

Representative Experience

Shea & Company



syntrio

has been acquired by

MITRATECH

Shea & Company served as the exclusive financial advisor to Syntrio

Castellan

has been acquired by

riskconnect

Shea & Company served as financial advisor to Castellan

BC PARTNERS

has acquired

NAVEX GLOBAL

Shea & Company served as the exclusive financial advisor to BC Partners

Stax



SAYARI

Stax provided vendor due diligence to Sayari

riskconnect

Stax has supported Riskconnect with M&A advisory and diligence support

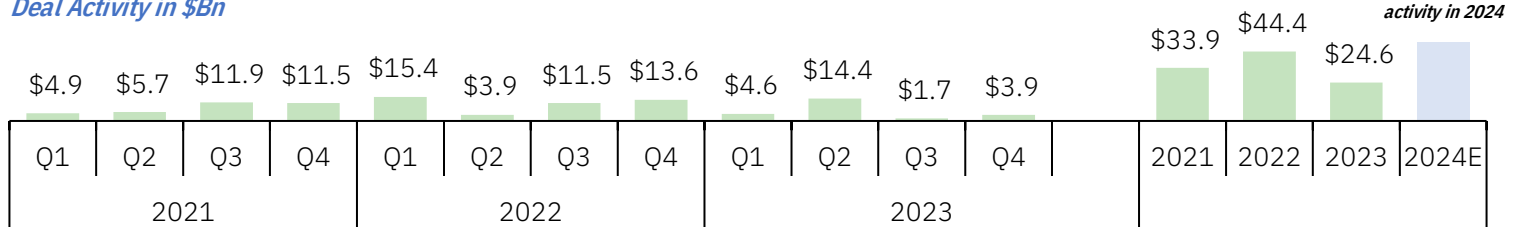
Diligent

Stax has supported Diligent with M&A advisory and diligence support

1 GRC Maintains Healthy Activity in 2023 with Robust Activity Expected in 2024

- **Recent Years' Deal Activity Recap & 2024 Outlook:** Deal activity (by enterprise value) for 2022 ended at an all-time high – despite a broader market slowdown – which was driven primarily by several multi-billion dollar take-private transactions (e.g., Hg's acquisition of Ideagen). 2023 started at a more moderate pace, with a focus on minority capital raises in the first quarter. However, deal activity accelerated throughout the middle of the year with valuations holding strong for GRC platforms, coupled with the desire for financial sponsors to return money to limited partners.

*GRC Activity Tracked by Shea & Co:
Deal Activity in \$Bn*



2 Strong Activity Across GRC Sub-Sectors, with Notable Investor Demand for TPRM, Compliance & Ethics and InfoSec / Digital Risk

- **TPRM:** TPRM solutions are starting to be viewed as a “need-to-have” as organizations recognize the value of data intelligence and automated workflows to manage third-party vendor risks and ensure compliance. Adoption for these solutions is driven by greater regulatory requirements, number of sanctions, severity of cyber / operational risks as well as vendor ecosystem complexity.
- **Compliance & Ethics:** Historically, Compliance & Ethics solutions have been viewed as a “check-the-box” measure to comply with regulations and monitor employee misconduct. Sentiments have changed, and buyers now leverage these solutions to both improve company culture and employee engagement, but also to combat employee risk, proactively resolving HR incidents before they escalate to lawsuits.
- **InfoSec / Digital Risk:** InfoSec and Digital Risk vendors are gaining prominence as organizations prioritize protection of sensitive data including employee and customer data, financial data, intellectual property. High-profile data breaches and regulatory requirements (HIPAA, GDPR) drive accelerated adoption of solutions focused on classifying, monitoring and auditing access to sensitive data.

GRC Taxonomy

Risk Management		Regulation & Compliance Management	
Audit	Business Continuity	Board Governance	Compliance & Ethics
Enterprise Legal Risk	InfoSec / Digital Risk	CSR & ESG	Health & Safety
OpRisk	TPRM	Policy & Training	Quality Management

3 Private Equity More Optimistic than Ever About GRC

PE-Backed Platforms and Investors Chasing Lower-Risk Sectors Drive Record Demand:

Growing interest in GRC is driven by (i) an abundance of PE-backed platforms looking to scale and build their suite via add-on M&A and (ii) sponsors seeking businesses in defensive sectors given their resilient characteristics: high retention (driven by regulations and mission criticality), capital efficient growth and large TAM.

Widely Available Strategic M&A Opportunity: Buyers are paying premiums for assets of scale, particularly those with robust M&A roadmaps, integrated product platforms and successful cross-sell motions.

Successful Exits from Prior Years Inciting Investment Interest: Successful exits over the last several years support continued investment in the GRC sector.

Successful exits over the last few years have led to increased interest in the GRC sector...

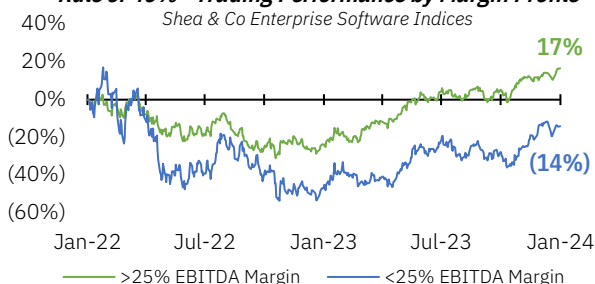


... with the next wave of mid-sized vendors primed for investments



4 Valuations Remain Strong for High Performing Assets

Rule of 40%+ Trading Performance by Margin Profile
Shea & Co Enterprise Software Indices



Profitability and Scale is Rewarded within GRC: We anticipate that businesses of scale with profitability (or visibility of near-term profitability) will continue fetching premium multiples relative to those focusing on achieving significant growth at the cost of profitability.

Strong Outcomes for Platforms with Balanced Rule of 40: Due to market uncertainty, buyers have become more wary about investing in businesses engineered for growth at all costs (often with significant cash burn). Buyers will continue to favor balanced Rule of 40+ profiles (weighted towards profitability) above all other financial profiles.

5 Broad Market Demand for GRC Platforms, Although Point Solutions Continue Taking Market Share

Market Split Between Point Solution Vendors and Broader Suite Solutions: Many GRC subsectors remain evenly split by GRC platforms and point solutions, and despite the broader push towards integrated GRC platforms, point solutions have a significant opportunity to continue disrupting the market. Point solutions target Heads / Directors of EHS, ESG and Supply Chains as well as tactical buyers (e.g., task-centric approach to risk mgmt.). For more complex use-cases (e.g., TPRM and supply chain risk), point solutions are often the vendor of choice due to the solutions' robust and highly-focused capabilities, quick time-to-value and overall cost effectiveness.

Point Solution Key to Differentiation: Significant market opportunity exists for point solutions, especially vendors that are (i) verticalized, (ii) address a module-specific need for complex use-cases and (iii) leverage data exchanges. Despite having a smaller TAM, these vendors benefit materially from greater capital efficiency, pricing power and unit economics.

6 Need for Consolidation Amongst Highly Fragmented Landscape & 2024 Outlook

Market Fragmentation Will Lead to Consolidation: Broad GRC platforms (both legacy and next-gen vendors), as well as mid-sized assets that have potential to be a consolidator, will continue to acquire point solutions throughout 2024 as the demand increases for heightened data and stakeholder collaboration across business segments through end-to-end risk platforms. As organizations continue to mature and become more strategic with risk management, they will seek to centralize their risk repositories and combat risk and compliance use-cases holistically.

2024 Outlook: We expect buyer interest to intensify across all software market verticals given several macro tailwinds: positive stock market momentum, moderate inflation, stable interest rates and dry powder remaining at near all-time highs (across PE funds and corporate cash balances). Buyer interest will continue to grow within GRC as organizations place greater emphasis on risk management and need to comply with increasing regulations.