

PE Hub

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PE DEALS

Hg leverages reg-tech in add-on strategy for Cube

Cube has already made two acquisitions since Hg acquired it in March

Hg focuses on software in a multitude of categories, including financial and legal-based software. Regulatory technology (the software that financial institutions use to comply with regulatory demands) is a natural fit for the London-based private equity firm. PE Hub spoke with Hg partner Chris Fielding and principal Thomas Martin about Cube, the firm's reg-tech platform investment, and its add-on strategy.

Hg acquired London-based Cube in March from Bregal Milestone. Cube analyzes data from over 8,000 regulatory sources to identify the most relevant ones for each customer. The company's customer base includes banks and other financial institutions such as Citi, Wells Fargo and American Express.

"The primary reason we invested in Cube is because it is a leader in automating regulatory compliance in a sector that is fast moving away from manual processes – Excel and lawyers looking up information on websites," Fielding said. "Instead, there's demand for automated machine learning and AI-driven solutions. These are rapidly being adopted by the sector as a whole."

Cube has already made two add-on deals since Hg invested.

In early May, Hg acquired Reg-Room, a New York-based regulatory intelligence provider.

And in mid-May, Cube announced that it acquired Thomson Reuters' regulatory intelligence and Oden products and



Christopher Fielding and Thomas Martin, Hg

businesses.

Headquartered in Toronto, the former Thomson Reuters business unit allows customers in the banking, financial services and insurance sectors to understand operational, regulatory and compliance risks. Oden is a reference library that provides summaries and explanations of insurance mandates, both state and federal.

The deal brings together Thomson Reuters' curated content with Cube's software.

"Where Thomson Reuters is differentiated is having 25 years of expert analysis," Martin told PE Hub. "They have editorial staff, regulatory experts that write summaries on regulations that we combine with Cube, which is a bit more 'tech forward'. We think this is a really nice combination."

More add-ons are expected for Cube.

"There's still acquisition appetite going

forward, and we'll continue to pursue strategic acquisitions," Martin said. "We know the sector very well through reg-tech coverage and through ongoing discussions with a lot of different vendors."