\$23,548	\$24,327	3.8x	3.5x	16.8x	15.1x	22.6%
Intertek Group	77.11	87.0	12,519	13,737	3.6	3.5	17.9	15.5	20.3
Bureau Veritas	26.62	83.7	11,988	14,490	2.6	2.4	14.5	12.5	17.7
High		92.8%	\$23,548	\$24,327	3.8x	3.5x	17.9x	15.5x	22.6%
Median		87.0	12,519	14,490	3.6	3.5	16.8	15.1	20.3
Mean		87.8	16,018	17,518	3.3	3.1	16.4	14.4	20.2
Low		83.7	11,988	13,737	2.6	2.4	14.5	12.5	17.7

Source: Capital IQ, equity research reports, market data as of 31-Dec-2020

Notes: \$ in millions (except share price), 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
23-Dec-20			ND	<ul style="list-style-type: none"> Vera Security, Inc. develops data security solutions for clients in a variety of end industries
21-Dec-20			ND	<ul style="list-style-type: none"> Identropy, Inc. provides identity and access management (IAM) services to businesses.
14-Dec-20			ND	<ul style="list-style-type: none"> Comply365, LLC offers a hosted solution to build an architecture allowing independent autonomous compliance management
10-Dec-20			\$280M	<ul style="list-style-type: none"> eOriginal is a trusted leader in digital lending technology, serving more than 650 customers in the U.S.
19-Nov-20			\$2,750M	<ul style="list-style-type: none"> Verafin Inc. develops cloud-based enterprise fraud detection and anti-money laundering software solutions for financial institutions in North America.
17-Nov-20			ND	<ul style="list-style-type: none"> Comply Path Holdings Pty Ltd. develops and operates a regulatory compliance platform.
15-Nov-20			ND	<ul style="list-style-type: none"> Source 44 Consulting Incorporated provides cybersecurity products and services to businesses across Canada.
10-Nov-20			ND	<ul style="list-style-type: none"> Dataguisse, Inc. develops software that provides data security intelligence and solutions for discovering and analyzing risk exposure; and managing sensitive data
02-Nov-20			ND	<ul style="list-style-type: none"> ICSGroup has helped its clients adhere to regulatory requirements and industry standards by developing and managing robust compliance programs
01-Nov-20			\$32M	<ul style="list-style-type: none"> Symphonic Software Ltd develops access and authorization management software platform to safeguard sensitive information for cross-sector multi-dimensional organizations.
20-Oct-20			ND	<ul style="list-style-type: none"> Calytera works with hundreds of government agencies to help them digitize and automate critical functions
19-Oct-20			ND	<ul style="list-style-type: none"> Axiom Software Laboratories, Inc. provides enterprise-wide infrastructure and analytical applications

Source: Public filings as of 31-Dec-2020, Capital IQ, Pitchbook


Featured Private Placements

Date	Target	Investor	Capital Raised	Summary
18-Dec-20	 VERY GOOD SECURITY	 West Street Capital	\$60M	• Very Good Security, Inc. develops and delivers data security solutions.
18-Dec-20	 OneTrust PRIVACY, SECURITY & TRUST	 INSIGHT PARTNERS	\$300M	• OneTrust, LLC develops privacy, security, and third-party risk technology platform.
18-Dec-20	 LACEWORK		\$525M	• Lacework, Inc. provides a cloud security platform.
17-Dec-20	 STAR COMPLIANCE	 MARLIN EQUITY PARTNERS	ND	• StarCompliance, Inc. provides Web-based regulatory compliance software solutions for the financial services industry worldwide.
15-Dec--20	 Outpost24	 Swedbank Robur	\$19M	• Outpost24 AB provides network security solutions that help corporate and government customers to manage security risks and to meet compliance requirements.
10-Dec-20	 VENAFI	 THOMABRAVO	ND	• Venafi, Inc., a cyber security company, provides enterprise key and certificate management security solutions.
19-Nov-20	 FORTER	 BESSEMER VENTURE PARTNERS	\$125M	• Forter, Inc. develops an end-to-end e-commerce fraud prevention solutions for online merchants.
17-Nov-20	 ActivTrak	 SAPPHIRE VENTURES	\$50.0M	• Birch Grove Software, Inc., doing business as ActivTrak, offers cloud-based software for monitoring employees' online activities.
17-Nov-20	 DeFY	 SVERICA CAPITAL	ND	• Defy Security LLC provides cyber security services and solutions to financial institutions, healthcare organizations, manufacturers, and retailers.
11-Nov-20	 ISOVALENT	 CISCO investments	\$29M	• Isovalent, Inc. develops software solutions that help enterprises to connect, monitor, and secure workloads in cloud-native ways.
29-Oct-20	 Abnormal SECURITY	 MENLO VENTURES	\$60M	• Microshare is a developer of a data management software platform focused on governance, privacy, compliance, and security
09-Oct-20	 sonrai SECURITY	 MENLO VENTURES	\$20M	• Sonrai Security Inc. delivers an enterprise identity and data governance platform for AWS, Azure, GCP, and Kubernetes.

Source: Public filings as of 31-Dec-2020, Capital IQ, Pitchbook

About ClearSight

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Frontenac


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has been acquired by
MILESTONE
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a portfolio company of
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a portfolio company of
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protiviti
a subsidiary of
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has been acquired by
uniphar


Sellside Advisor

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has sold its
Life Sciences Pricing and
Contracting Solutions
(PaCS) Business
to
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has been acquired by
westMONROE


Financial Advisor

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ADVISORS
has received an equity
investment from
Altamont
CAPITAL PARTNERS


Sellside Advisor

Goldin
has been acquired by
Teneo
a portfolio company of
CVC CAPITAL PARTNERS