

Compliance, Risk & Cybersecurity

Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

AI's Impact on Cybersecurity Investment

It is no secret cyber-attacks are on the rise amongst businesses and government organizations globally. These increasingly sophisticated and pervasive cyber threats are challenging the limits of what human-based defenses can handle. Revolutionary Artificial Intelligence (AI) technology represents both new threats to the security of systems and data, as well as great promise in bolstering companies' cybersecurity infrastructure.

Cybercriminals can leverage AI to carry out complex, large-scale attacks, automating the process of finding vulnerabilities, and making it easier for hackers to exploit systems. AI can also generate highly convincing fake images, videos, and audio, which can then be used for information manipulation, identity theft, or access to systems that depend on authentication to protect access. On the flip side, AI's ability to rapidly analyze large datasets for anomaly detection, threat identification, and response, and subsequently reduce reaction time, has led to a surge of interest in the space as a force multiplier for cyber defenders.

AI investment is driving a shift from reactive to proactive cybersecurity approaches. Instead of merely responding to breaches, the emphasis is on predicting threats before they materialize. This shift has led to increased investment in AI-powered predictive analytics, risk assessments, and threat hunting tools, as well as dedicated investments for R&D to identify advanced algorithms that can proactively combat cyber threats.

Despite its potential to fortify digital landscapes, challenges remain. As AI becomes more ingratiated with cybersecurity, a new workforce specializing in the convergence of AI, cybersecurity, and IT services is needed. This need has resulted in investment in human capital, driving up wages for high-skilled workers in the cybersecurity industry. The scarcity of skilled AI and cybersecurity professionals, coupled with the high cost of AI implementation, poses a significant hurdle for many organizations. AI also raises concerns about data privacy and trust. As AI systems require access to vast amounts of data to function effectively, ensuring that this data is used ethically and maintaining user privacy becomes a critical issue.

Regardless of challenges, we cannot ignore the need to stay ahead of the curve. AI will play an increasingly significant role in the cyber realm, revolutionizing how we handle cyber threats and influencing buyer-demand for new technologies and associated services. Future investment must balance between technology and human capital, as well as ethical guidelines to ensure that as we make strides in securing our digital world, we do not compromise on the values that underpin our societies.

Sector Leadership



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Sector Spotlight

Ankura Announces Acquisition of Chartwell Compliance

Target

**Chartwell
Compliance**

Acquirer

Ankura

Deal Commentary

- Chartwell is a leading global regulatory compliance and risk management firm. Specifically, Chartwell provides integrated regulatory compliance, state licensing, financial crimes prevention, and enterprise risk management services, serving the most high-profile providers in the Fintech industry, including commercial bill pay solution providers, cryptocurrency and blockchain innovators, publicly-traded online marketplaces, venture capital firms, Fintech banks, third-party payments processors and financial accounting software providers
- Steven Richards, Global Leader of Ankura's Risk, Forensics, & Compliance Group, announced, "The addition of Chartwell provides Ankura with a clear market differentiator by allowing us to offer banking and Fintech compliance services that are uniquely complementary to our investigations, litigation, and oversight offerings"

Transaction Summary

On March 1st, 2023, Ankura, a subsidiary of MVB Bank and leading advisory firm, announced its acquisition of Chartwell Compliance, a West Virginia-based compliance services provider. Chartwell offers a multitude of compliance and enterprise risk management solutions, such as financial crimes prevention, testing, outsourcing, and training

Transaction Information

Announced Date	1-Mar-2023
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	2011
Target HQ	Fairmont, West Virginia
# of Employees	~50

Salus GRC Receives Investment from Charlesbank Capital

Target

Salus GRC

Acquirer

**Charlesbank
Capital**

Deal Commentary

- Salus GRC specializes in regulatory compliance consulting and cybersecurity solutions for financial services, healthcare/life sciences, energy, and government contractors. Now partnered with Charlesbank Capital, the Company plans to expand into new opportunities within the governance, risk, and compliance (GRC) consulting field
- David Katz, Managing Director at Charlesbank, noted, "[We] have been evaluating the GRC market with Bill [Mulligan, CEO of Salus], since 2021 and have been impressed by his industry expertise and strategic vision. His track record of growing and building GRC businesses makes him ideally suited to lead Salus GRC, and he has a strong team to help him succeed"

Transaction Summary

On May 10th, 2023, Charlesbank Capital, a Boston-based private equity firm, announced its acquisition of Salus GRC, a Connecticut-based GRC support company. Salus GRC helps financial services firms with compliance training, regulatory support, and program development to meet industry compliance demands

Transaction Information

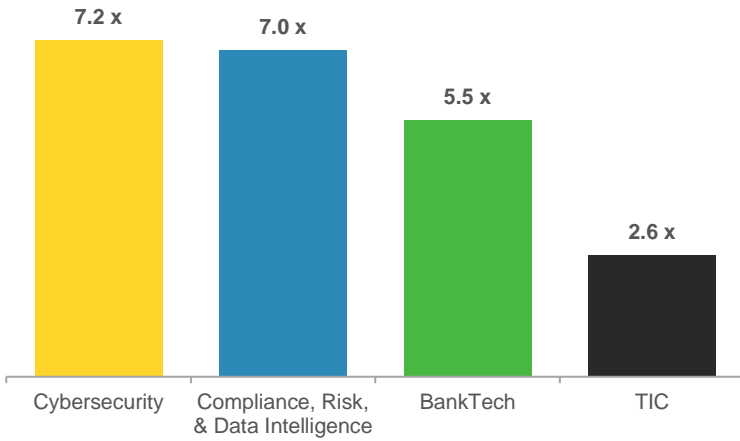
Announced Date	10-May-2023
Deal Type	PE Growth
<i>Target Information</i>	
Year Founded	2023
Target HQ	Westport, CT
# of Employees	~15

Source: Pitchbook, 451 Research, Capital IQ, and company websites

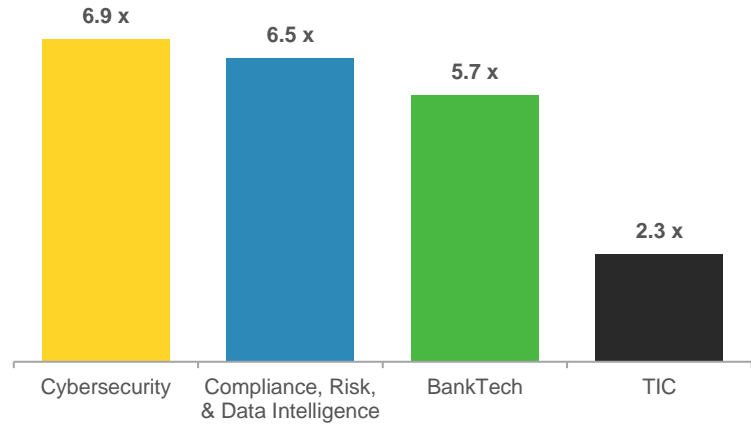


Public Market Performance

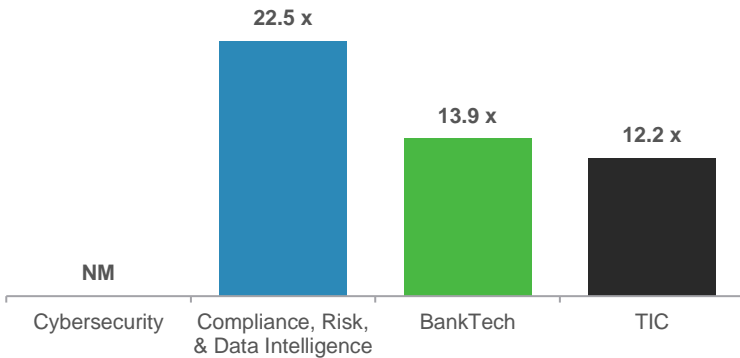
LTM EV / Revenue



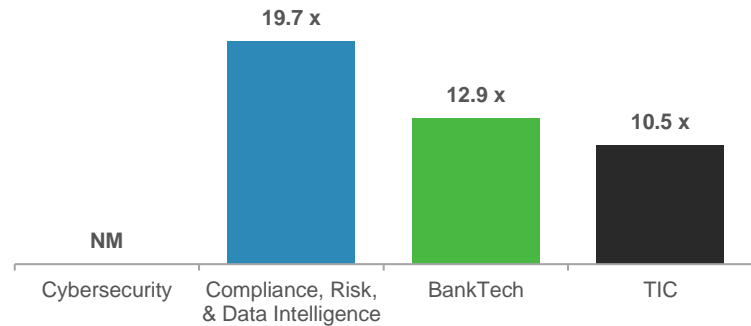
2023E EV / Revenue



LTM EV / EBITDA



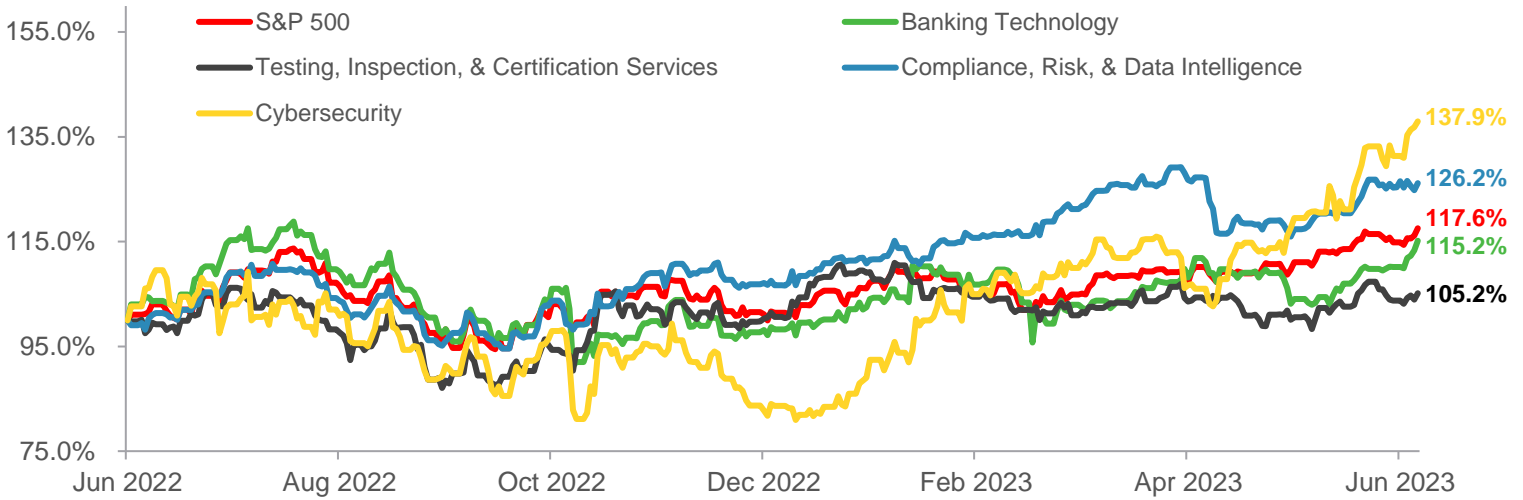
2023E EV / EBITDA



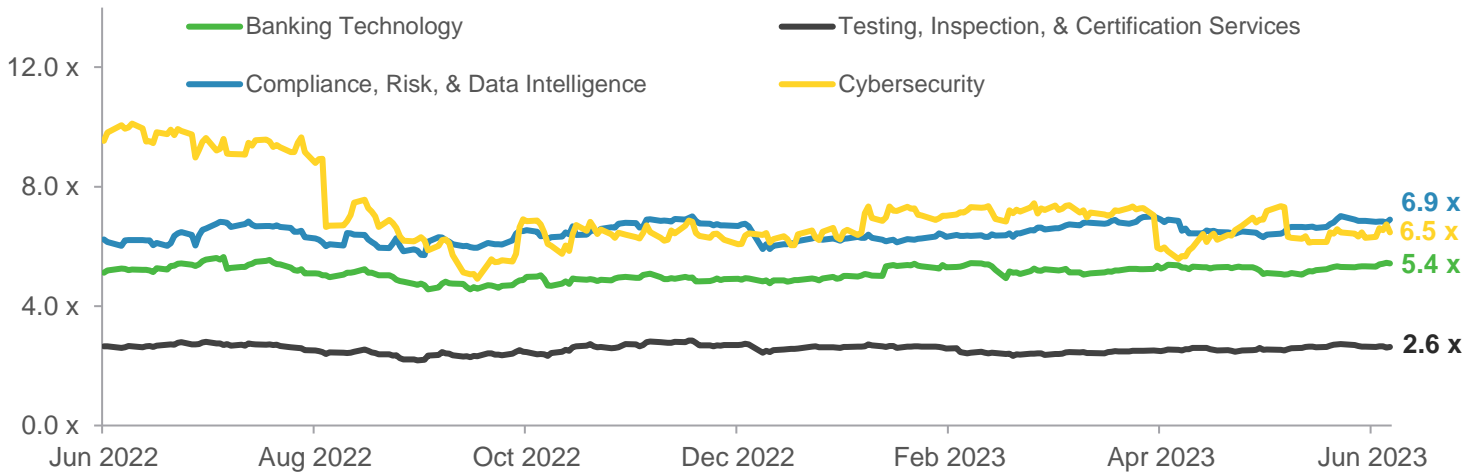
Source: Capital IQ, market data as of 30-Jun-2023

Public Market Performance

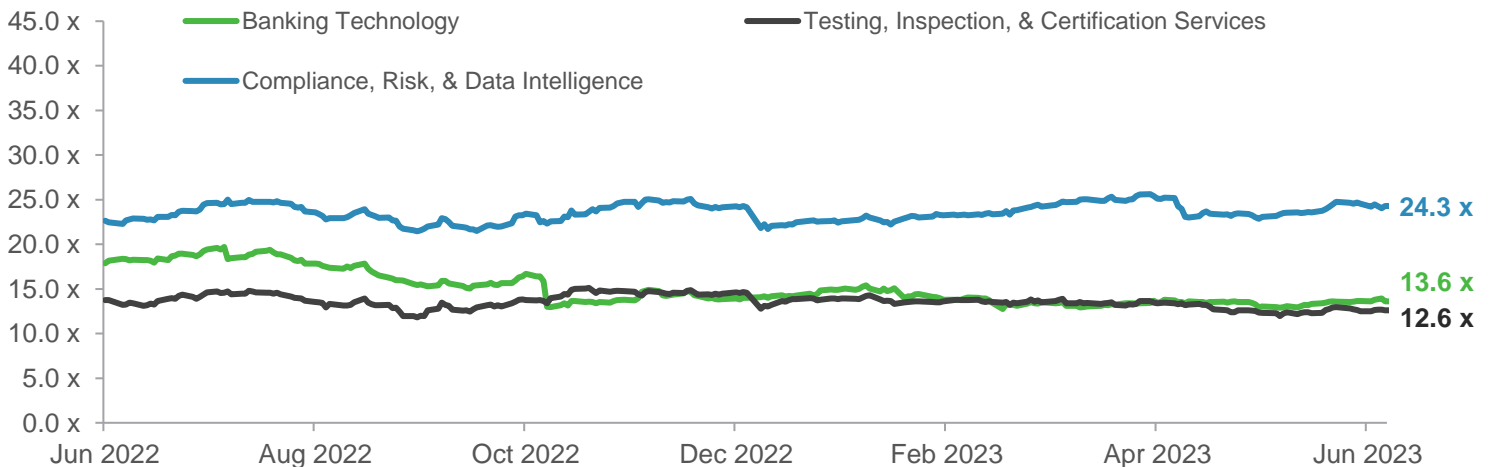
Compliance Market Indices Performance – 1 Year



LTM EV / Revenue Multiple Trend – 3 Years



LTM EV / EBITDA Multiple Trend – 3 Years



Source: Public filings as of 30-Jun-2023, 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 30-Jun-23	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2023E Revenue Growth	2023E EBITDA Margin
					LTM	2023E	2024P	LTM	2023E	2024P		
Banking Technology												
Fidelity	\$54.70	52.0%	\$32,515	\$50,663	3.5x	3.5x	3.4x	12.3x	8.3x	7.8x	0.1%	41.8%
Fiserv	126.15	99.7%	78,961	102,339	5.5	5.7	5.3	13.9	12.9	11.9	7.6%	44.1%
Jack Henry & Associates	167.33	78.7%	12,247	12,596	6.2	5.9	5.6	23.2	18.3	17.1	5.8%	32.4%
High		99.7%	\$78,961	\$102,339	6.2x	5.9x	5.6x	23.2x	18.3x	17.1x	7.6%	44.1%
Median		78.7%	32,515	50,663	5.5	5.7	5.3	13.9	12.9	11.9	5.8%	41.8%
Mean		76.8%	41,241	55,200	5.1	5.0	4.7	16.5	13.2	12.2	4.5%	39.4%
Low		52.0%	12,247	12,596	3.5	3.5	3.4	12.3	8.3	7.8	0.1%	32.4%

Compliance, Risk and Data Intelligence Index

	Closing Price 30-Jun-23	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2023E Revenue Growth	2023E EBITDA Margin
					LTM	2023E	2024P	LTM	2023E	2024P		
Compliance, Risk, & Data Intelligence												
GB Group	\$2.91	34.8%	\$735	\$862	2.6x	2.6x	2.5x	NM	NM	11.2x	15.0%	NA
RELX PLC	33.31	95.8%	63,150	72,184	7.0	6.5	6.2	22.5	17.3	16.2	7.0%	37.6%
Thomson Reuters	135.07	95.3%	59,453	62,094	9.3	9.1	8.6	31.6	23.3	21.7	3.3%	38.9%
Wolters Kluwer	126.97	94.3%	31,086	33,201	6.5	6.4	6.1	21.7	19.7	18.5	2.5%	32.3%
Workiva	101.66	95.0%	5,786	5,713	10.2	9.1	7.7	NM	NM	NM	16.7%	NA
High		95.8%	\$63,150	\$72,184	10.2x	9.1x	8.6x	31.6x	23.3x	21.7x	16.7%	38.9%
Median		95.0%	31,086	33,201	7.0	6.5	6.2	22.5	19.7	17.3	7.0%	37.6%
Mean		83.0%	32,042	34,811	7.1	6.7	6.2	25.2	20.1	16.9	8.9%	36.3%
Low		34.8%	735	862	2.6	2.6	2.5	21.7	17.3	11.2	2.5%	32.3%

Source: Capital IQ, equity research reports, market data as of 30-Jun-2023

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			2023E Revenue Growth	2023E EBITDA Margin
					LTM	2023E	2024P	LTM	2023E	2024P		
Cybersecurity												
Fortinet, Inc.	\$75.59	99.1%	\$60,735	\$58,873	12.5x	10.8x	9.0x	NM	38.4x	31.4x	23.8%	28.0%
Okta, Inc.	69.35	62.5%	12,363	11,958	6.1	6.4	5.5	NM	NM	NM	42.9%	NA
Palo Alto Networks, Inc.	255.51	99.5%	78,404	78,393	12.1	11.4	9.3	NM	NM	33.6	25.4%	27.4%
Rapid7, Inc.	45.28	60.5%	2,955	3,606	5.1	4.6	4.0	NM	NM	32.2	13.3%	10.7%
Tenable Holdings, Inc.	43.55	82.9%	5,582	5,361	7.2	6.9	6.0	NM	NM	38.4	14.3%	14.0%
High		99.5%	\$78,404	\$78,393	12.5x	11.4x	9.3x	NM	\$38.4x	38.4x	42.9%	28.0%
Median		82.9%	12,363	11,958	7.2	6.9	6.0	NM	38.4	32.9	23.8%	20.7%
Mean		80.9%	32,008	31,638	8.6	8.0	6.8	NM	38.4	33.9	23.9%	20.0%
Low		60.5%	2,955	3,606	5.1	4.6	4.0	NM	38.4	31.4	13.3%	10.7%

Testing, Inspection & Certification Index

	Closing Price 30-Jun-23	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			2023E Revenue Growth	2023E EBITDA Margin
					LTM	2023E	2024P	LTM	2023E	2024P		
Testing, Inspection, and Certification												
Bureau Veritas SA	\$27.42	91.9%	\$12,438	\$13,513	2.1x	2.1x	2.0x	12.2x	10.4x	9.9x	4.2%	20.1%
Intertek Group plc	54.20	93.3%	8,740	10,064	2.6	2.3	2.2	12.2	10.5	9.9	5.8%	22.0%
SGS SA	94.50	89.6%	17,409	21,264	2.9	2.8	2.7	16.0	12.1	11.5	2.1%	22.9%
High		93.3%	\$17,409	\$21,264	2.9x	2.8x	2.7x	16.0x	12.1x	11.5x	5.8%	22.9%
Median		91.9%	12,438	13,513	2.6	2.3	2.2	12.2	10.5	9.9	4.2%	22.0%
Mean		91.6%	12,862	14,947	2.5	2.4	2.3	13.5	11.0	10.4	4.0%	21.7%
Low		89.6%	8,740	10,064	2.1	2.1	2.0	12.2	10.4	9.9	2.1%	20.1%

Source: Capital IQ, equity research reports, market data as of 30-Jun-2023

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	Summary
8-Jun-23	Clear Law Institute	Traliant	ND	<ul style="list-style-type: none"> Clear Law Institute provides online HR, DEI, data privacy, and AML compliance training and advisory services for employers
1-Jun-23	Astute Environmental	360 Energy Liability Management	ND	<ul style="list-style-type: none"> Astute Environmental provides environmental and regulatory consulting services for energy companies
12-May-23	RAD Srl	WindTre	ND	<ul style="list-style-type: none"> Rad Srl is an IT consulting company offering cybersecurity monitoring, threat intelligence, data protection, and fraud detection
24-Apr-23	Caliber Security	Alert 360	ND	<ul style="list-style-type: none"> Caliber Security offers cloud security, vulnerability assessments, and application security to help enterprises manage risk
13-Apr-23	Archer	Cinven	ND	<ul style="list-style-type: none"> Archer helps corporations establish policies and best practices to manage enterprise risk
4-Apr-23	Q Analysts	Qualitest	ND	<ul style="list-style-type: none"> Q Analysts is an IT consulting company that offers software quality assurance and testing solutions to Fortune 500 companies
1-Mar-23	Chartwell Compliance	Ankura	ND	<ul style="list-style-type: none"> Chartwell Compliance is a compliance platform that offers financial crimes prevention and enterprise risk management services
1-Mar-23	Criterion	Cherokee Federal	ND	<ul style="list-style-type: none"> Criterion is an IT services company offering cybersecurity services, including strategic security planning, compliance scanning, and vulnerability assessments
16-Feb-23	Nixu	DNV	\$109.5M	<ul style="list-style-type: none"> Nixu is a cybersecurity outsourcing provider and security engineering firm based in Europe
2-Feb-23	Fidus	Wavenet	ND	<ul style="list-style-type: none"> Fidus provides cybersecurity services that enable enterprises to identify and manage information security risks
31-Jan-23	Atlas	GI Partners	\$985.0M	<ul style="list-style-type: none"> Atlas provides technical program management and consulting services to help clients test, inspect, plan, and certify projects across different US markets
10-Jan-23	East Coast Risk Management	Keystone	ND	<ul style="list-style-type: none"> East Coast Risk Management is a consultancy that offers hazard assessments, compliance training, and other risk management solutions to US companies

Source: Public filings as of 30-Jun-2023, Capital IQ, Pitchbook


Featured Private Placements

Date	Target	Buyer/Investor	Capital Raised	Summary
29-Jun-23	Unit21	Tiger Global Management	\$45.0M	<ul style="list-style-type: none"> Unit21 develops solutions to streamline risk and compliance operations via an API for detecting fraud, money laundering, and other suspicious activity
23-May-23	Sekoia	Bright Pixel Capital	\$37.3M	<ul style="list-style-type: none"> Sekoia offers IT and security consulting services with specialties in risk analysis, security audits, and compliance solutions
10-May-23	Salus GRC	Charlesbank Capital	ND	<ul style="list-style-type: none"> Salus GRC is a tech-enabled GRC platform that provides compliance support to the financial services industry
9-May-23	DataVisor	CMFG Ventures	ND	<ul style="list-style-type: none"> DataVisor provides a fraud and risk management platform that enables enterprises to identify and respond to fraud attacks
4-Apr-23	Quantexa	Warburg Pincus	\$129.0M	<ul style="list-style-type: none"> Quantexa develops network-building technology that offers solutions to fraud, bribery, money laundering, and corruption
2-Apr-23	ZX Security	Quadrant	ND	<ul style="list-style-type: none"> ZX Security is an IT security consultancy that helps businesses with cloud security, cyber strategy, and risk assessment
14-Mar-23	Securiti	Citi Ventures	ND	<ul style="list-style-type: none"> Securiti is an AI-based cybersecurity and data protection platform that automates various functions of privacy compliance
20-Feb-23	FocusPoint	Dalton Capital	\$20.0M	<ul style="list-style-type: none"> FocusPoint is a security and risk management advisory that offers maritime security and business investigation services
8-Feb-23	Skybox Security	CVC Capital Partners	\$50.0M	<ul style="list-style-type: none"> Skybox Security provides vulnerability assessment and threat intelligence analysis for North American enterprises
23-Jan-23	Beryllium InfoSec	Bema Capital	ND	<ul style="list-style-type: none"> Beryllium InfoSec offers IT and cybersecurity capabilities in gap and data flow analysis, compliance review, and audit preparation
18-Jan-23	BlackPanda	WI Harper	\$15.0M	<ul style="list-style-type: none"> BlackPanda delivers digital forensics and cybersecurity incident response solutions
10-Jan-23	Enhesa	Bregal Sagemount	ND	<ul style="list-style-type: none"> Enhesa provides EHS compliance assurance services and audit management support to international clients

Source: Public filings as of 30-Jun-2023, Capital IQ, Pitchbook

About ClearSight

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