

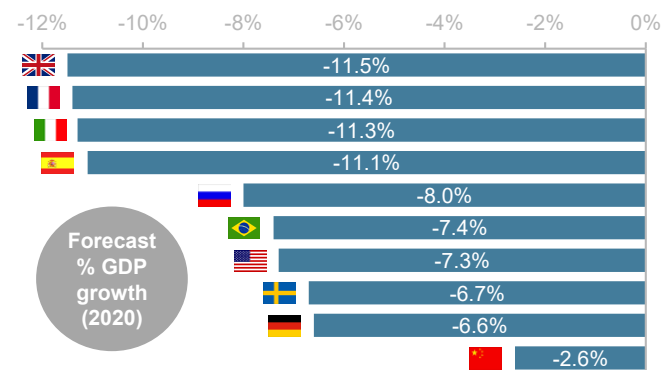
Resilience Through the Cycle: Predictable Revenue Models Shine

JUNE 2020

Overview

Unprecedented crisis with a prolonged economic impact being forecast.

- COVID-19 has had an unparalleled impact globally, with less than 8 million confirmed cases in 188 countries.
- Global action to reduce its spread includes suspension of business operations/education and enacting travel restrictions.
- Significant GDP declines are being observed/forecast in every major economy.
 - U.S. unemployment has reached levels not seen since the Great Depression, with estimates that 42% of pandemic-induced layoffs will end up being permanent.



Major initial shock to global equity markets, with a quick recovery driven by stimulus and partial reopening of the global economy.

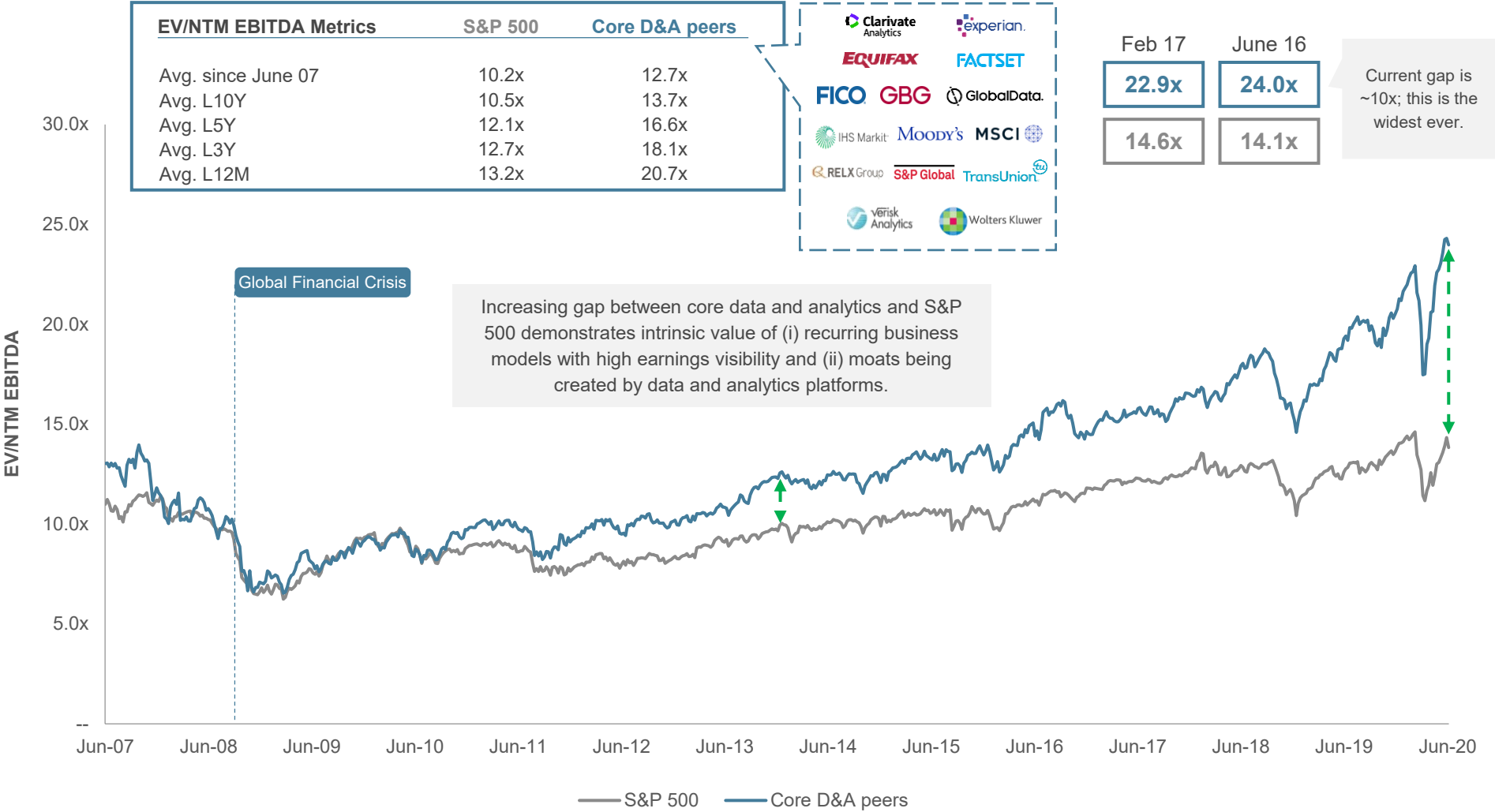
- In mid-March, an initial shock was seen in financial markets, resulting in significant falls for leading indices.
 - The S&P 500, NASDAQ, and DJIA all fell at least 30% from their 2020 highs during March.
- As governments pushed through unprecedented stimulus packages and economies started to reopen, markets rapidly rebounded.
 - NASDAQ traded above its pre-COVID-19 high on June 10; S&P 500 and DJIA have both returned to within 10% of their highs.
- Businesses with certain end markets and business models have rebounded more quickly than others as market participants look to invest in future winners.
 - Transportation, energy, and leisure have been most impacted, while technology, healthcare, and at-home stocks have been resilient.

Outperformance in data and analytics, where business models are underpinned by recurring-revenue models.

- Trading multiples for high-quality data and analytics businesses outperformed the broader market.
 - A “flight to quality” has been apparent with investors paying a premium for platforms that have high proportions of recurring revenue, scalable business models, robust margins, and strong cash flow generation.
 - In particular, recurring-revenue B2B models have remained resilient, and their predictability and forward visibility have driven valuations.
 - Core data and analytics comparables are currently trading approximately 10x higher (on an NTM-EBITDA basis) against the S&P 500 as opposed to 6.5x higher during the 12-month period leading up to COVID-19.
 - Core data and analytics peers have recovered 99% of their pre-COVID-19 value vs. 92% for the current S&P 500.

Data and Analytics Comps Significantly Outperform the Market

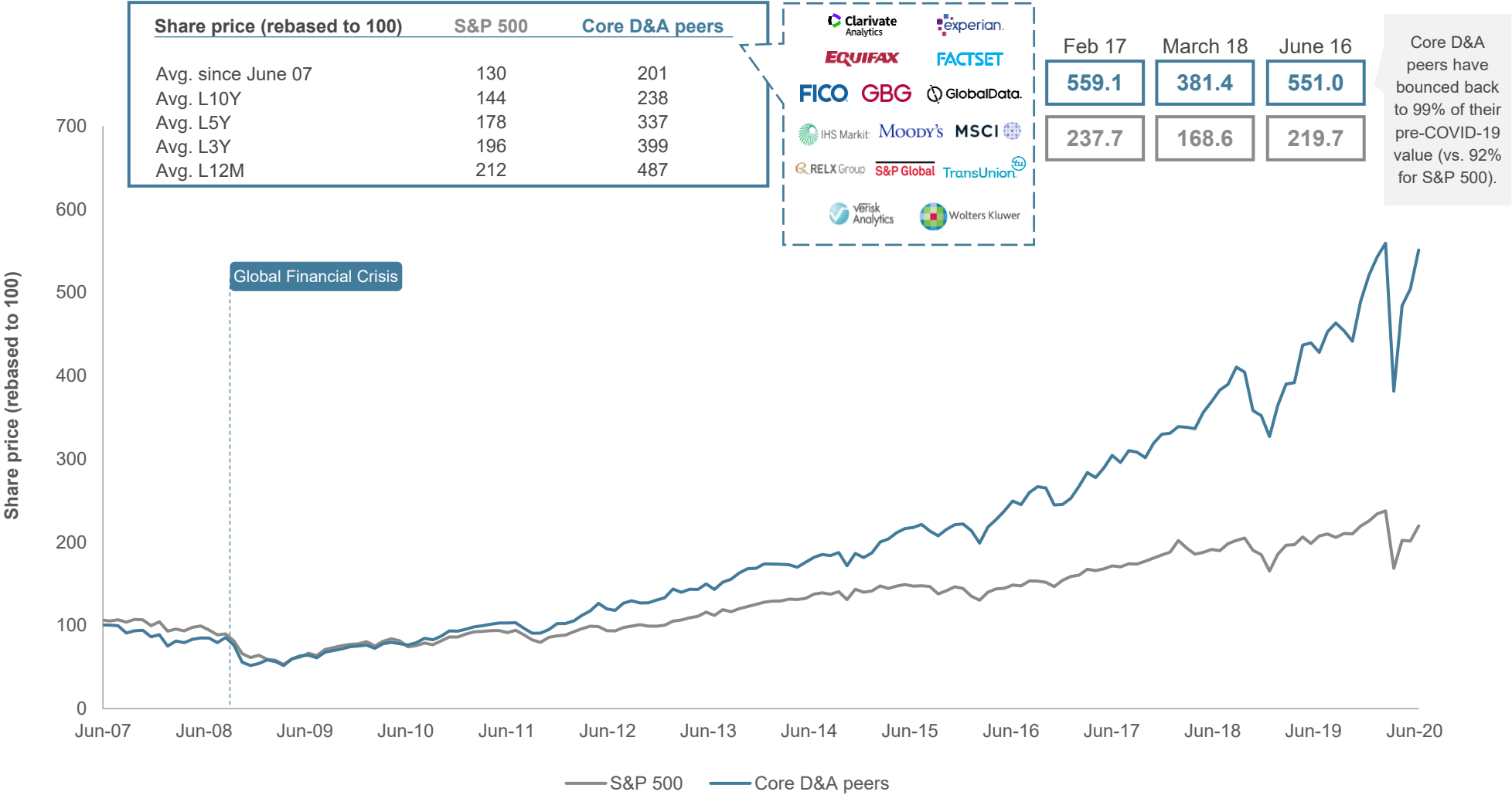
Core data and analytics comps have outperformed the S&P 500 over the past 10 years, with the gap widening following recent COVID-19 lows. With the massive proliferation of data in recent years, the intrinsic value of high-quality data and tools has increased over time.



Source: S&P Capital IQ.
Note: Core data and analytics peers only appear in the dataset from time of listing and where broker estimates are available at that time. These are as follows: Clarivate (May-19), GobaData (May-13), MSCI (Apr-08), TransUnion (Oct-15), and Verisk (Nov-09). Comps have not been adjusted for any significant merger events (e.g., IHSMarkit will reflect IHS until merger with Markit in Mar-16).

Resilience and Predictability Continue to Drive Outperformance

Outperformance since the global financial crisis; investors increasingly pay up for recurring revenues supported by network effects.



Source: S&P Capital IQ.
Note: Core data and analytics peers shown at average of share price and only appear in the dataset from time of listing and where broker estimates are available at that time. These are as follows: Clarivate (May-19), GlobalData (May-13), MSCI (Apr-08), TransUnion (Oct-15), and Verisk (Nov-09). Comps have not been adjusted for any significant merger events (e.g., IHSMarkit will reflect IHS until merger with Markit in Mar-16).

Why Do Investors Value Recurring-Revenue Business Models?

The attractiveness of recurring-revenue business models is increasingly apparent during times of market uncertainty.



Deeply Embedded

- Data, analytics, and software are increasingly driving business processes and informing key decisions.
- By combining internal data sets with external solutions, providers become increasingly embedded.
- In times of stress or volatility, proprietary data and analytics increase in value.



Visibility

- Locked-in revenues from annual/multi-year contracts combined with high renewal rates provide significant revenue visibility.
- Recurring-revenue supports the upsell/cross-sell of customers over time.
- Network effects drive adoption and, consequently, MRR growth.



Long-Term Customer Value

- Solutions can be bundled to address expanding customer needs and support long-term growth.
- Data is the new oil; without it, businesses run less efficiently and with less granular decision-making.
- Cloud solutions provide cost and operational flexibility, which is increasingly valuable in a capex-constrained, mobile world.



Cash- and Cost-Effectiveness

- Positive cash flow dynamics from subscriptions paid in advance and a low capex requirement.
- High gross margins and operating leverage are all inherent in SaaS data and analytics business models.
- Ability to globally scale in a cost-effective manner.



Additional Factors That Aid Valuation

Market/Competitive Position

- ✓ Key player in an attractive global market.
- ✓ Proven ability to grow/maintain market share.
- ✓ Strong end-market resilience.

Products/Services


- ✓ Proprietary, must-have solutions that cannot be replicated.
- ✓ High-quality product offering.
- ✓ Track record of continuous innovation and execution.

Customer







































































- ✓ Global, well-funded customers with white space opportunities.
- ✓ High customer satisfaction.
- ✓ Tenured relationships.

Houlihan Lokey's Best-in-Class Global Data and Analytics Franchise

Focus on companies that provide critical B2B data, analytics, software, and tech-enabled services to global markets on a subscription or recurring-revenue basis.

	 <p>Data & Information Services</p>	 <p>Governance, Risk & Compliance</p>	 <p>Energy & Commodities</p>	 <p>Transportation & Logistics</p>	 <p>Research, IP & Legal</p>	 <p>Real Estate, Retail & Facilities</p>
Expertise & Capabilities	<ul style="list-style-type: none"> Business information Financial and market data and analytics Credit data and analytics Insurance data and analytics Marketing data and analytics 	<ul style="list-style-type: none"> Enterprise, operational, and financial risk Regulatory intelligence/workflow Fraud, AML, KYC, and sanctions Environmental, health safety, and sustainability CSR Certification 	<ul style="list-style-type: none"> Oil and gas Power and renewables Agriculture and food Maritime Weather 	<ul style="list-style-type: none"> Automotive Aviation Supply Chain Logistics 	<ul style="list-style-type: none"> Academic and research IP Pharma and healthcare Legal services 	<ul style="list-style-type: none"> Retail analytics Commercial and residential data and analytics Construction and facilities
Key Relationships	           	                     	                 	                       	                 	                 

We Are a Leading Advisor to Providers of B2B Data and Analytics

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 has been acquired by  Sellside Advisor	 a portfolio company of EQT has been acquired by Moody's Corporation Sellside Advisor*	 has received an investment from HG Capital Sellside Advisor*	 has been acquired by Permira Funds Sellside Advisor*	 has been acquired by Hellman & Friedman Sellside Advisor*	 has been acquired by Lexis Nexis Legal & Professional a division of RELX Group Sellside Advisor*	 has sold RISI to Euromoney Institutional Investor PLC Sellside Advisor*	 has acquired BISAM Buyside Advisor*	 has been acquired by Verisk Analytics Sellside Advisor*	 has received an investment from IK Investment Partners Sellside Advisor*

Tombstones included herein represent transactions closed from 2012 forward. *Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

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The Houlihan Lokey Data & Analytics team combines hands-on senior leadership with deep industry knowledge and expertise.

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