

Technology, Media & Telecom

Compliance Technology Sector Review | Q3 2020



HW Compliance Technology Introduction

HARRIS WILLIAMS (“HW”)

- 25+ years and more than 1,000 closed transactions
- 350+ professionals across eight office globally
- 170+ closed transactions in the last 24 months
- 10 industry groups

FOCUSED ADVISORY SERVICES

- Mergers and acquisitions (M&A)
- Capital raises
- Corporate divestitures

CONSISTENT RECOGNITION FOR QUALITY



HW TECHNOLOGY, MEDIA & TELECOM (“TMT”) GROUP

- 35+ dedicated TMT professionals
- TMT offices include Boston, San Francisco, and London

KEY TMT THEMES

- ✓ SaaS / Cloud
- ✓ Data & Analytics
- ✓ Digital Transformation
- ✓ A.I. / Machine Learning

HORIZONTAL FOCUS SECTORS

- Application Software
- Cloud Managed Services and Hosting Solutions
- **Compliance Solutions**
- CRM and Marketing Automation
- Human Capital Management
- Infrastructure and Security Software
- IT and Tech-Enabled Services
- Marketing, Research, and Insights Software

VERTICAL FOCUS SECTORS

- Architecture, Engineering, and Construction Software
- Education Technology and Services
- Energy Technology
- Facilities and Real Estate Software
- Financial Technology and Payments
- Government Technology
- Healthcare IT
- Industrial and Supply Chain Technology
- Internet and eCommerce
- Retail Technology

HW COMPLIANCE TECHNOLOGY TEAM

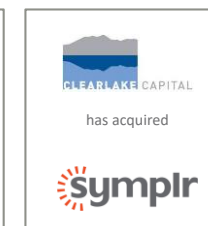
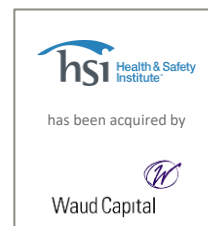
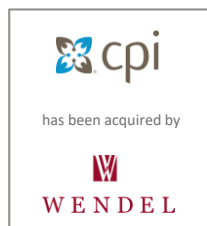
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SELECT HW COMPLIANCE TECHNOLOGY EXPERIENCE



HW Current Market Observations and Insights

HW QUICK TAKES: COMPLIANCE SOFTWARE



Compliance Software: A Compelling Investment in Today's Climate



Bruce Kelleher
Managing Director

Erik Szyndlar
Managing Director

Brian Titterington
Director

For access to HW's Quick Takes: Compliance Software: A Compelling Investment in Today's Climate [Link](#)

TMT ROUNDTABLE: M&A INSIGHTS AND OUTLOOK

A conversation with global leaders in private equity.
For access please visit [Link](#)



HW

**TMT Roundtable:
M&A Insights and Outlook**

A Conversation in Partnership With **OC&C**

Five Arrows Principal Investments

GI PARTNERS

Hg

VISTA EQUITY PARTNERS

LATEST HW MARKET INSIGHTS



For access to HW's latest insights and perspective, email us at insights@harriswilliams.com or visit www.harriswilliams.com/news-insights



M&A Learnings from Past Economic Disruptions

Key Takeaways

- During recent economic disruptions, M&A volumes had already started to decrease in advance of the downturn, driven in part by the credit market crunch, and it remained largely under economic conditions supported.
- The lead and lag cycle of the M&A market has generally shown lower volatility during economic downturns than the longer lead segment.
- M&A transactions executed during the early phases of recovery have generated some of the market's best returns.

Correlation between GDP and M&A

As shown in Figure 1, over the past two decades M&A activity has mirrored the business cycle, starting as the economy headed toward recession, and then rebounding sharply during the recovery. While this correlation between M&A volumes and GDP has not been a silver bullet at each trough of GDP and the slow recovery of GDP, it does seem increasingly relevant.

Figure 1: Real GDP Growth vs. % of U.S. M&A Transactions

Source: Bureau of Economic Analysis, and Harris Williams. M&A data is based on the deal value of all announced M&A transactions in the United States and the global private equity market from 2000 to 2020. GDP data is based on the Bureau of Economic Analysis.

Green Shoots Amid the Risks

Wang notes that China's massive, military-style nationwide shutdown and self-isolation appear to be

Recent Publications:

COVID - 19: Consumer Insights, New Normal Trends, & Investment Implications

M&A Learnings from Past Economic Disruptions

The Impact of 5G on Telecom

Deep Sector Expertise Across Key TMT Focus Areas



- Architecture, Engineering, and Construction
- Education Technology and Services
- Financial Technology and Payments
- Healthcare IT
- Industrial and Supply Chain Technology
- ...and more

For access to HW's TMT content, email us at TMT_Insights@harriswilliams.com

Compliance Technology Focus Areas

CORPORATE RISK & COMPLIANCE



Solutions that provide a comprehensive method to effectively manage and execute an organization's governance, risk, and compliance strategies

INTEGRATED RISK MANAGEMENT

CORPORATE COMPLIANCE & OVERSIGHT

LABOR COMPLIANCE

VENDOR RISK MANAGEMENT

OPERATIONAL RISK MANAGEMENT

AUDIT MANAGEMENT

COMPLIANCE TRAINING

BUSINESS CONTINUITY

Select Market Participants



- › Corporate Risk and Compliance solutions manage the ever-increasing complexities and inherent risks that confront organizations today
- › Business and regulatory complexity coupled with a desire for more efficient risk management is driving demand for software-centric solutions

ENVIRONMENTAL, HEALTH, SAFETY, & QUALITY



Solutions that track and manage an organization's environmental, health, safety, and quality initiatives

ENVIRONMENTAL SUSTAINABILITY MANAGEMENT

QUALITY CONTROL SOFTWARE

SAFETY MANAGEMENT & REPORTING

WORKFORCE HEALTH & SAFETY

WORKPLACE VERIFICATION

SAFETY LEARNING & TRAINING

LEARNING MANAGEMENT SYSTEMS

SUSTAINABILITY

Select Market Participants



- › EHSQ solutions are utilized to manage the aspects of business operations related to environmental impact, worker health and safety, and product quality
- › EHSQ programs are in high demand to both mitigate operational risks and drive business process efficiency and transparency

Recent Compliance Technology Transactions²

Completed: July 20, 2020



CGE Partners acquires Enhesa

- › Enhesa is a provider of EHS regulatory content covering more than 290 jurisdictions, with offices in the US, Europe, Canada, China, and Japan
- › Enhesa operates in a fragmented market with ample whitespace, enabling both rapid organic and inorganic growth
- › CGE Partners will seek additional add-on investments, allowing it to put more capital to work while also strengthening the market position and capability suite of Enhesa

Completed: July 29, 2020



EcoOnline acquires Airsweb

- › Airsweb is a leading EHS software solutions provider in the United Kingdom
- › Airsweb solution is known for its simplicity and configurability and is used by 90 large enterprise clients and 500,000 users globally
- › By adding Airsweb's solution to its existing EHSQ and chemical management solutions, EcoOnline gains additional capabilities while also expanding its presence in the UK

Completed: August 18, 2020



Veriforce acquires Complyworks

- › Complyworks is Canada's leading third-party workforce compliance management software and solution
- › By adding ComplyWorks, Veriforce broadens its base of operators, contractors, and workers, positioning the combined company as a dominant player in the global supply chain risk management sector



Served as the sole financial advisor to Veriforce

Completed: September 10, 2020



Pamlico invests in Fastpath

- › Fastpath is a leading provider of governance, risk, and compliance (GRC) software solutions
- › Fastpath's flagship product, Assure, is a cloud-based platform that enables corporate compliance, finance, and IT departments to monitor and audit user access across their enterprises
- › Benefiting from increasing demand for cloud-based software, Fastpath has already achieved record growth; the investment from Pamlico will accelerate Fastpath's sales and marketing efforts, as well as its product development

Completed: September 22, 2020



Symplr acquires ComplyTrack

- › ComplyTrack provides a risk and compliance software platform that encompasses issue and action management, incident management, contract and document management, and audit management SaaS solutions
- › The combination of symplr and ComplyTrack expands the healthcare industry's leading end-to-end GRC platform by bolstering symplr's existing provider quality and patient safety software solutions
- › Growth through acquisition, coupled with innovation, is an integral part of symplr's business strategy to deliver the industry's leading healthcare GRC SaaS platform

Compliance Technology Evolving Paradigms³

The GRC and EHSQ Software landscape is evolving to address the increasing demand for a comprehensive integrated risk management solution

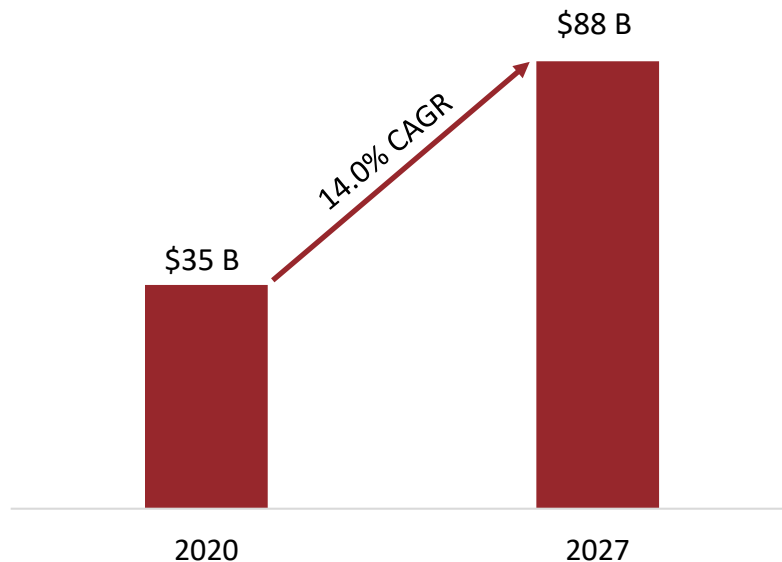
Overview

- › Minimizing risk, maintaining data integrity, and adhering to regulatory reporting requirements drive businesses to find holistic and integrated solutions, preferably from a single vendor
- › Compliance is a daily requirement of businesses, and the near constant communication between employees, customers, suppliers, vendors, and other stakeholders requires solutions that are comprehensive and flexible in order to meet changing requirements

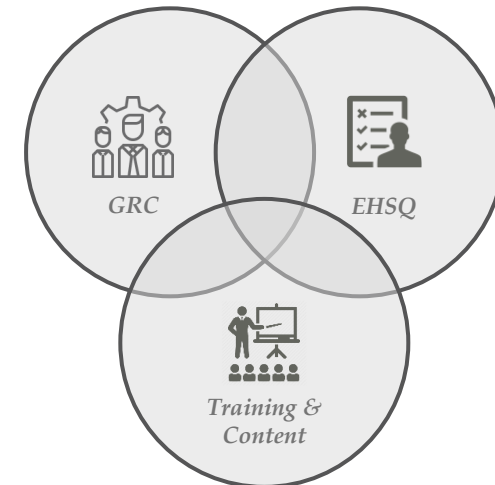
Blending Market Landscape

- › The market landscape is highly fragmented, with companies addressing multiple business needs that cross over different product segments
- › A comprehensive risk management solution is increasingly a strategic imperative and is catalyzing a convergence of technology, learning, and content

Enterprise GRC Software Expected Market Growth



Integrated Risk Management



- › Controlling risk is a central theme, whether it's regulatory, financial, personnel, environmental, or safety related; customers desire holistic solutions that can address all of these
- › Best-in-class technology solutions provide the platform on which to grow regardless of the size of that specific market

Corporate Risk & Compliance Technology - Landscape

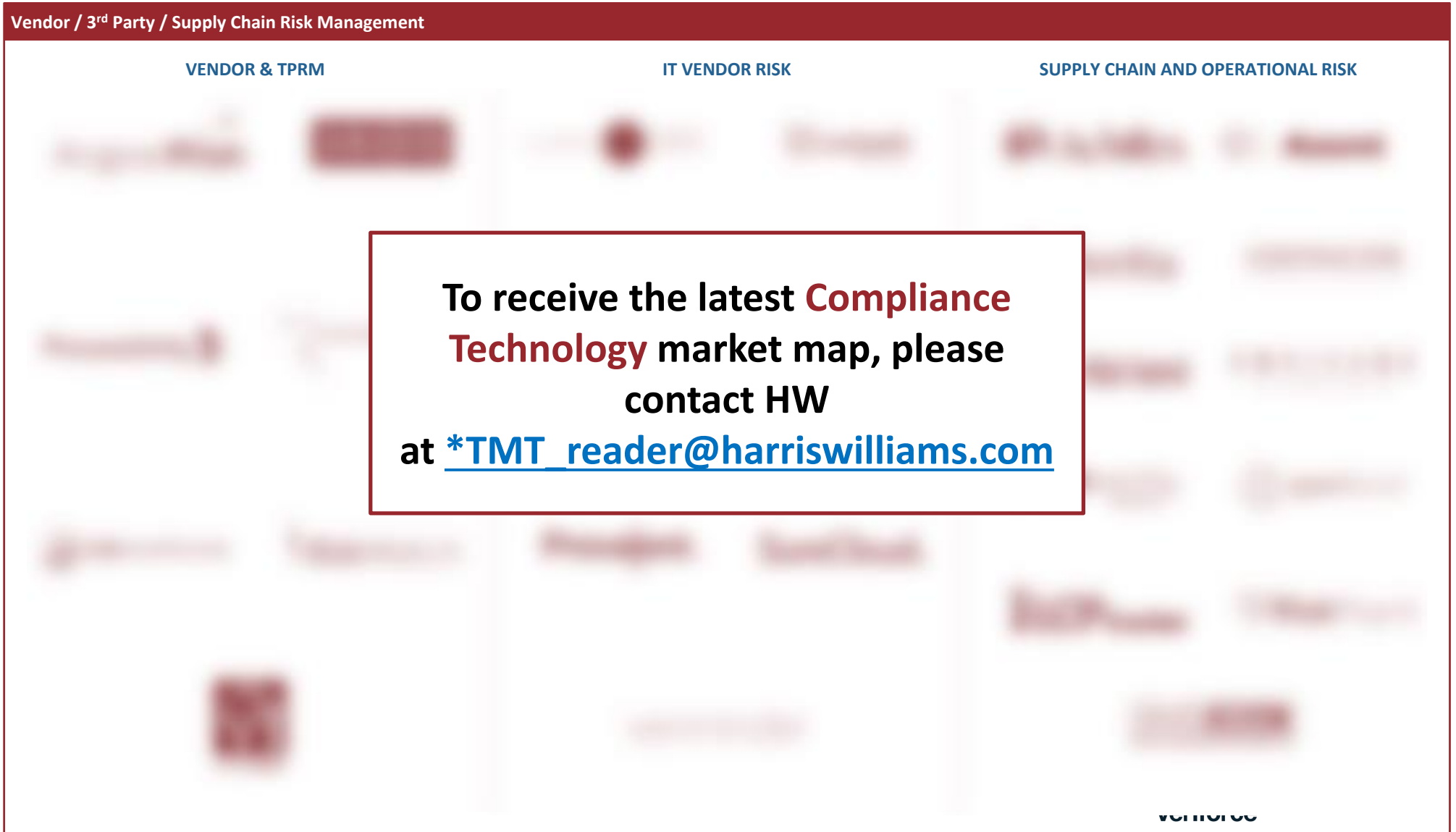
Representative Providers

Integrated Risk Management

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Corporate Risk & Compliance Technology - Landscape

Representative Providers



EHSQ Technology - Landscape

Representative Providers

Platforms

Software Tools – Diversified End Markets

Quality Management

DIVERSIFIED

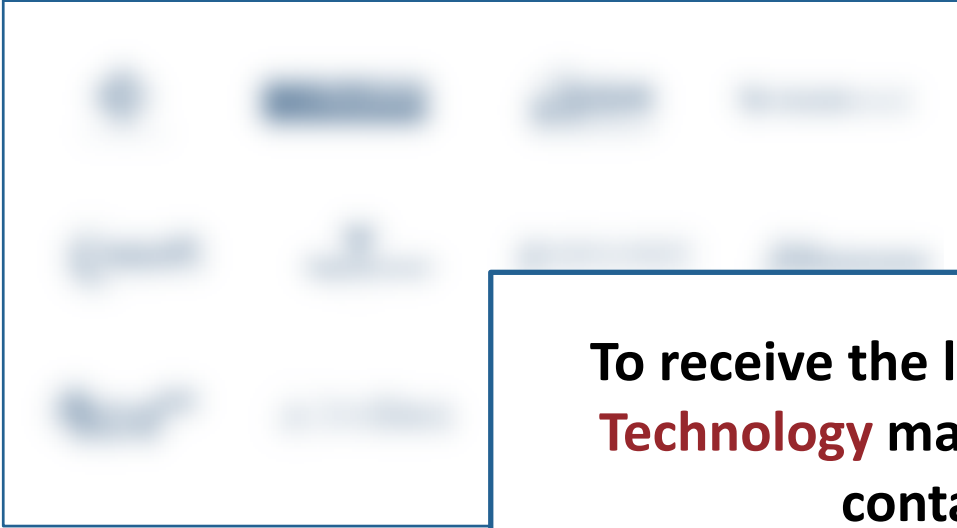
QMS SOFTWARE

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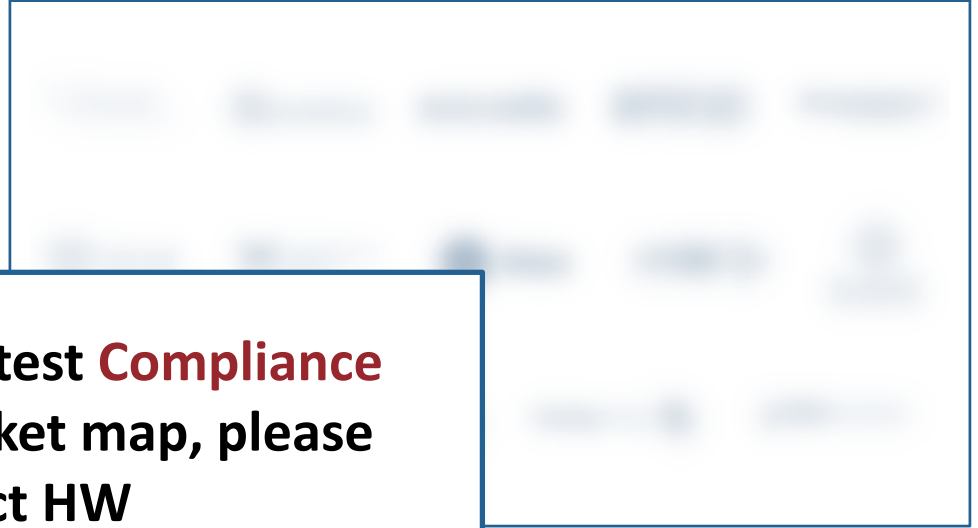
EHSQ Technology - Landscape

Representative Providers

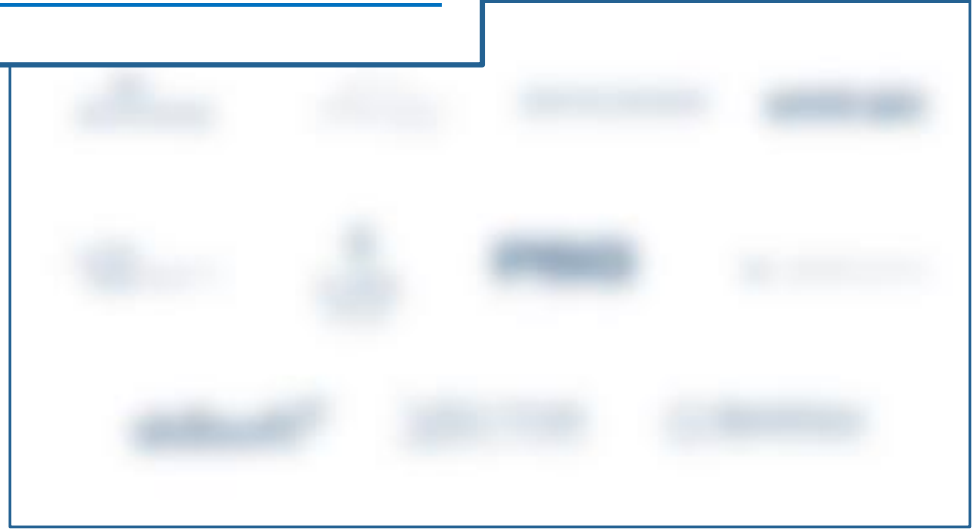
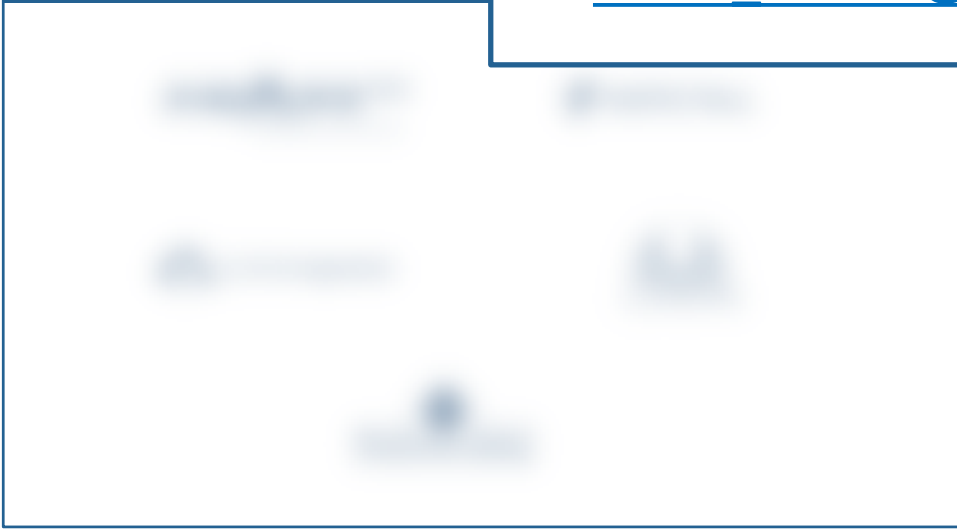
Safety Data Sheets and Other Tools



Sustainability Software



Employee Health and Asset Tracking



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Vertically Focused Compliance Technology Companies - Landscape

Representative Providers

Energy Focused

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Vertically Focused Compliance Technology Companies - Landscape

Representative Providers

Life Sciences Focused

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Vertically Focused Compliance Technology Companies - Landscape

Representative Providers

Financial Services Focused

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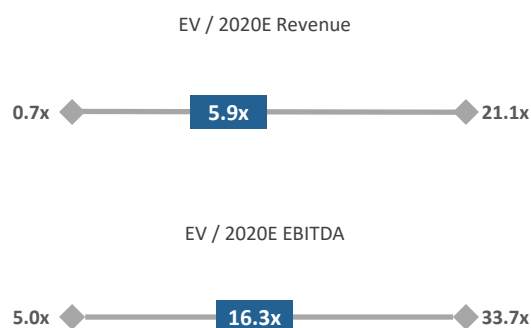
Public Compliance Technology Companies⁴

Compliance Software Providers

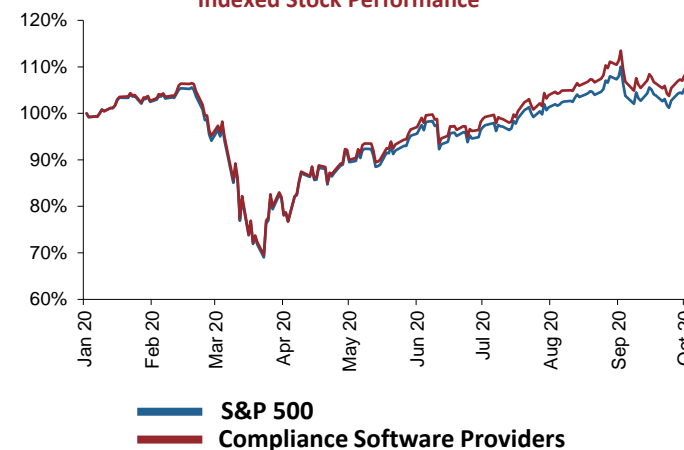
Key Public Comps



Trading Metrics⁴



Indexed Stock Performance⁴



PUBLIC COMPARABLES

As of September 30, 2020 (\$ in millions)

Company	Ticker	Enterprise Value	Market Capitalization	% of 52 Week High	1-Year Stock Performance	3-Year Stock Performance	Revenue Growth		2020E EBITDA Margin	Enterprise Value /		Price / Earnings
							2019	2020E		'20E Rev.	'20E EBITDA	
COMPLIANCE SOFTWARE PROVIDERS												
Oracle	ORCL	\$212,530	\$179,750	(4.6%)	11.0%	23.5%	(0.3%)	(0.6%)	49.4%	5.4x	10.9x	18.6x
SAP	SAP	196,848	185,643	(7.4%)	33.5%	42.3%	10.4%	6.9%	35.5%	5.9x	16.7x	34.9x
International Business Machines	IBM	164,155	108,357	(23.4%)	(15.3%)	(16.1%)	(3.3%)	(3.8%)	23.8%	2.2x	9.3x	12.0x
ServiceNow	NOW	95,511	93,023	(3.4%)	93.9%	312.7%	32.1%	27.7%	31.7%	21.7x	NM	NM
Fiserv	FISV	92,534	69,007	(17.6%)	(0.1%)	59.8%	156.3%	0.3%	37.9%	6.2x	16.3x	54.6x
RELX	REL	53,010	43,116	(18.2%)	(4.4%)	1.7%	9.4%	(8.0%)	33.8%	5.5x	16.2x	24.3x
Thomson Reuters	TSX:TRI	42,554	39,602	(3.4%)	20.1%	58.1%	7.3%	0.9%	31.9%	7.1x	22.3x	19.8x
Verisk Analytics	VRSK	33,686	30,092	(4.3%)	18.4%	122.8%	8.6%	6.4%	48.6%	12.2x	25.0x	58.1x
MSCI	MSCI	31,998	29,840	(10.5%)	65.0%	205.2%	8.4%	8.4%	56.5%	19.0x	33.7x	53.5x
Wolters Kluwer	WKL	25,238	22,591	(1.7%)	19.6%	85.1%	5.1%	5.9%	29.4%	4.6x	15.7x	28.3x
Broadridge Financial	BR	17,076	15,201	(8.7%)	5.7%	63.3%	1.2%	4.8%	22.1%	3.7x	16.8x	35.5x
DXC Technology	DXC	13,089	4,537	(53.5%)	(36.4%)	(79.2%)	(8.4%)	(9.6%)	13.8%	0.7x	5.3x	NM
Pegasystems	PEGA	10,360	9,733	(10.6%)	73.9%	110.0%	4.2%	15.2%	4.4%	9.7x	NM	NM
Micro Focus	MCRO	5,630	1,065	(78.7%)	(76.4%)	(91.8%)	(14.5%)	(11.9%)	38.0%	1.9x	5.0x	NM
Ideagen	AIM:IDEA	605	556	(15.9%)	35.5%	126.2%	35.2%	11.6%	34.5%	7.6x	22.1x	NM
Compliance Software Providers		\$33,686	\$30,092	(10.5%)	18.4%	59.8%	7.3%	4.8%	33.8%	5.9x	16.3x	31.6x

Note: "NM" represents EV / EBITDA multiples greater than 50x and Price/Earning multiples greater than 75x.

Compliance Technology – Transaction Activity

SELECT RECENT M&A TRANSACTIONS

Announced Date	Target	Buyer	Description	Enterprise Value (\$m)
09/28/2020	Globanet	Veritas Technologies	Provider of enterprise-based email archive migration, compliance, and eDiscovery software solutions	NA
09/11/2020	AML RightSource	Gridiron Capital	Provider of compliance consulting services	NA
09/11/2020	Life Science Training Institute	Red Nucleus	Provider of compliance management solutions and regulatory reporting software for healthcare businesses	NA
09/10/2020	Fastpath	Pamlico Capital	Provider of governance, risk, and compliance (GRC) software solutions	NA
09/08/2020	ComplyTrack (Wolters Kluwer Health)	symplr	Provider of risk and compliance software	NA
08/18/2020	ComplyWorks	Veriforce	Provider of compliance management solutions and regulatory reporting software	NA
08/13/2020	Vertafore	Roper	Provider of cloud-based software and services to the insurance industry	\$5,350.0
08/11/2020	AM Fine Services & Software	Compliance Solutions Strategies	Provider of auditing and regulatory software for asset management and insurance businesses	NA
08/10/2020	Qualsys	Ideagen	Provider of compliance support and consultancy services in the United Kingdom and internationally	\$20.4
07/31/2020	PC Legal Tools	Mitratech	Provider of compliance hiring solutions for large organizations	NA
07/29/2020	Airsweb	EcoOnline	Provider of cloud-based environmental, health, and safety (EHS) software solutions	NA
07/28/2020	Juvaré	Five Arrows	Provider of software solutions for emergency and operations management	NA
07/23/2020	Solo Sciences	Akerna Corp	Provider of an anti-counterfeiting technology that serializes and encrypts every legal cannabis package	\$28.9
07/23/2020	Unclaimed Property Consulting (Keane's)	Sovos Compliance	Provider of compliance consulting	NA
07/20/2020	Enhesa	CGE Partners	Provider of environmental, health, and safety (EHS) compliance assurance services	NA
07/07/2020	NetGovern	Ipro Tech	Provider of information archiving and governance software for data compliance	NA

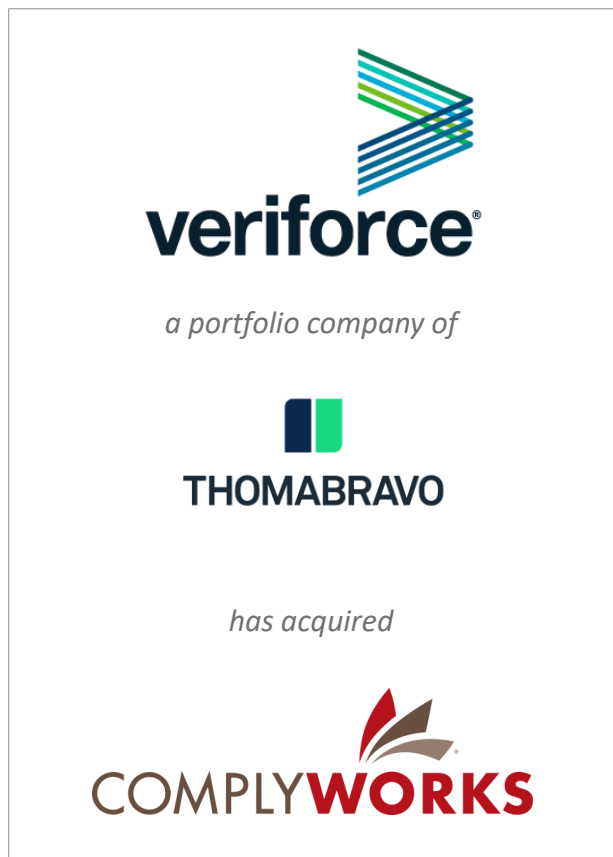
Select Recent Private Placements⁴

Date	Company	Seed	Round Size (\$M)	Raised to Date	Lead Investor(s)	Commentary
08/20/20		Growth	\$40	NA	HgCapital; TA Associates Management; Hg Saturn 2	Provider of tax compliance and regulatory reporting software
08/12/20		Series A2	\$10	\$28	K2 & Associates Investment Management; JW Asset Management; Salveo Capital; Phyto Partners; Arcadian Fund	Developer of marketing technology platform intended for the cannabis industry
07/28/20		Series C	\$50	\$109	Index Ventures; Ontario Teachers' Pension Plan; Balderton Capital	Developer of AI-driven financial crime risk data and detection technology

Note: Financial information presented above represents reported capital raised only.

Case Study: ComplyWorks

HW's TMT Group advised Veriforce, a portfolio company of Thoma Bravo, on its acquisition of ComplyWorks.



TRANSACTION OVERVIEW

Veriforce is a recognized leader in delivering comprehensive, integrated supply chain risk management solutions that help bring workers home safely and optimize business performance. The company's SaaS safety and compliance software and solutions empower leading organizations to drive safety and compliance into their supply chains and down to the worker level.

The acquisition of ComplyWorks is an important milestone for Veriforce as it strengthens its commitment to helping companies navigate complex safety and regulatory environments to better protect their supply chains. The combined company creates a global platform of technology and services, empowering more than 800 companies in 120 countries to engage an estimated 50,000 contractors and millions of individual workers in a broad spectrum of risk mitigation practices designed to ensure safe, compliant business operations.

ComplyWorks is a global leader in compliance management. The company's web-based solutions cover the entire compliance life cycle from contractor management to workforce management, worksite management, and payment.

RELEVANT SUBSECTORS

Supply Chain Risk

EHSQ

ENERGY

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Harris Williams Capabilities and Locations

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Sources & Disclosures

Sources

1. Wall Street Journal
2. MergerMarket
3. Grand View Research
4. Capital IQ

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