



Compliance, Risk & Cybersecurity

Market Monitor

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Is Quantum Computing the True Torero?

The bull market in 2024 was, by historical standards, remarkable. Despite faltering slightly at the end of the year, the S&P 500 finished the year nearly 25% higher than it began, soaring to new highs after two years of volatility, uncertainty, and deal stagnation. Much of this bullishness was driven by investors' enthusiasm for technology (the tech-heavy NASDAQ grew by almost 30%), especially for those companies who seemed poised to lead the revolution in generative AI.

As any matador knows, however, the key to outwitting a bull lies in misdirection and distraction. The bull charges blindly at the red cape held by the matador, mistaking his true target (the torero himself) for the tantalizing but insubstantial muleta. The analogy is, no doubt, unfair to gen AI, which will likely transform the Knowledge Economy in the coming years. Yet, the market chatter has pivoted following another major breakthrough in December 2024 – Google's leap forward in quantum computing – and the effect on quantum stocks has been seismic. The broader market, however, has been less tethered to the fortunes of quantum, perhaps because the practical application seems more distant, and perhaps because the winners and losers from this eventual shift are not yet clear. While quantum computing will enhance and accelerate the abilities of AI and generate incredible discoveries, the near-term cyber risks to our encrypted digital world ought to give investors some pause.

Quantum computing is different from traditional computing – it is not linear and binary, but complex and probabilistic. Instead of being optimized to solve problems through pure logic, as with traditional computers, the indeterminacy of quantum mechanics introduces "chaos theory". This is much better suited to the intersections of multiple complex systems (e.g., forecasting the weather, which is still very difficult for linear computers to accurately model). The upside implications of a quantum breakthrough is enormous, as the ability to solve difficult equations could introduce massive leaps forward in medicine, science, etc. For instance, Google's quantum chip performed a computation in under five minutes that would take one of today's fastest supercomputers 10 septillion years. These practical applications are still, by all accounts, several years away. However, the risks of this computing power in the hands of a malign state actor, for example, could come much sooner.

The risks posed by quantum computing to cybersecurity are significant and multifaceted, going beyond simply breaking current encryption. Read more on the deeper impact of these risks, the necessary countermeasures, and considerations for future investment, in our **Sector Spotlight** on page two.

Source: Google's *The Keyword*, Gartner Research

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Sector Spotlight: Quantum Computing

Expanded Risks

"Harvest Now, Decrypt Later" Attacks

Adversaries are already collecting vast amounts of encrypted data, anticipating the arrival of quantum computers powerful enough to decrypt it in the future. This puts sensitive long-term data like medical records, financial transactions, and state secrets at future risk, even if they are currently protected by strong encryption.

Compromised Digital Signatures

Quantum computers can also break digital signatures, which are used to verify the authenticity and integrity of software, documents, and online transactions. This could lead to:

- **Malware Distribution:** Attackers could forge digital signatures to distribute malware disguised as legitimate software updates.
- **Impersonation and Fraud:** Attackers could impersonate individuals or organizations, leading to financial fraud and other malicious activities.

Vulnerabilities in New Cryptographic Algorithms

Even as we develop post-quantum cryptography (PQC), there's no guarantee these new algorithms will be completely immune to future attacks, especially as quantum computing technology continues to advance. Recent discoveries of vulnerabilities in some PQC candidates highlight this risk.

Supply Chain Attacks

The transition to PQC requires updates across entire IT infrastructures, including hardware, software, and protocols. This complex process creates opportunities for supply chain attacks, where malicious actors could compromise components during the transition.

Lack of Awareness and Preparedness

Many organizations are still unaware of the looming quantum threat or underestimate its potential impact. This lack of awareness can lead to insufficient planning and delayed implementation of necessary security measures.

Measures to be Taken

Develop and Standardize PQP

This is arguably the most crucial step. The cryptographic community is actively developing new algorithms that are believed to be resistant to attacks from both classic and quantum computers. Organizations like the National Institute of Standards and Technology are leading efforts to standardize these algorithms.

Implement "Crypto-Agility"

Organizations need to adopt a "crypto-agile" approach, which means having the ability to quickly and efficiently switch cryptographic algorithms as needed. This will be essential for responding to future vulnerabilities and advancements in quantum computing. This includes:

- **Inventory and Assess Cryptographic Systems:** Organizations must identify all systems and data that rely on these vulnerable cryptographic algorithms. This includes assessing the lifespan of the data and the potential impact of its compromise.

&

Prioritize Data Protection

Focus on protecting the most sensitive data first. This may involve migrating to PQC for critical systems and data, while implementing other security measures for less sensitive information.

Invest in Research & Development

Continued research is essential to develop even stronger cryptographic algorithms and explore new quantum-resistant security techniques.

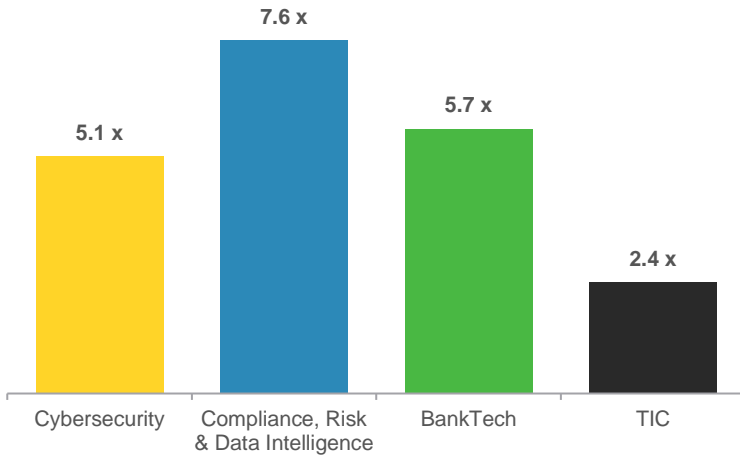
Raise International Awareness and Educate

It is crucial to educate organizations, policymakers, and the public about the quantum threat and the importance of preparing for it. Given the global nature of cybersecurity, international collaboration is essential for developing and standardizing PQC and sharing best practices.

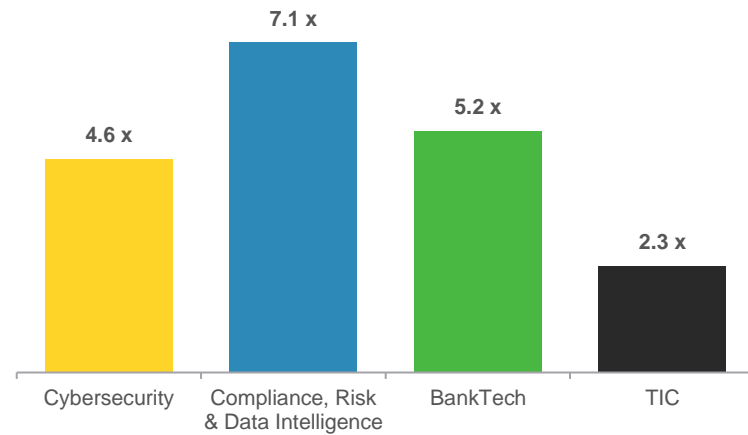
In summary, the transition to a quantum-safe world requires a proactive and comprehensive approach. By understanding the risks and taking the necessary measures, we should be looking to the most agile and crafty of the cyber-matadors. Companies that understand and address the possible impact of quantum computing on cybersecurity will help ensure the continued security of our digital world and attract interest from technology investors.

Public Market Performance

2024E EV / Revenue



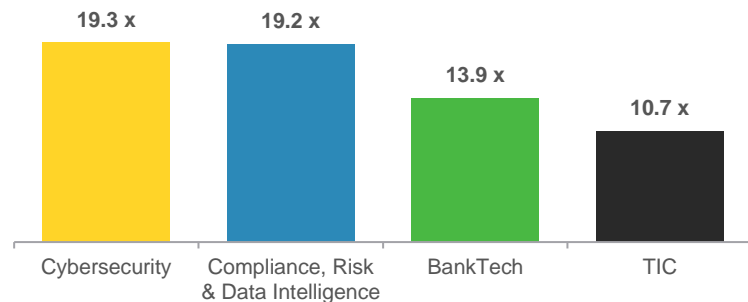
2025P EV / Revenue



2024E EV / EBITDA



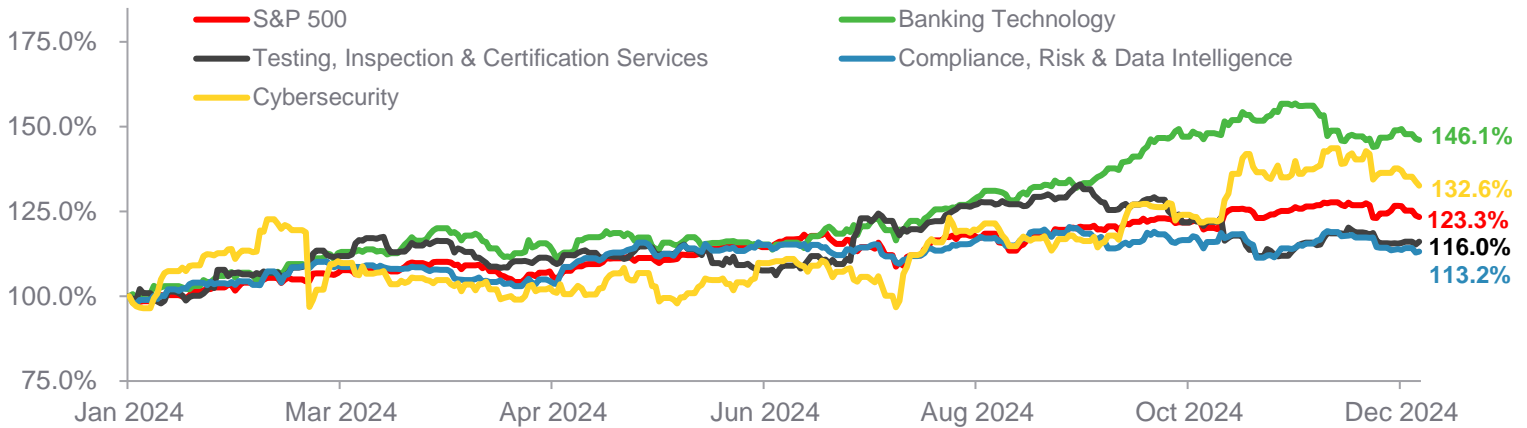
2025P EV / EBITDA



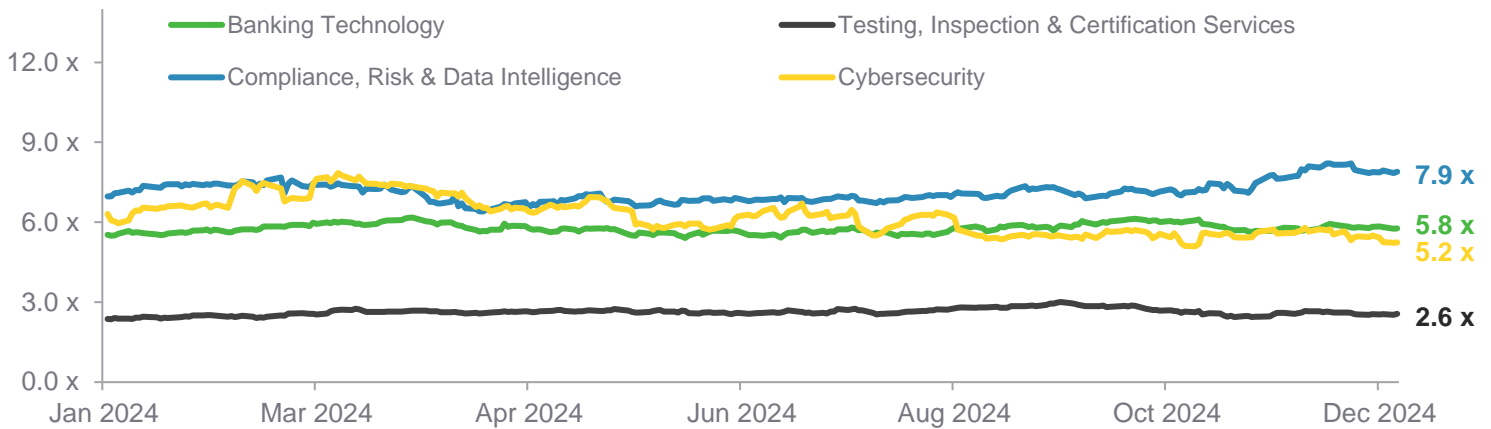
Source: Capital IQ, market data as of 31-December-2024

Public Market Performance

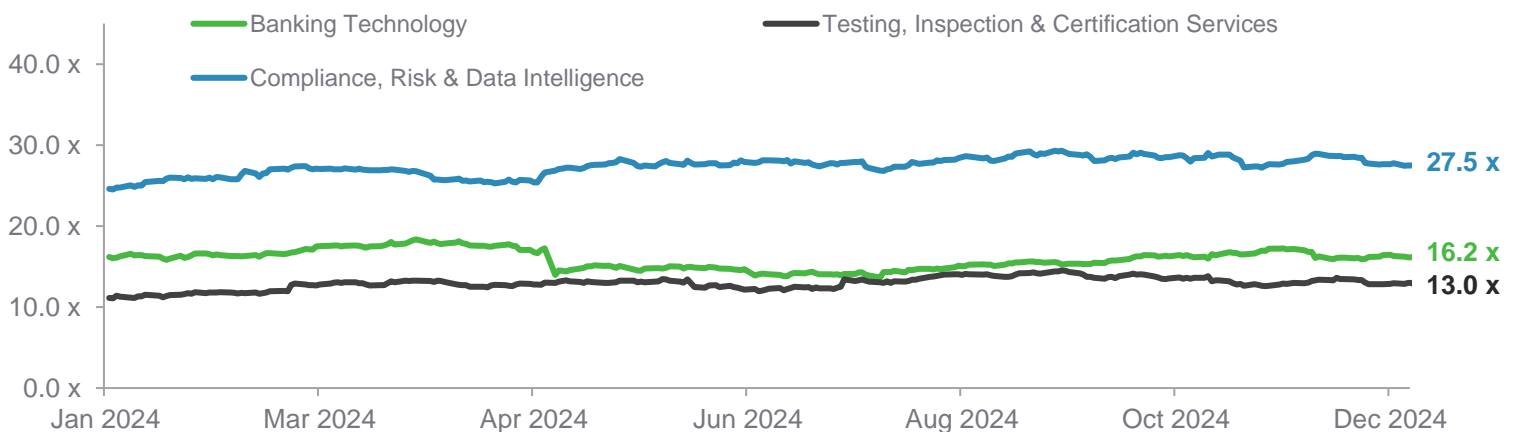
Compliance Market Indices Performance – 1 Year



LTM EV / Revenue Multiple Trend – 1 Year



LTM EV / EBITDA Multiple Trend – 1 Year



Source: Public filings as of 31-Dec-2024, Capital IQ

Notes: Multiples charts may differ from Comparable Company Analysis figures due to detailed adjustments made to the Comparable Company Analysis; Cybersecurity index excluded from LTM EV / EBITDA Multiple Trend due to above average market volatility; GB Group excluded from Compliance, Risk & Data Intelligence index trendline due to non-meaningful TTM EBITDA numbers, resulting in a higher index multiple than in the Comparable Company Analysis where EBITDA values return to meaningful values in the current period

Public Market Performance

Banking Technology Index

	Closing Price 31-Dec-24	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2024E Revenue Growth	2024E EBITDA Margin
					2024E	2025P	2024E	2025P		
Banking Technology										
Fidelity	\$80.77	87.8%	\$43,483	\$52,970	5.2x	5.0x	12.8x	12.1x	3.3%	40.8%
Fiserv	205.42	92.0%	116,867	138,517	7.2	6.7	15.1	13.9	6.0%	47.8%
Jack Henry & Associates	175.30	92.4%	12,790	12,887	5.7	5.2	18.0	16.6	5.6%	31.4%
High		92.4%	\$116,867	\$138,517	7.2x	6.7x	18.0x	16.6x	6.0%	47.8%
Median		92.0%	43,483	52,970	5.7	5.2	15.1	13.9	5.6%	40.8%
Mean		90.8%	57,713	68,125	6.0	5.6	15.3	14.2	5.0%	40.0%
Low		87.8%	12,790	12,887	5.2	5.0	12.8	12.1	3.3%	31.4%

Compliance, Risk & Data Intelligence Index

	Closing Price 31-Dec-24	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2024E Revenue Growth	2024E EBITDA Margin
					2024E	2025P	2024E	2025P		
Compliance, Risk, & Data Intelligence										
GB Group	\$4.26	88.3%	\$1,073	\$1,168	3.2x	3.1x	13.5x	12.7x	4.3%	24.0%
RELX PLC	45.43	95.6%	84,299	92,720	7.6	7.4	19.4	18.8	6.8%	39.2%
Thomson Reuters	160.42	94.8%	72,176	73,274	10.1	9.7	26.4	24.8	7.0%	38.1%
Wolters Kluwer	166.06	97.4%	39,506	42,364	6.6	6.5	20.6	19.7	6.3%	32.0%
Workiva	109.50	93.7%	6,065	6,053	8.2	7.1	NM	NM	16.5%	5.1%
High		97.4%	\$84,299	\$92,720	10.1x	9.7x	26.4x	24.8x	16.5%	39.2%
Median		94.8%	39,506	42,364	7.6	7.1	20.0	19.2	6.8%	32.0%
Mean		94.0%	40,624	43,116	7.2	6.7	20.0	19.0	8.2%	27.7%
Low		88.3%	1,073	1,168	3.2	3.1	13.5	12.7	4.3%	5.1%

Source: Capital IQ, equity research reports, market data as of 31-Dec-2024

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"; multiples may differ slightly from p. 4 due to detailed adjustments; GB Group excluded from Compliance, Risk & Data Intelligence index trendline due to non-meaningful TTM EBITDA numbers, resulting in a higher index multiple than in the Comparable Company Analysis where EBITDA values return to meaningful values in the current period

Public Market Performance

Cybersecurity Index

	Closing Price 31-Dec-24	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2024E Revenue Growth	2024E EBITDA Margin
					2024E	2025P	2024E	2025P		
Cybersecurity										
Fortinet, Inc.	\$94.48	93.9%	\$72,414	\$69,708	11.8x	10.5x	33.3x	30.8x	11.1%	35.6%
Okta, Inc.	78.80	68.8%	13,503	12,113	4.7	4.3	20.6	19.3	15.7%	22.6%
Palo Alto Networks, Inc.	181.96	87.8%	119,584	116,839	13.7	11.9	NM	NM	13.7%	30.9%
Rapid7, Inc.	40.23	65.0%	2,543	2,986	3.6	3.4	16.0	15.4	8.0%	22.3%
Tenable Holdings, Inc.	39.38	73.6%	4,731	4,542	5.1	4.6	20.0	NM	12.1%	21.0%
High		93.9%	\$119,584	\$116,839	13.7x	11.9x	33.3x	30.8x	15.7%	35.6%
Median		73.6%	13,503	12,113	5.1	4.6	20.3	19.3	12.1%	22.6%
Mean		77.8%	42,555	41,238	7.8	6.9	22.5	21.8	12.1%	26.5%
Low		65.0%	2,543	2,986	3.6	3.4	16.0	15.4	8.0%	21.0%

Testing, Inspection & Certification Index

	Closing Price 31-Dec-24	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples		EV / EBITDA Multiples		2024E Revenue Growth	2024E EBITDA Margin
					2024E	2025P	2024E	2025P		
Testing, Inspection & Certification										
Bureau Veritas SA	\$30.38	95.3%	\$13,609	\$14,861	2.2x	2.2x	11.1x	10.7x	4.1%	19.9%
Intertek Group plc	59.19	90.2%	9,544	10,494	2.4	2.3	10.8	10.4	5.6%	22.2%
SGS SA	100.29	92.4%	18,691	21,513	2.9	2.8	17.0	12.6	NA	22.0%
High		95.3%	\$18,691	\$21,513	2.9x	2.8x	17.0x	12.6x	5.6%	22.2%
Median		92.4%	13,609	14,861	2.4	2.3	11.1	10.7	4.8%	22.0%
Mean		92.6%	13,948	15,623	2.5	2.4	13.0	11.2	4.8%	21.4%
Low		90.2%	9,544	10,494	2.2	2.2	10.8	10.4	4.1%	19.9%

Source: Capital IQ, equity research reports, market data as of 31-Dec-2024

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"; multiples may differ slightly from p. 4 due to detailed adjustments

Featured M&A Activity

Date	Target	Buyer/Investor	Summary
17-Dec-24	ComplyUp	Exostar	<ul style="list-style-type: none"> ComplyUp is a developer of a platform that provides compliance assessment and documentation management for DoD contractors and MSPs
12-Dec-24	Securitybricks	Aprio	<ul style="list-style-type: none"> Securitybricks is a premier cybersecurity firm specializing in cloud security and compliance
20-Nov-24	Adlumin	N-Able Technologies	<ul style="list-style-type: none"> Adlumin provides an enterprise-grade security operations-as-a-service platform that seamlessly integrates into clients' tech stacks
20-Nov-24	JS Compliance	The Kelvin Group	<ul style="list-style-type: none"> JS Compliance is a nationwide process safety and risk management consultancy
24-Oct-24	Effectiv	Socure	<ul style="list-style-type: none"> Effectiv is a real-time fraud and risk decisioning platform for financial institutions and financial technology firms
24-Oct-24	Dionach	Nomios Group	<ul style="list-style-type: none"> Dionach is a cybersecurity service provider offering penetration testing, cybersecurity audit, and compliance services
16-Oct-24	Effecta Compliance	ACA Group	<ul style="list-style-type: none"> Effecta Compliance provides regulatory consulting to the financial services industry
10-Oct-24	Internetwork Engineering	Presidio	<ul style="list-style-type: none"> Internetwork Engineering provides IT services and cybersecurity solutions for mid-market and enterprise clients in the Southeast
02-Oct-24	360IT Partners	Dataprise	<ul style="list-style-type: none"> 360IT is a provider of IT services and cybersecurity solutions for small and medium businesses
01-Oct-24	Applied Insight	CACI International	<ul style="list-style-type: none"> Applied Insight provides IT services to balance control and compliance through cloud management and emulation
17-Sep-24	CORE-CCO Services	Standish Management	<ul style="list-style-type: none"> CORE-CCO Services is a specialty SEC, AML, KYC, and regulatory compliance firm focused on the private equity and venture capital industries
10-Sep-24	ADVYZOM	Danforth Advisors	<ul style="list-style-type: none"> ADVYZOM is a leading strategic regulatory affairs and development consultancy for life sciences companies
26-Aug-24	Robust Intelligence	Cisco	<ul style="list-style-type: none"> Robust Intelligence provides AI security solutions through its purpose-built platform
19-Aug-24	Control Gap	CyberGuard Advantage	<ul style="list-style-type: none"> Control Gap is a provider of PCI compliance, cyber risk, and offensive security solutions

Source: Capital IQ, Pitchbook


Featured Private Placements

Date	Target	Buyer/Investor	Summary
19-Dec-24	Citation	HarbourVest Partners	<ul style="list-style-type: none"> Citation is an international provider of tech-enabled compliance and certification solutions to small- and medium-sized enterprises
17-Dec-24	FinCrime Dynamics	Oxford Capital Partners	<ul style="list-style-type: none"> FinCrime Dynamics specializes in helping financial institutions test and improve crime control through the rapid deployment of effective AI
16-Dec-24	Cyber360	ASP Capital	<ul style="list-style-type: none"> Cyber360 identifies and hires skilled cyber security professionals in the US
09-Dec-24	MetaCompliance	Keensight Capital	<ul style="list-style-type: none"> MetaCompliance delivers cybersecurity and compliance software, focusing on user training and human risk management
09-Dec-24	SDG Corporation	Recognize Partners	<ul style="list-style-type: none"> SDG is a leading provider of advisory, implementation, and managed cybersecurity services
22-Nov-24	Federated Information Technologies	Bridge Defense	<ul style="list-style-type: none"> Federated IT is a trusted consulting partner to the US Intelligence Community and DoD, with expertise in cybersecurity solutions, cloud computing, and more
19-Nov-24	ThreatMon	Pragma Capital Partners	<ul style="list-style-type: none"> ThreatMon is a cyber-threat intelligence firm using AI to identify attack surfaces and fraud
21-Oct-24	CENTRL	Susquehanna Growth Equity; PSG Equity; Lavelle Capital	<ul style="list-style-type: none"> CENTRL utilizes AI diligence to help transform risk and compliance processes for financial institutions
24-Sep-24	Cyavatar.ai	Decathlon Capital Partners	<ul style="list-style-type: none"> Cyavatar.ai is a cybersecurity platform serving small- and mid-sized business, start-ups, and supply chains
04-Sep-24	ITC Federal	Blue Delta Capital Partners	<ul style="list-style-type: none"> ITC Federal is an established provider of mission-focused IT solutions and enterprise services to US federal agencies
04-Sep-24	Amtivo	Audax Strategic Capital	<ul style="list-style-type: none"> AMTIVO is a global B2B provider of accredited certifications and assurance services
08-Aug-24	Nucleus Security	Dcode Capital	<ul style="list-style-type: none"> Nucleus Security is an enterprise leader in unified vulnerability management
07-Aug-24	Acronis	EQT	<ul style="list-style-type: none"> Acronis is a provider of a natively integrated cybersecurity and data protection platform
25-Jul-24	Chainguard	Institutional Venture Partners; Redpoint Management; Lightspeed Ventures	<ul style="list-style-type: none"> Chainguard builds secure applications to protect against vulnerabilities and attacks

Source: Capital IQ, Pitchbook

About ClearSight

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has divested its

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to

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has sold a majority stake in

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to

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has received a growth investment from

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