



Governance, Risk, and Compliance Technology

MARKET UPDATE | Q4 2020

GRC Market Update—Q4 2020

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Governance, Risk, and Compliance (GRC) Technology Update for Q4 2020. We hope that you and your families remain safe and healthy. We have continued adapting to this fluid market and are busy helping our clients navigate financing, M&A, and other strategic alternatives. Please reach out to any of us if you would like to connect or brainstorm regarding any current needs or sector topics.

We have included industry insights, select recent transaction announcements, and a public markets overview to help you stay ahead in our dynamic industry. We hope you find this update to be informative and that it serves as a valuable resource to you in staying abreast of the market.

We hope you enjoy this report, and please reach out if you have any questions. We look forward to staying in touch.

Regards,



William Eide
Director, TMT
WSEide@HL.com
415.273.3645



Tim Macholz
Vice President, TMT
TMacholz@HL.com
415.273.3628

Additional GRC Technology Team Contacts

Rob Louv
Managing Director, TMT
Group Co-Head
RLouv@HL.com
415.827.4775

Andrew Adams
Managing Director, D&A
Group Head
ADAdams@HL.com
+44 (0) 20 7907 4242

Julian Moore
Managing Director, D&A
JWSMoore@HL.com
+44 (0) 20 7907 4219

Tara Carter
Managing Director, D&A
TCarter@HL.com
+44 (0) 20 7907 4215

Craig Muir
Managing Director, D&A
CMuir@HL.com
212.497.7803

Chin Pandya
Director,
Business Services
CPandya@HL.com
310.789.5758

GRC Technology Subsectors Covered

**Broad GRC
Suite**

**Compliance
Reporting**

**Cyber and
Privacy**

**Employee
Risk**

**Operations
Risk**

**Technology
Risk**

**Vendor
Risk**

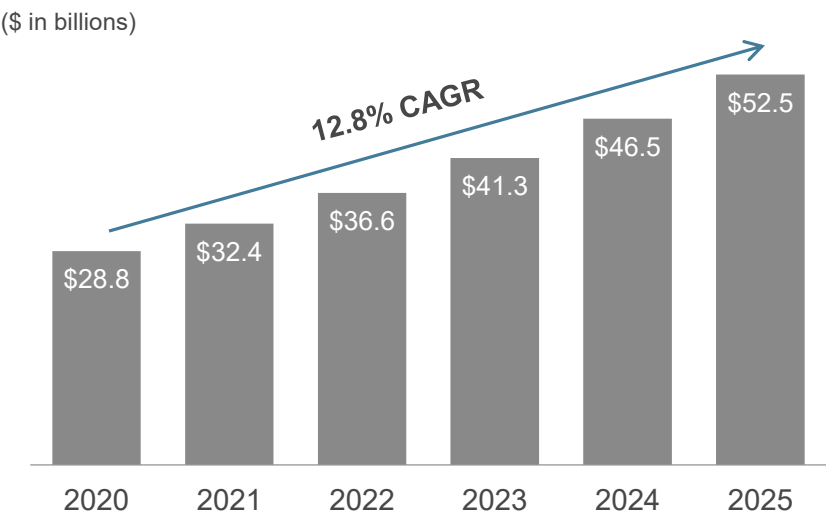
**Vertical
Specific**

Governance, Risk, and Compliance–Market Snapshot

Market Overview

- Governance, risk, and compliance technology enables the simplification, automation, and integration of enterprise, operational, and IT risk management processes and data.
- GRC is a broad market that encompasses different segments, including compliance and reporting, cyber and privacy, employee, technology, operations risk, vendor risk, and vertical-specific applications.
- By integrating GRC solutions and management practices, companies can create effective risk management programs that align with their strategic business direction.

Global GRC Software Market Size and Growth



Sources: IndustryARC, 451 Research, and Gartner.

Market Drivers

Digitalization

Necessitates software that can manage and protect business data while providing key integration and access points

Data and Analytics

Increased volumes of complex data around compliance requiring single-repository management

Interoperability/ Integrations

Growing demand for an integrated GRC system to work alongside ERM and performance management systems

Regulatory Environment

Growing dependence on internal audit features as increased regulation drives demand to regulate and control business data

Third-Party Risk Management

Need for third-party risk management to be well coordinated

Comprehensive Application

Growing need for comprehensive GRC applications that reflect a mature development path

Mobile

Growing mobile dependence demands DLP solutions to monitor and protect sensitive content on mobile devices

IT Financial Management

Growing adoption of robust IT financial management systems to provide transparent IT cost data and analytics

GRC Solutions Span Horizontally Across an Organization



Compliance Reporting

Applications leveraged by **legal and compliance** to determine whether businesses are aligned with laws, regulations, and organizational policies



Cyber and Privacy

Applications leveraged by **IT** to monitor an organization's cyber and data privacy vulnerabilities



Employee Risk

Applications leveraged by **human resources and compliance** to assess health, safety, environmental, and other regulatory risks in relation to employees



Operations Risk

Applications leveraged by **operations** to prevent losses caused by human behavior and inconsistent processes



Technology Risk

Applications leveraged by **IT** to prevent an employee's identity from being compromised and to prevent fraud



Vendor Risk

Applications leveraged by **legal and across the organization** to manage vendor portfolios and assess possible vendor business disruptions



Transaction Spotlights

Moody's Acquisition of RDC

Announce Date January 23, 2020

Enterprise Value (\$M) \$700



Description The transaction deepens Moody's information portfolio and analytical capabilities by adding RDC's unique governance, risk, and compliance and related BI analytics SaaS to enable financial institutions to prevent money laundering, bribery, and other financial crimes. It will also extend RDC's global presence to a broader group of financial institutions, corporations, insurance companies, and government agencies served by Moody's Analytics.

Nasdaq Acquisition of Verafin

Announce Date November 19, 2020

Enterprise Value (\$M) \$2,750



Description The transaction combines Verafin's comprehensive suite of anti-financial crime management products with Nasdaq's reach and established regulatory technology leadership to create a global SaaS leader in the fight against financial crime, a worldwide problem that demands innovative action using machine learning and big-data analytics.

TCV Acquisition of Oversight

Announce Date September 2, 2020

Enterprise Value (\$M) \$185



Description Oversight, the global leader in spend management technology with an AI-powered platform, digitally transforms audit and risk mitigation processes for enterprise organizations, finding risk across systems and spend channels. Oversight continuously monitors and analyzes corporate card and vendor transactions, quickly identifying fraud, errors, and wasteful spend to improve financial and compliance outcomes.

Galvanize Acquisition of Rsam

Announce Date February 4, 2019

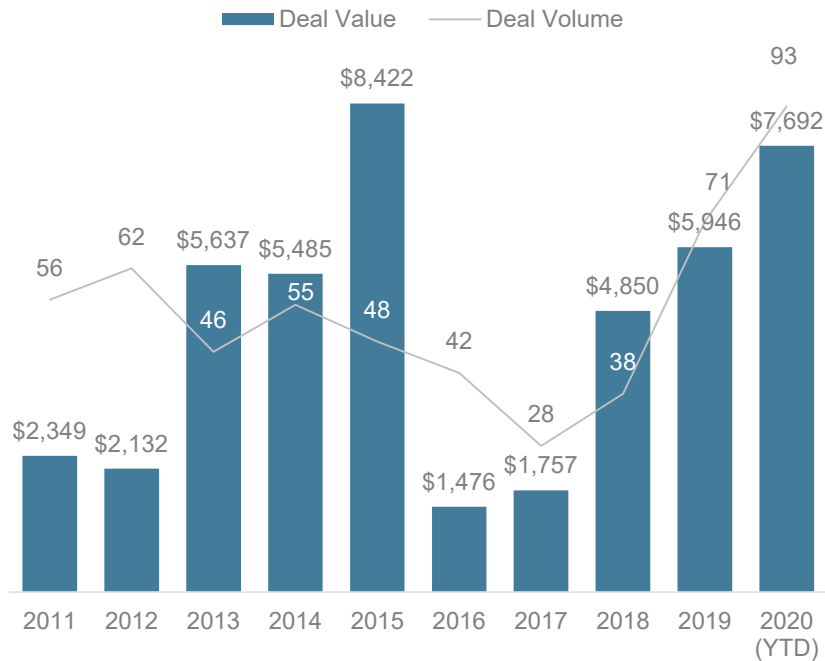
Enterprise Value (\$M) \$100



Description Galvanize took the next step in its industry consolidation strategy with the acquisition of Rsam, a recognized leader in IT, vendor, and security risk management solutions. This acquisition combines the strengths of Galvanize in delivering audit, compliance, and fraud related solutions with those of Rsam in delivering vendor risk, IT risk, and cybersecurity solutions to enterprise IT and security customers.

Significant Acceleration in Recent Consolidation of GRC Technology Market

GRC Technology Strategic M&A Summary (2011–2020 YTD)



- Steady GRC M&A volume over the past 10 years, with a significant increase seen in 2019 and 2020
- Consolidation of mature GRC technology companies driving higher aggregate deal value YTD

Select Strategic M&A Activity

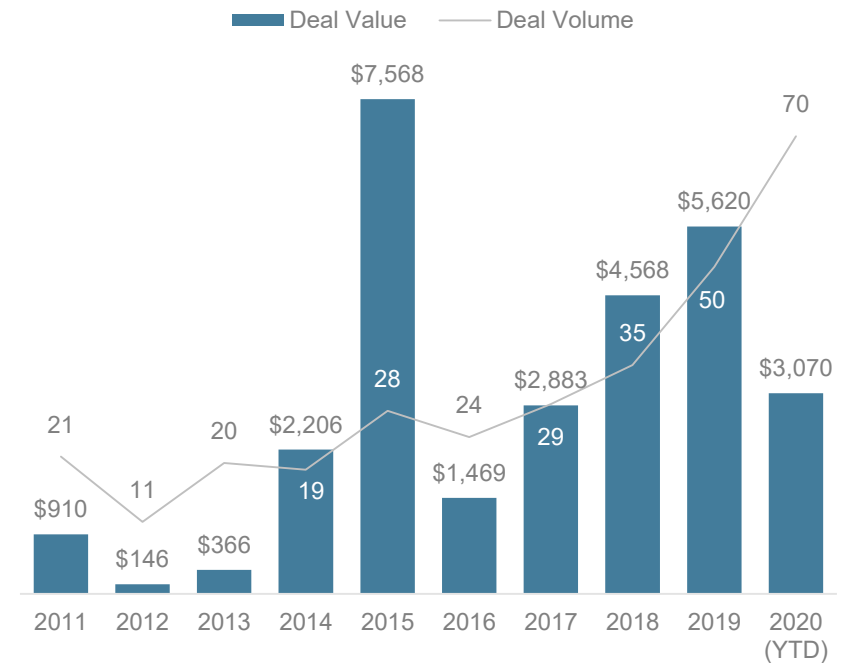
Date	Acquirer	Target	EV (\$M)
11/19/2020	Nasdaq	VERAFIN	\$2,750
07/08/2020	DAMSTRA	VAULT	\$41
04/28/2020	RAPID7	DivvyCloud	\$145
01/23/2020	MOODY'S	trdc	\$700
01/28/2019	DESCARTES	VISUAL COMPLIANCE	\$250
08/22/2019	vmware	Carbon Black.	\$2,100
05/27/2019	NetApp	cognigo	\$58
04/11/2019	solarwinds	samanage	\$350
12/10/2018	coupa	hiperos	\$95
11/02/2017	SYNOPSYS	BLACKDUCK	\$565

Private Equity Sponsors Have Responded by Prioritizing GRC Technology Investment

Select Sponsor M&A Activity

Date	Acquirer	Target	EV (\$M)
11/10/2020	PKWARE THOMPSON STREET PARTNERS	DATA GUISE	\$135
09/02/2020	TCV	Oversight	\$185
01/06/2020	TRUE WIND	OpenLending	\$1,300
09/29/2019	TA ASSOCIATES	statpro	\$218
08/06/2019	NAVEX GLOBAL BC PARTNERS	Lockpath A NAVEX Global Company	\$100
08/02/2019	Alcumus inflexion	eCompliance	\$30
09/12/2018	GTY TECHNOLOGY	OpenCounter	\$30
07/17/2018	BC PARTNERS	NAVEX GLOBAL	\$1,400
07/27/2017	Luminate CAPITAL PARTNERS	STAR COMPLIANCE	\$72
02/14/2016	INSIGHT PARTNERS	Diligent	\$624

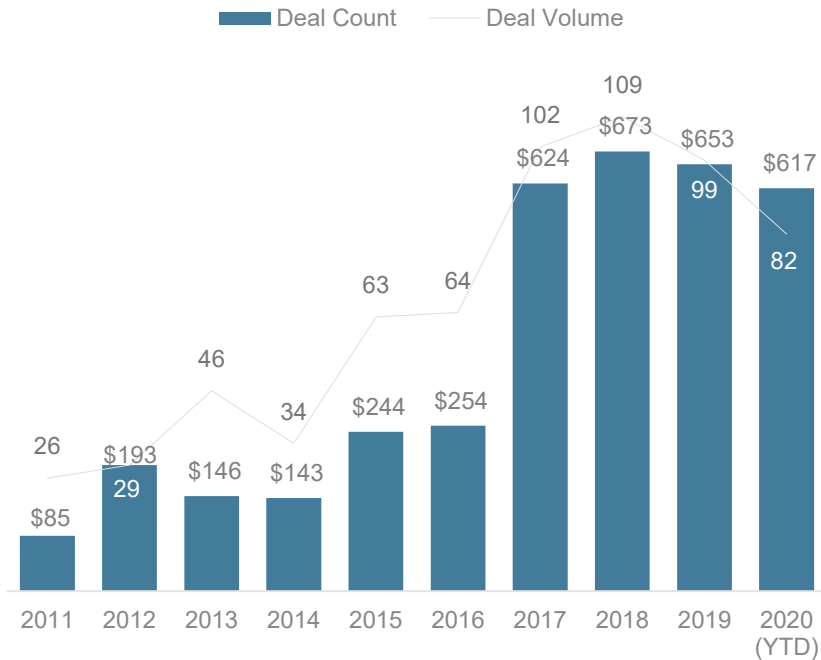
GRC Technology Sponsor M&A Summary (2011–2020 YTD)



- Steady increasing GRC M&A interest from financial sponsor buyers, reaching an inflection point in 2020
- More than \$28 billion in aggregate transaction value for sponsor-backed GRC M&A over the past 10 years











Private Investors Look to Capitalize on GRC Technology M&A Activity

GRC Technology Capital Raise Summary (2011–2020 YTD)



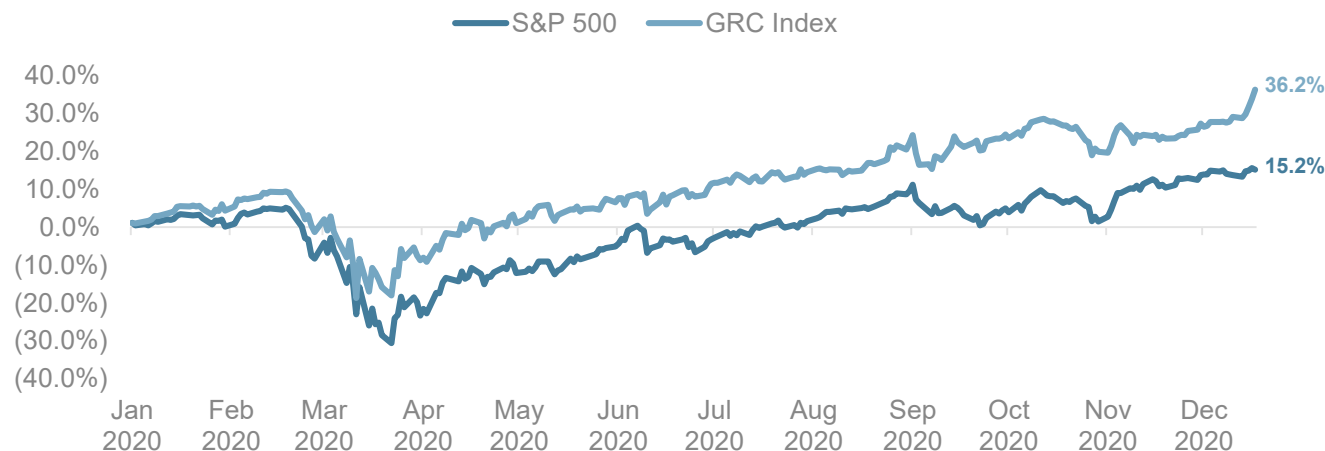
- We have seen a significant increase in GRC software investment and deal volume over the past four years

Select Capital Raise Activity

Date	Company	Round	Deal Size (\$M)
01/15/2021	 Stacklet	Series A	\$18
03/12/2020	 collibra	Series F	\$113
02/19/2020	 riskmethods	Later Stage VC	\$9
11/04/2019	 ASCENT	Series B	\$19
09/13/2019	 SMARTDRIVE	Later Stage VC	\$90
07/24/2019	 gusto	Series D	\$200
01/31/2019	 odaseva	Series A	\$12
11/17/2017	 SailPoint	IPO	\$240
02/07/2017	 netwrix	Series A	\$56
11/17/2016	 Prevalent	Series C	\$60

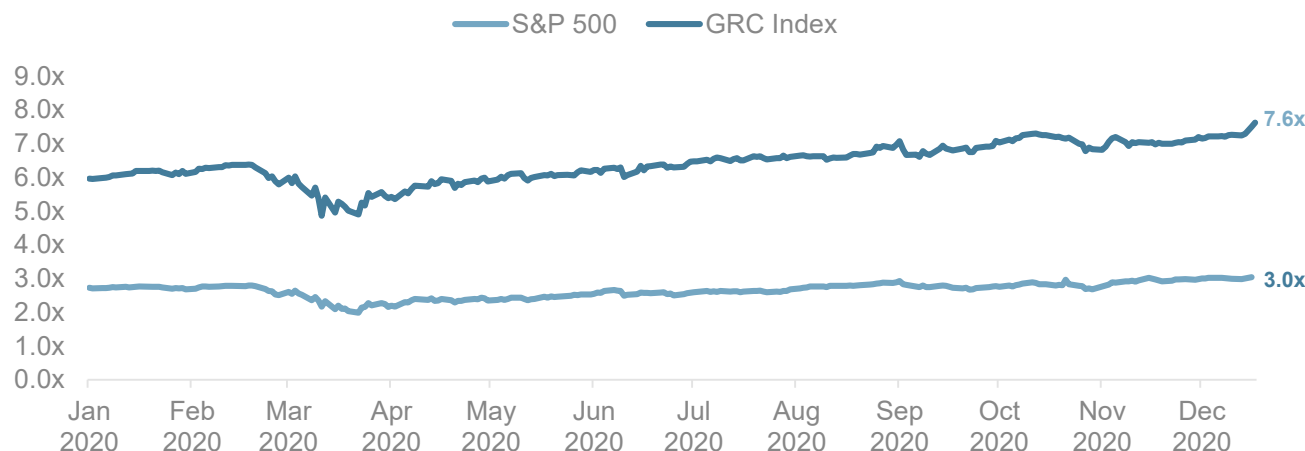
GRC Has Outperformed the Broader Market

YTD Share Price Performance



- Public markets recovered to above pre-COVID-19 levels, while the Governance, Risk, and Compliance index has returned ~21% more than the broader market.

YTD Multiple Performance



- Governance, Risk, and Compliance players have experienced market tailwinds resulting in premium revenue multiples as compared to the broader market.

Source: S&P Capital IQ as of December 20, 2020.

Note: GRC is market-cap-weighted and compiled by Houlihan Lokey internally.

Public Comparable Companies—Trading Metrics

Company Name	Stock Price	52-wk High	% of 52-wk High	Cash & ST Inv	Equity Mkt Cap	Enterprise Value	EV / Revenue			EV / EBITDA		
							CY 2019A	CY 2020E	CY 2021E	CY 2019A	CY 2020E	CY 2021E
Oracle	\$65.06	\$65.34	99.6%	\$38,610.00	\$205,442.82	\$224,546.85	5.7x	5.7x	5.5x	13.9x	11.6x	11.1x
ServiceNow	565.4	566.7	99.8%	2,951.6	114,101.8	109,538.6	31.7	24.5	19.6	NM	NM	NM
Thomson Reuters	80.8	90.5	89.3%	1,702.0	40,294.0	42,607.5	7.2	7.1	6.8	38.9	22.0	20.8
Verisk Analytics	204.5	206.8	98.9%	225.5	33,879.6	36,457.9	14.0	13.1	12.3	34.6	26.0	24.8
Wolters Kluwer	84.8	95.7	88.7%	1,100.6	22,847.2	25,090.9	4.8	4.4	4.3	17.1	15.0	14.6
Clarivate	30.7	33.6	91.6%	601.1	10,858.8	20,049.0	20.6	15.7	11.1	NM	41.1	24.8
Broadridge Financial	153.9	154.2	99.8%	357.0	18,015.5	19,520.0	4.5	4.2	4.1	22.9	18.4	17.5
SailPoint	55.6	57.9	95.9%	483.7	5,006.5	4,929.0	17.1	13.8	12.4	NM	NM	NM
Workiva	88.5	91.8	96.4%	523.9	4,240.8	4,068.6	13.7	11.7	10.1	NM	NM	NM
GB Group	12.3	13.3	92.6%	41.7	2,423.8	2,407.5	9.6	8.9	8.4	NM	36.9	35.0
Ideagen	3.2	3.3	97.1%	10.4	704.6	829.5	11.5	10.1	9.1	NM	29.2	25.9
Top Quartile					\$37,087	\$39,533	15.5x	13.5x	11.7x	34.6x	31.1x	25.1x
Mean					41,620	44,550	12.8	10.8	9.4	25.5	25.0	21.8
Median					18,016	20,049	11.5	10.1	9.1	22.9	24.0	22.8
1st Quartile					4,624	4,499	6.4	6.4	6.2	17.1	17.6	16.8

Note: Stock price last updated on 12/20/20

NM in EBITDA Margin if EBITDA is negative

NA means information is not available or not applicable

Source: Capital IQ

Public Comparable Companies—Trading Metrics (cont.)

Company Name	Stock Price	Equity Mkt Cap	Enterprise Value	Revenue			EBITDA			Revenue Growth			EBITDA Margin		
				CY 2019A	CY 2020E	CY 2021E	CY 2019A	CY 2020E	CY 2021E	2018-2019A	2019-2020E	2020-2021E	CY 2019A	CY 2020E	CY 2021E
Oracle	65.06	205,443	224,547	39,583	39,389	40,611	16,174	19,433	20,295	0.3%	NM	3.1%	40.9%	49.3%	50.0%
ServiceNow	565.43	114,102	109,539	3,460	4,477	5,589	294	1,417	1,726	32.6%	29.4%	24.8%	8.5%	31.7%	30.9%
Thomson Reuters	80.83	40,294	42,607	5,906	5,981	6,221	1,094	1,935	2,048	7.4%	1.3%	4.0%	18.5%	32.4%	32.9%
Verisk Analytics	204.47	33,880	36,458	2,607	2,788	2,969	1,055	1,402	1,469	8.9%	6.9%	6.5%	40.5%	50.3%	49.5%
Wolters Kluwer	84.82	22,847	25,091	5,176	5,687	5,769	1,466	1,673	1,715	6.1%	9.9%	1.5%	28.3%	29.4%	29.7%
Clarivate	30.72	10,859	20,049	974	1,274	1,806	213	488	809	0.6%	30.8%	41.7%	21.8%	38.3%	44.8%
Broadridge Financial	153.88	18,016	19,520	4,353	4,649	4,800	854	1,060	1,117	0.8%	6.8%	3.3%	19.6%	22.8%	23.3%
SailPoint	55.57	5,006	4,929	289	356	399	9	33	17	15.9%	23.5%	12.0%	3.1%	9.2%	4.2%
Workiva	88.52	4,241	4,069	298	348	402	(42)	8	(1)	21.9%	16.9%	15.6%	NM	2.2%	NM
GB Group	12.27	2,424	2,408	251	272	288	47	65	69	46.3%	8.3%	6.1%	18.9%	24.0%	23.8%
Ideagen	3.16	705	830	72	82	91	12	28	32	27.0%	13.6%	11.0%	17.2%	34.6%	35.2%
Top Quartile		\$37,087	\$39,533	\$4,764	\$5,168	\$5,679	\$1,074	\$1,545	\$1,721	24.5%	21.8%	13.8%	26.7%	36.4%	42.4%
Mean		41,620	44,550	5,724	5,937	6,268	1,925	2,504	2,663	15.3%	14.7%	11.8%	21.7%	29.5%	32.4%
Median		18,016	20,049	2,607	2,788	2,969	294	1,060	1,117	8.9%	11.7%	6.5%	19.3%	31.7%	31.9%
1st Quartile		4,624	4,499	293	352	401	30	49	50	3.5%	7.3%	3.6%	17.5%	23.4%	25.3%

Note: Stock price last updated on 12/20/20

NM in EBITDA Margin if EBITDA is negative

NA means information is not available or not applicable

Source: Capital IQ

Our Team Has Proven Expertise in GRC Technology

We have unparalleled transaction experience with GRC technology and services.

<p>Project Cyclone</p> <p>In Market</p> <p>Buyside Advisor</p> <p>Data Governance</p>	<p>Brainspace a subsidiary of appgate has been acquired by K1 INVESTMENT MANAGEMENT</p> <p>Sellside Advisor</p> <p>AI/Analytics</p>	<p>TrademarkNow® has been acquired by CORSEARCH® a portfolio company of Audax Private Equity</p> <p>Sellside Advisor</p> <p>IP Management</p>	<p>TRACKER has been acquired by MITRATECH a portfolio company of Hg and TA ASSOCIATES</p> <p>Sellside Advisor</p> <p>I-9 Compliance</p>	<p>Lombard Risk has been acquired by Vermeg Group N.G.</p> <p>Sellside Advisor*</p> <p>Regulatory Risk Management</p>	<p>BUREAU VAN DIJK a portfolio company of EQT has been acquired by Moody's Corporation</p> <p>Sellside Advisor*</p> <p>Legal Data Solutions</p>
<p>bms has been acquired by STONE POINT CAPITAL</p> <p>Sellside Advisor</p> <p>Bankruptcy Software</p>	<p>LCI a portfolio company of BRAZOS has been acquired by Verisk Analytics</p> <p>Sellside Advisor</p> <p>Diversified Legal Software</p>	<p>S&P DOW JONES INDICES has acquired Trucost PLC</p> <p>Buyside Advisor*</p> <p>Legal Data Solutions</p>	<p>RISQ GROUP has been acquired by Sterling Talent Solutions</p> <p>Sellside Advisor*</p> <p>Governance, Risk, and Compliance</p>	<p>dun&bradstreet has sold its Benelux operations to Altarex BV a portfolio company of Naxicap</p> <p>Sellside Advisor*</p> <p>Legal Data Solutions</p>	<p>4SIGHT FINANCIAL SOFTWARE has been acquired by Broadridge</p> <p>Sellside Advisor*</p> <p>Diversified Financial Software</p>
<p>Kroll Ontrack a subsidiary of RISK CORPORATE HOLDINGS has been acquired by Discovery a portfolio company of THE CARLYLE GROUP revolution</p> <p>Sellside Advisor</p> <p>Diversified Legal Software</p>	<p>INTELLIGIZE™ has been acquired by Lexis Nexis Legal & Professional a division of RELX Group</p> <p>Sellside Advisor*</p> <p>Governance, Risk, and Compliance</p>	<p>FLYdocs has received an investment from Growth Capital Partners</p> <p>Placement Agent*</p> <p>Governance, Risk, and Compliance</p>	<p>chipworks has been acquired by Technisights a division of AXIO Data Group a portfolio company of Electra Partners</p> <p>Sellside Advisor*</p> <p>Patent Intelligence</p>	<p>Target a portfolio company of Pollen Street Capital has been acquired by Tech Mahindra</p> <p>Sellside Advisor*</p> <p>Financial Software</p>	

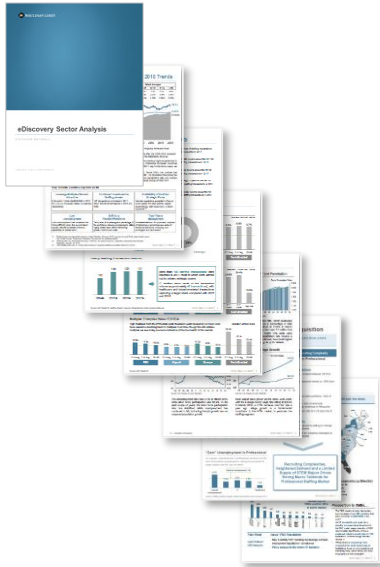
Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company. Tombstones included herein represent transactions closed from 2016 forward.

Houlihan Lokey Has Unparalleled Experience in Governance, Risk, and Compliance Technology

Houlihan Lokey's widespread reach and recognized thought leadership across the governance, risk, and compliance market creates relationships with financial and strategic investors alike.

Thought-Leading Research and Events

GRC Sector Analysis



GRC Technology Market Trends

- Rapid regulatory changes to the digital landscape drive increasing demand for solutions for managing operational processes and monitoring
- Highly fragmented sector with opportunity for consolidation; larger industry participants aggressively pursuing acquisitions while new market entrants cause disruption



Annual Conferences

- Presence at key industry events throughout the year

RSA
Conference

GRC
CONFERENCE 2020 | VIRTUAL EVENT

Gartner | Gartner Security & Risk
Management Summit 2019

Active Ongoing Buyer Dialogue

Ongoing Strategic Buyer Discussions



Active Dialogue With GRC Sponsors





Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

Corporate Finance

2020 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
1	Houlihan Lokey	210
2	Goldman Sachs & Co	172
3	JP Morgan	132
4	Evercore Partners	126
5	Morgan Stanley	123

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 U.S. M&A Advisor

Top 5 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

2020 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	106
2	PJT Partners Inc	63
3	Lazard	50
4	Rothschild & Co	46
5	Moelis & Co	39

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 Global Restructuring Advisor

1,400+ Transactions Completed
Valued at More Than \$3.0 Trillion
Collectively

Financial and Valuation Advisory

2001 to 2020 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	956
2	JP Morgan	876
3	Duff & Phelps	802
4	Morgan Stanley	599
5	BofA Securities Inc	542

Refinitiv (formerly known as Thomson Reuters). Announced or completed transactions.

No. 1 Global M&A Fairness Opinion
Advisor











1000+ Annual Valuation Engagements

How Can Houlihan Lokey Help?

Houlihan Lokey GRC Key Focus Areas

- Broad GRC Suite
- Compliance Reporting
- Cyber and Privacy
- Employee Risk
- Operations Risk
- Technology Risk
- Vendor Risk
- Vertical Specific

GRC Technology Team

 <p>Rob Louv Managing Director and TMT Group Co-Head RLouv@HL.com 415.827.4775</p>	 <p>Andrew Adams Managing Director and D&A Group Head ADAdams@HL.com +44 (0) 20 7907 4242</p>	 <p>Julian Moore Managing Director, Data & Analytics JWSMoore@HL.com +44 (0) 20 7907 4219</p>	 <p>Tara Carter Managing Director, Data & Analytics TCarter@HL.com +44 (0) 20 7907 4215</p>	 <p>Craig Muir Managing Director, Data & Analytics CMuir@HL.com 212.497.7803</p>
 <p>William Eide Director, TMT WSEide@HL.com 415.273.3645</p>	 <p>Chin Pandya Director, Business Services CPandya@HL.com 310.789.5758</p>	 <p>Tim Macholz Vice President, TMT TMacholz@HL.com 415.273.3628</p>	 <p>Joseph Miller Associate, TMT JJMiller@HL.com 480.200.9636</p>	 <p>Alex Cuoci Analyst, TMT ACuoci@HL.com 415.273.3659</p>

Houlihan Lokey Geographic and Product Overview

1,500+ Global Employees in 23 Locations

North America		Europe and Middle East		Asia-Pacific	
Atlanta	Miami	Amsterdam	Madrid	Beijing	Singapore
Boston	Minneapolis	Dubai	Milan	Hong Kong	Sydney
Chicago	New York	Frankfurt	Paris		Tokyo
Dallas	San Francisco	London			
Houston	Washington, D.C.				
Los Angeles					

Product Expertise

- Mergers and Acquisitions
- Capital Markets
- Financial Restructuring
- Financial and Valuation Advisory
- Private Funds Advisory

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