



# Compliance, Risk & Cybersecurity

## Market Monitor

Market Overview

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M&A Activity

### I Spy With My Little Eye - Risk & Regulatory Themes in 2023

Through active conversations in the market and by monitoring legislative changes, we at Clearsight have identified what we believe will be top of mind for risk and compliance professionals in 2023. Many themes carry over from last year, while others derive from new or pending legislation. The determinants of reputational risks will continue to dominate risk management budgets and the mindshare of executives and Boards. However, it is important to note that reputational risk and compliance are not mutually exclusive. Reputational risks are inherently less predictable, making proactive risk management difficult and exponentially more damaging. We also expect renewed interest in HR- and talent-related disciplines stemming in part from the post-pandemic work environment. Here are some themes we anticipate will define 2023 and influence M&A in the space:

**Environmental, Social & Governance (ESG)** – In 2022, the pressure for businesses to do better was high. Demand for ESG services and software far outstripped supply. In 2023, we expect the imbalance between supply and demand to grow. The implementation of several new standards and reporting requirements is likely to further exacerbate the situation. The SEC Climate Disclosure Rule will require companies to measure and publish Scope 1 and Scope 2 carbon emissions starting in 2024. In certain circumstances, Scope 3 emission disclosures may also be required. Following suit, the EU has developed its own ESG reporting standard, the European Sustainability Reporting Standards (ESRS), aimed at strengthening sustainability reporting and corporate accountability across more than 50,000 companies.

**Cybersecurity** – The SEC and New York Department of Financial Services (NYDFS) have proposed new rules to expand compliance requirements related to corporate cybersecurity programs for public issuers and financial service firms registered in New York state, respectively. If passed, the legislation significantly raises the stakes for executives and board members with cybersecurity oversight responsibilities. **For more on the SEC and NYDFS proposed rules, please see our Sector Spotlight on page two.**

**The Future of AI and Compliance** – At its core, compliance is a data-driven function. The speed at which AI can absorb, analyze, and derive insights from large volumes of data is a potential game changer for risk management. Increased efficiency, lower costs, and fewer false positives are just a few of the inherent benefits. Machine Learning (ML) tools have already emerged as key technologies in combating Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT), as well as other functions. In 2023 and beyond, AI and compliance will continue to converge, driving innovation and adoption to new heights.

**Pay Equity & Transparency** – The recent wave of pay transparency laws sweeping the country, coupled with the revolution of remote workers, results in administrative complexity. While this legislation adds a cost for compliance in the near term, particularly for multi-state employers, the establishment of pay ranges mitigates the reputational risk of pay discrimination disputes. Additionally, employees' trust in their employer creates the priceless benefit of equitable company culture.

#### Sector Leadership



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## Sector Spotlight: The Luck Stops Here

The 2008 financial crisis highlighted the failures of bank risk management practices at the Board level; the SEC is looking to head off a similar cybersecurity fate in 2023

The "Old West" is frequently romanticized in popular culture; however, historians and storytellers agree that drinking and gambling were featured heavily in the saloon towns of the American frontier. When a player's turn came to deal the cards in a poker game, a marker (often a knife with a buckhorn handle) was placed in front of them; when the player did not wish to take responsibility for dealing, they were said to be "passing the buck," or evading responsibility. Thus did our 33rd President, Harry Truman, who famously placed a sign on his desk that read, "The Buck Stops Here," indicating there was nowhere else to shift the blame once you've reached the top.

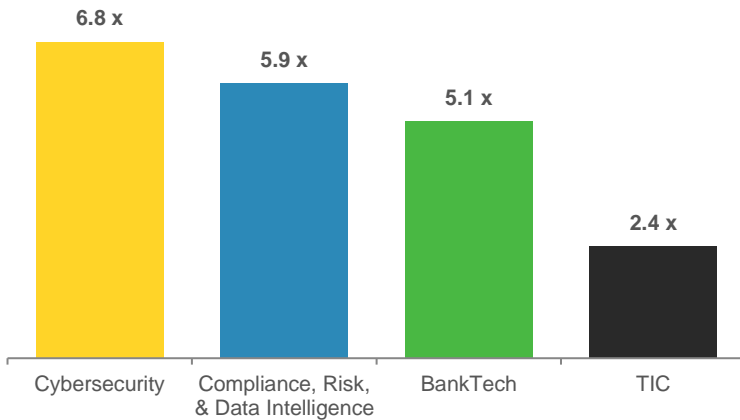
In modern corporate governance, the buck is indeed supposed to stop with the very top. And yet, blame shifting, finger pointing, and scapegoating are all too common. During the 2008 financial crisis, many Director positions on the boards of major public companies, especially banks, were found to be little more than sinecures, where industry insiders collected nice fees and spent little time worrying about the risk management practices of the companies they were meant to oversee. While it's easy to overstate this as a causal factor in the crisis (there is plenty of blame to go around outside the boardroom), a company's BoD should be attuned to their firm's critical vulnerabilities. Thus, the SEC and the New York Department of Financial Services (NYDFS) have proposed new rules to incentivize such behavior.

The SEC's new regulations would, among other things, require registrants to disclose and publicly identify specific committees and directors with responsibility for cyber oversight, identify the level of cybersecurity expertise of said directors, disclose both the status of a registrant's risk management posture, and any incidents that may materially affect that status, promptly and publicly. The NYDFS is contemplating even more aggressive incident disclosure policies for breaches, extortion payments, and similar incidents at financial services institutions under its jurisdiction. The combined effect of these rules would elevate cybersecurity concerns to the highest level of governance at the affected firms, if not there already.

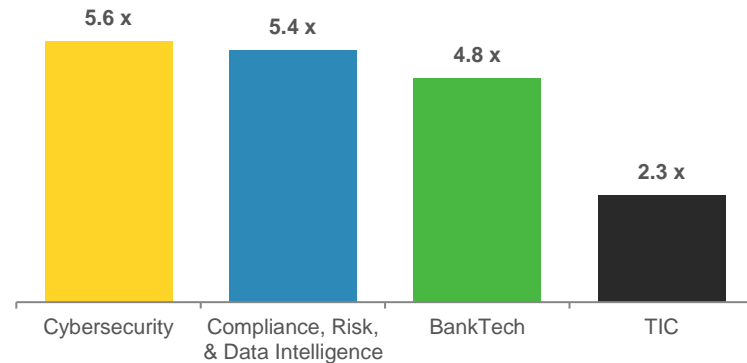
The impact of these changes on the broader cybersecurity market will likely be greater scrutiny on third-party service providers, and a potential consolidation of efforts as boards and CISOs continue to seek a single, integrated solution to assessing and managing risk. We expect to see increased spending on training and awareness, especially at the C-suite level, and heavier reliance on MSSPs, as boards grapple with the seemingly intractable cybersecurity skills gap. Software that enhances the effectiveness of the cyber workforce will gain market share as CISOs recognize they cannot simply automate their responses to near-continuous attacks. The pool of incident response specialists will also likely grow as they concentrate the talent and technologies needed to address inevitable breaches. In each of these cases, we expect incumbents to add to current capabilities and remain relevant through M&A. Major MSSPs will continue to build out their technology stacks, while consultants will look to combine preparatory measures (like red-teaming and awareness training) with incident response, to provide end-to-end capabilities for corporate clients. In any case, regulatory authorities will make certain that if corporate boards try to pass the buck, then like a riverboat gambler caught hiding cards up his sleeve, they will find they are out of luck.

# Public Market Performance

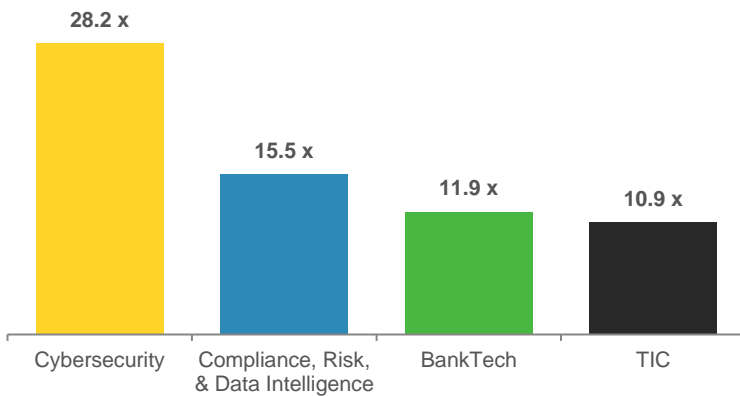
## 2022E EV / Revenue



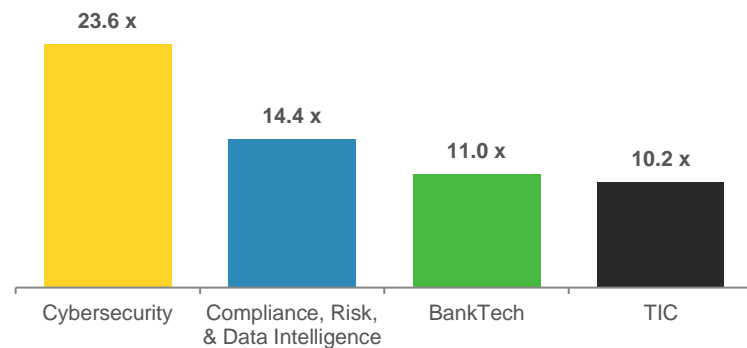
## 2023P EV / Revenue



## 2022E EV / EBITDA



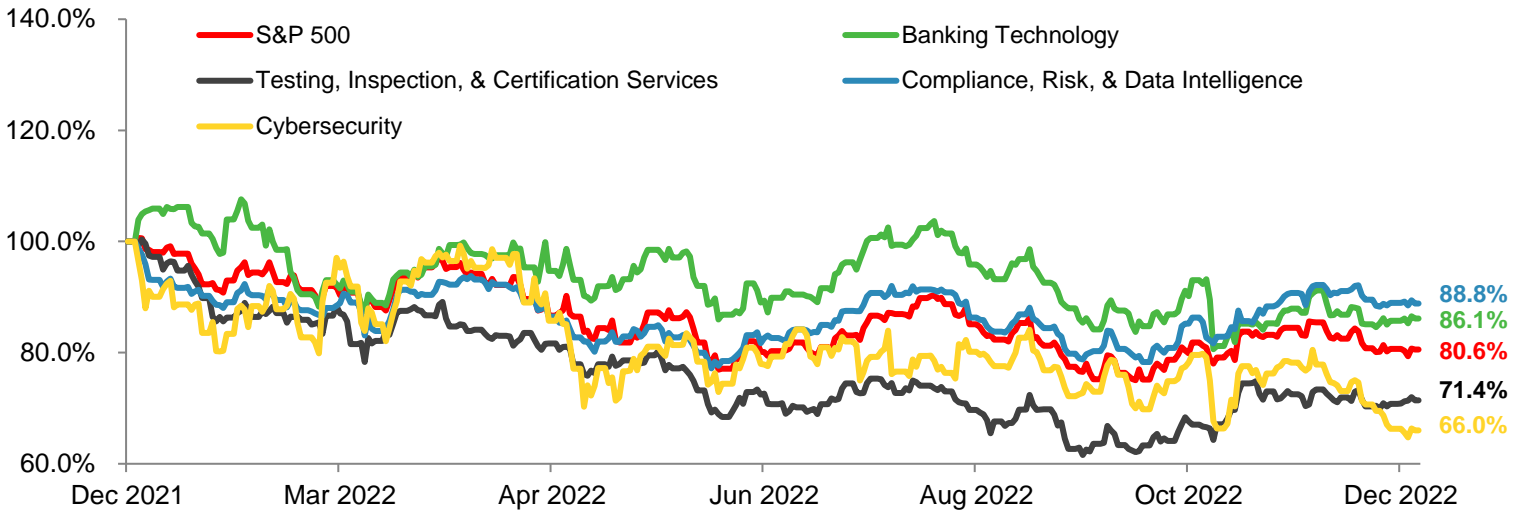
## 2023P EV / EBITDA



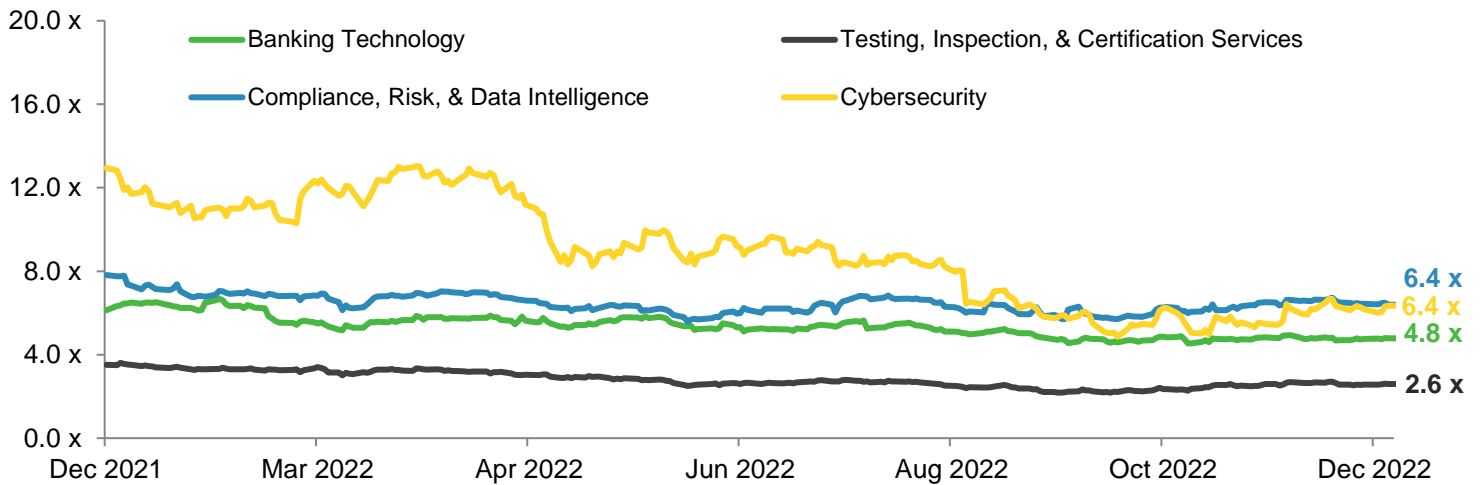
Source: Capital IQ, market data as of 31-Dec-2022

# Public Market Performance

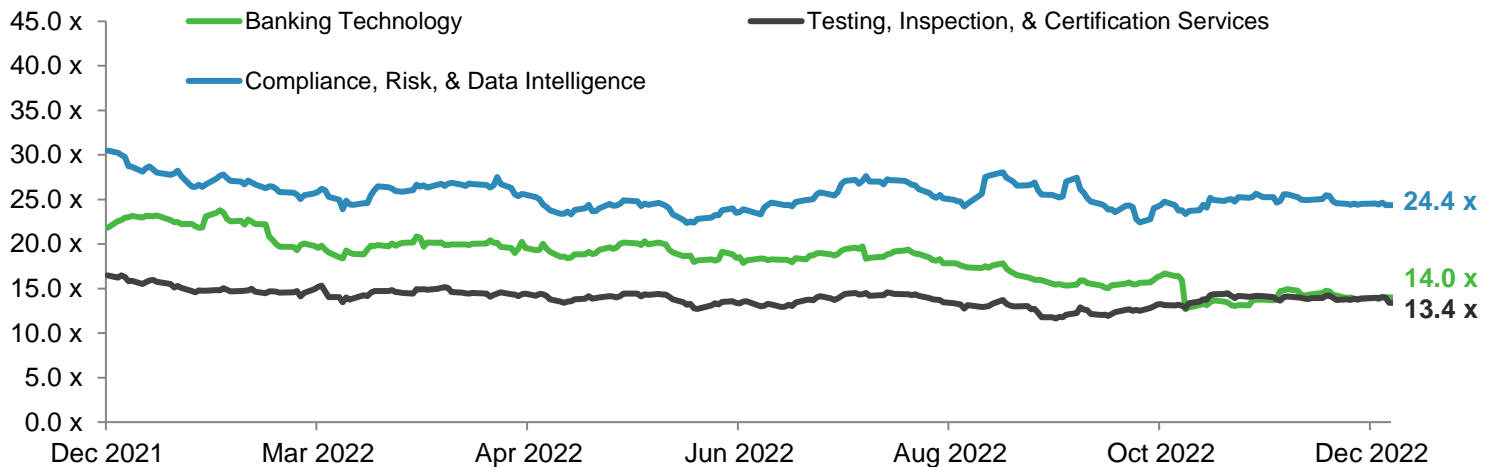
## Compliance Market Indices Performance – 1 Year



## LTM EV / Revenue Multiple Trend – 1 Year



## LTM EV / EBITDA Multiple Trend – 1 Year



Source: Public filings as of 31-Dec-2022, Capital IQ

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

Note: Cybersecurity index excluded from LTM EV / EBITDA Multiple Trend due to above average market volatility

# Public Market Performance

## Banking Technology Index

	Closing Price 31-Dec-22	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2022E Revenue Growth	2022E EBITDA Margin
					2022E	2023P	2022E	2023P		
<b>Banking Technology</b>										
Fidelity	\$67.85	55.6%	\$40,600	\$57,771	4.0x	3.8x	9.2x	8.8x	4.5%	43.0%
Fiserv	101.07	91.1%	65,083	85,854	5.1	4.8	11.9	11.0	4.9%	43.2%
Jack Henry & Associates	175.56	82.6%	12,863	13,117	6.5	6.0	20.3	18.7	9.1%	32.3%
<b>High</b>		<b>91.1%</b>	<b>\$65,083</b>	<b>\$85,854</b>	<b>6.5x</b>	<b>6.0x</b>	<b>20.3x</b>	<b>18.7x</b>	<b>9.1%</b>	<b>43.2%</b>
<b>Median</b>		<b>82.6%</b>	<b>40,600</b>	<b>57,771</b>	<b>5.1</b>	<b>4.8</b>	<b>11.9</b>	<b>11.0</b>	<b>4.9%</b>	<b>43.0%</b>
<b>Mean</b>		<b>76.4%</b>	<b>39,516</b>	<b>52,248</b>	<b>5.2</b>	<b>4.9</b>	<b>13.8</b>	<b>12.8</b>	<b>6.1%</b>	<b>39.5%</b>
<b>Low</b>		<b>55.6%</b>	<b>12,863</b>	<b>13,117</b>	<b>4.0</b>	<b>3.8</b>	<b>9.2</b>	<b>8.8</b>	<b>4.5%</b>	<b>32.3%</b>

## Compliance, Risk and Data Intelligence Index

	Closing Price 31-Dec-22	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2022E Revenue Growth	2022E EBITDA Margin
					2022E	2023P	2022E	2023P		
<b>Compliance, Risk, &amp; Data Intelligence</b>										
Thomson Reuters	\$114.13	96.6%	\$54,971	\$58,207	8.8x	8.4x	25.2x	21.7x	5.1%	34.9%
Wolters Kluwer	104.48	87.8%	25,999	28,079	4.9	4.7	15.1	14.4	6.8%	32.3%
RELX PLC	27.57	92.5%	52,642	60,644	5.9	5.4	15.9	14.3	2.3%	37.3%
Workiva	83.97	63.7%	4,685	4,622	8.7	7.4	NM	NM	21.3%	NA
GB Group	3.79	41.9%	957	1,108	3.3	3.1	13.4	12.0	7.1%	24.4%
<b>High</b>		<b>96.6%</b>	<b>\$54,971</b>	<b>\$60,644</b>	<b>8.8x</b>	<b>8.4x</b>	<b>25.2x</b>	<b>21.7x</b>	<b>21.3%</b>	<b>37.3%</b>
<b>Median</b>		<b>87.8%</b>	<b>25,999</b>	<b>28,079</b>	<b>5.9</b>	<b>5.4</b>	<b>15.5</b>	<b>14.4</b>	<b>6.8%</b>	<b>33.6%</b>
<b>Mean</b>		<b>76.5%</b>	<b>27,851</b>	<b>30,532</b>	<b>6.3</b>	<b>5.8</b>	<b>17.4</b>	<b>15.6</b>	<b>8.5%</b>	<b>32.2%</b>
<b>Low</b>		<b>41.9%</b>	<b>957</b>	<b>1,108</b>	<b>3.3</b>	<b>3.1</b>	<b>13.4</b>	<b>12.0</b>	<b>2.3%</b>	<b>24.4%</b>

Source: Capital IQ, equity research reports, market data as of 31-Dec-2022

Notes: \$ in millions (except share price), any negative multiples or multiples greater than 40.0x are marked "NM", any negative margin trends are marked "NA"

Multiples may differ slightly from p. 4 due to detailed adjustments

# Public Market Performance

## Cybersecurity Index

	Closing Price 31-Dec-22	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2022E Revenue Growth	2022E EBITDA Margin
					2022E	2023P	2022E	2023P		
<b>Cybersecurity</b>										
Fortinet, Inc.	\$48.89	67.5%	\$39,061	\$38,333	8.7x	7.1x	30.4x	24.8x	32.6%	28.5%
KnowBe4, Inc.	24.78	95.3%	4,588	4,259	12.8	10.2	NM	NM	36.7%	18.6%
Okta, Inc.	68.33	30.2%	11,814	11,687	6.4	5.4	NM	NM	43.8%	NM
Palo Alto Networks, Inc.	139.54	65.3%	42,330	42,488	6.9	5.6	28.2	22.5	27.5%	24.5%
Rapid7, Inc.	33.98	28.7%	2,152	2,818	4.1	3.5	NM	NM	28.4%	6.5%
Telos Corporation	5.09	31.5%	369	264	1.2	1.4	17.6	NM	(11.3)%	7.0%
Tenable Holdings, Inc.	38.15	60.0%	4,741	4,615	6.8	5.6	NM	NM	26.7%	12.2%
<b>High</b>		<b>95.3%</b>	<b>\$42,330</b>	<b>\$42,488</b>	<b>12.8x</b>	<b>10.2x</b>	<b>30.4x</b>	<b>24.8x</b>	<b>43.8%</b>	<b>28.5%</b>
<b>Median</b>		<b>60.0%</b>	<b>4,741</b>	<b>4,615</b>	<b>6.8</b>	<b>5.6</b>	<b>28.2</b>	<b>23.6</b>	<b>28.4%</b>	<b>15.4%</b>
<b>Mean</b>		<b>54.1%</b>	<b>15,008</b>	<b>14,923</b>	<b>6.7</b>	<b>5.6</b>	<b>25.4</b>	<b>23.6</b>	<b>26.4%</b>	<b>16.2%</b>
<b>Low</b>		<b>28.7%</b>	<b>369</b>	<b>264</b>	<b>1.2</b>	<b>1.4</b>	<b>17.6</b>	<b>22.5</b>	<b>(11.3)%</b>	<b>6.5%</b>

## Testing, Inspection & Certification Index

	Closing Price 31-Dec-22	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2022E Revenue Growth	2022E EBITDA Margin
					2022E	2023P	2022E	2023P		
<b>Testing, Inspection, and Certification</b>										
Bureau Veritas SA	\$26.30	83.3%	\$11,929	\$13,131	2.2x	2.1x	10.9x	10.2x	5.6%	20.2%
Intertek Group plc	48.61	69.7%	7,831	9,328	2.4	2.3	10.9	10.2	1.3%	22.4%
SGS SA	2,325.15	69.9%	17,419	20,677	2.8	2.7	12.6	11.8	4.2%	22.6%
<b>High</b>		<b>83.3%</b>	<b>\$17,419</b>	<b>\$20,677</b>	<b>2.8x</b>	<b>2.7x</b>	<b>12.6x</b>	<b>11.8x</b>	<b>5.6%</b>	<b>22.6%</b>
<b>Median</b>		<b>69.9%</b>	<b>11,929</b>	<b>13,131</b>	<b>2.4</b>	<b>2.3</b>	<b>10.9</b>	<b>10.2</b>	<b>4.2%</b>	<b>22.4%</b>
<b>Mean</b>		<b>74.3%</b>	<b>12,393</b>	<b>14,378</b>	<b>2.5</b>	<b>2.4</b>	<b>11.4</b>	<b>10.7</b>	<b>3.7%</b>	<b>21.7%</b>
<b>Low</b>		<b>69.7%</b>	<b>7,831</b>	<b>9,328</b>	<b>2.2</b>	<b>2.1</b>	<b>10.9</b>	<b>10.2</b>	<b>1.3%</b>	<b>20.2%</b>

Source: Capital IQ, equity research reports, market data as of 31-Dec-2022

Notes: \$ in millions (except share price), any negative multiples or multiples greater than 40.0x are marked "NM", any negative margin trends are marked "NA"

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# Featured M&A Activity

Date	Target	Buyer/Investor	EV (\$M)	Summary
28-Dec-22	AdvanceOnline	360training.com	ND	<ul style="list-style-type: none"> <li>AdvanceOnline provides web-based OSHA compliance, DOT, health and safety, and HR compliance training courses</li> </ul>
12-Dec-22	Illusive	Proofpoint	ND	<ul style="list-style-type: none"> <li>Illusive develops deception-based cyber security and compliance support solutions</li> </ul>
08-Dec-22	Booz Allen - Managed Threat Services	Security On-Demand	ND	<ul style="list-style-type: none"> <li>Booz Allen's Managed Threat Services business provides cybersecurity services to US federal defense agencies</li> </ul>
08-Dec-22	Vonya Global	Sikich	ND	<ul style="list-style-type: none"> <li>Vonya Global offers corporate governance, internal audit, and assurance consulting services</li> </ul>
08-Dec-22	ifb SE	EY	ND	<ul style="list-style-type: none"> <li>ifb provides tech-enabled risk management, compliance, and regulation consulting services</li> </ul>
11-Nov-22	Custard Technical Services	Thrive Operations	ND	<ul style="list-style-type: none"> <li>Custard Technical Services provides IT management and consulting services focused on integrated security and support</li> </ul>
19-Oct-22	Accume Partners	Cherry Bekaert	ND	<ul style="list-style-type: none"> <li>Accume Partners provides risk management, regulatory compliance, internal audit, and strategic transaction advisory services</li> </ul>
10-Oct-22	Quorsus	Capgemini	ND	<ul style="list-style-type: none"> <li>Quorsus offers regulatory solutions, post-trade technology, and operational consulting services to financial institutions</li> </ul>
19-Sep-22	KnowBe4	Vista Equity	\$4,589.8	<ul style="list-style-type: none"> <li>KnowBe4 provides a security risk awareness and compliance training platform to prevent social engineering attacks</li> </ul>
15-Aug-22	SailPoint Technologies	Thoma Bravo	\$6,900	<ul style="list-style-type: none"> <li>SailPoint offers on-premise software and cloud-based governance solutions</li> </ul>
08-Aug-22	Avalara	Vista Equity	\$9,831.4	<ul style="list-style-type: none"> <li>Avalara provides cloud-based tax compliance solutions to address the complexity of tax transaction processes</li> </ul>
03-Aug-22	Ping Identity	Thoma Bravo	\$3,006.6	<ul style="list-style-type: none"> <li>Ping Identity offers tech-enabled intelligent identity solutions including secure single sign-on and multi-factor authentication</li> </ul>

Source: Public filings as of 31-Dec-2022, Capital IQ, Pitchbook

# Featured Private Placements






Date	Target	Buyer/Investor	EV (\$M)	Summary
15-Dec-22	<b>Fortified Health Security</b>	<b>Nordic Consulting Partners</b>	ND	<ul style="list-style-type: none"> <li>Fortified Health Security provides cybersecurity and compliance risk solutions to healthcare organizations</li> </ul>
14-Dec-22	<b>Effectual</b>	<b>SDC Capital Partners</b>	ND	<ul style="list-style-type: none"> <li>Effectual offers digital transformation consulting and managed services to monitor and secure clients' cloud environments</li> </ul>
12-Dec-22	<b>Snyk</b>	<b>Tiger Global</b>	\$196.5	<ul style="list-style-type: none"> <li>Snyk develops a cloud-native application security platform that enables users to identify and fix open-source vulnerabilities</li> </ul>
23-Nov-22	<b>HACKUITY</b>	<b>33N Ventures</b>	ND	<ul style="list-style-type: none"> <li>HACKUITY designs and develops an orchestrated management platform to detect IT vulnerabilities</li> </ul>
18-Nov-22	<b>Drata</b>	<b>GGV Capital</b>	\$200.0	<ul style="list-style-type: none"> <li>Drata operates a security and compliance automation platform to streamline workflows and ensure audit readiness</li> </ul>
06-Oct-22	<b>Arctic Wolf</b>	<b>Owl Rock</b>	\$401.0	<ul style="list-style-type: none"> <li>Arctic Wolf operates a security operations center platform, providing managed detection, response, and cloud monitoring services</li> </ul>
30-Sep-22	<b>Alation</b>	<b>Riverwood Capital</b>	\$123.0	<ul style="list-style-type: none"> <li>Alation develops enterprise privacy, risk, and compliance data intelligence solutions through its AI-driven platform and app</li> </ul>
22-Sep-22	<b>DataGuard</b>	<b>One Peak Partners</b>	\$61.0	<ul style="list-style-type: none"> <li>DataGuard operates a privacy and compliance SaaS platform to ensure compliance with privacy regulation</li> </ul>
31-Aug-22	<b>Vallai SAS</b>	<b>AngelSquare Capital</b>	ND	<ul style="list-style-type: none"> <li>Vallai SAS provides an AI-trust data sharing platform that offers a toolbox of privacy-enhancing services</li> </ul>
28-Jul-22	<b>Securiti</b>	<b>General Catalyst</b>	\$75.0	<ul style="list-style-type: none"> <li>Securiti develops and operates an AI-based cybersecurity and data protection cloud platform</li> </ul>
27-Jul-22	<b>Human Security</b>	<b>Blackstone Credit</b>	\$100.0	<ul style="list-style-type: none"> <li>Human Security develops online fraud detection and malware solutions, enabling users to identify and track fraud in real-time</li> </ul>
18-Jul-22	<b>CyberGuard Compliance</b>	<b>Atlantic Street Capital</b>	ND	<ul style="list-style-type: none"> <li>CyberGuard Compliance provides IT security audits, assessments, and cybersecurity services to enterprise clients</li> </ul>

Source: Public filings as of 31-Dec-2022, Capital IQ, Pitchbook



# About ClearSight

ClearSight Advisors is an investment 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 Advisors, Inc. is a wholly owned subsidiary of Regions Financial Corporation. All securities are offered exclusively through Regions Securities LLC, a registered broker-dealer and member of FINRA and SIPC. For more information about ClearSight, visit [www.clearsightadvisors.com](http://www.clearsightadvisors.com)

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