

The Aprio logo features the word "Aprio" in a white, sans-serif font. To the right of the text is a small, stylized orange icon resembling a hexagon with a white dot inside. The background of the entire page is dark blue with a dense field of glowing blue particles and streaks of pink and yellow light, creating a sense of digital activity and data flow.

Aprio<sup>®</sup>

# 2025 TECHNOLOGY OUTLOOK

Pioneering the Next Wave  
of Digital Transformation

Advisory | Audit | Tax | Managed Services | Private Client

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# Executive Summary

As venture capital (VC) and private equity (PE) activity goes, so goes the tech sector. That will prove true in 2025, when six key trends will influence the flow of investor dollars into tech sectors. In the year ahead, we should expect to see a shift toward viable, profit-driven models, an emphasis on compliance, and renewed focus on transformative technologies like AI, Fintech, Healthtech, Regtech, and Greentech.

## 1

### Expect cautious investment and sustainable growth

Tech investors will be more conservative with their investments in 2025, prioritizing resilience over rapid growth. The recessionary trends of recent years have led many investors to seek companies that demonstrate profitability potential and a faster path to positive cash flow. This conservative approach is reshaping funding rounds, with more emphasis on scalability, cost efficiency, and robust revenue streams. Outside of some high-flying AI deals, investors are increasingly avoiding high-risk, high-burn-rate startups and instead are backing companies that can weather economic downturns while showing steady revenue gains.

## 2

### Anticipate renewed focus on AI, SaaS, and Fintech with embedded compliance

We are already seeing investors reap massive gains from tech giants that have skyrocketed in value thanks to new AI features. AI remains one of the most attractive areas for VC investment, yet AI companies must meet higher standards for ethical use, transparency, and compliance. Venture capital is strongly supportive of AI innovations that incorporate responsible practices, such as built-in bias mitigation and governance measures. Similarly, SaaS companies, whose valuation models have normalized post-pandemic, are seeing support from VCs who view AI-enhanced SaaS solutions as valuable, long-term investments.

In Fintech, the “Fintech winter” has dampened overall VC enthusiasm, but targeted investments in areas like regulatory technology (Regtech), real-time payments, and embedded finance remain strong. Fintech firms that are focused on regulatory compliance, real-time payment systems, and streamlined B2B solutions are prime candidates for funding, as these areas promise stability and lower-risk revenue growth.

## 3

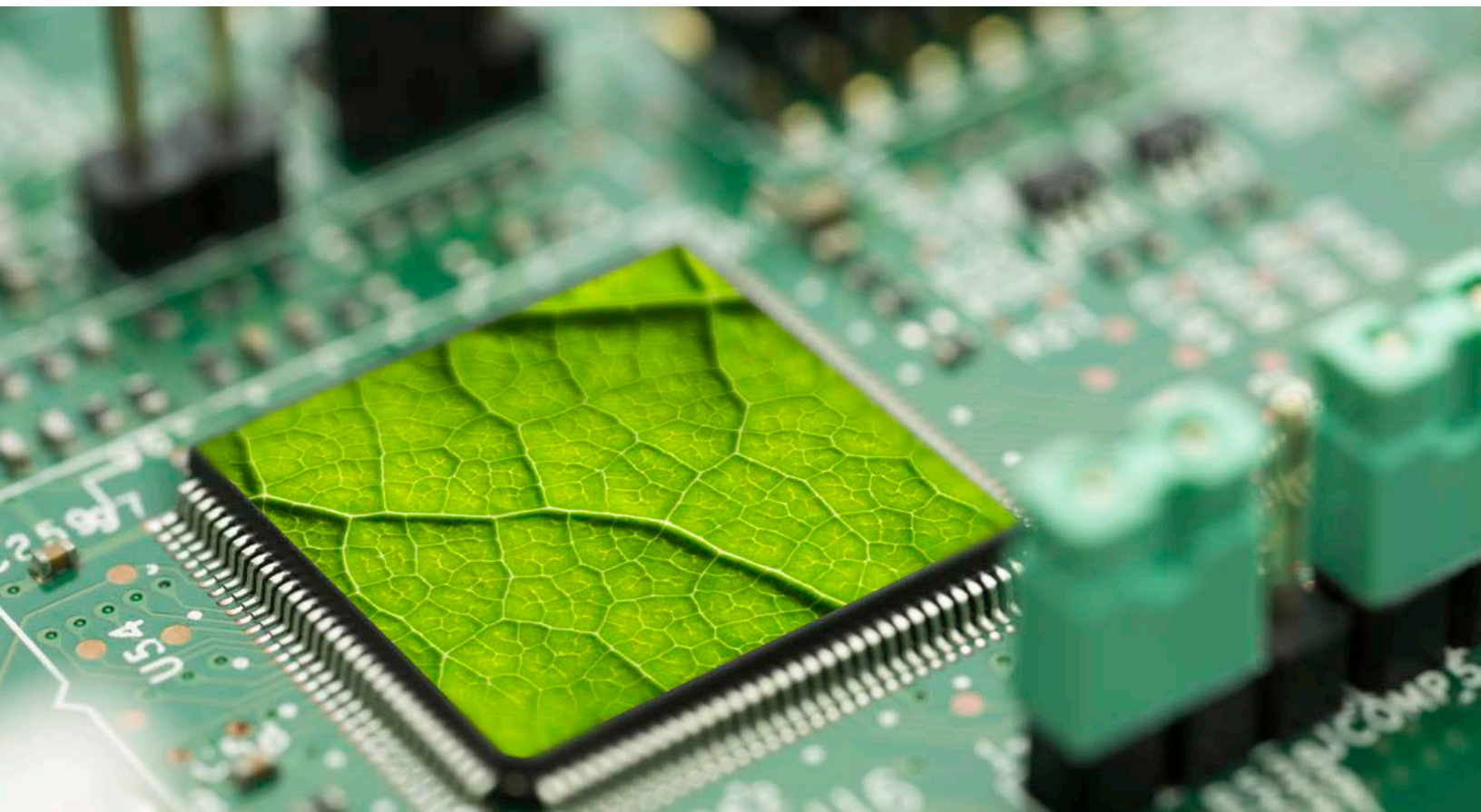
### Look forward to proactive healthcare and data security in Healthtech

Healthtech is experiencing substantial investor interest, especially in companies advancing proactive healthcare solutions through AI and data analytics. As the sector shifts from a reactive to a proactive approach, investors are directed at tech-driven solutions that improve patient engagement, predictive analytics, and seamless access to medical information. However, with patient data security and privacy becoming a top priority, investors are mindful of supporting companies that embed PHI into their offerings.

## 4

### Look for a resurgence in Greentech and energy-efficient AI

The growing demand for sustainable energy solutions is leading VCs to focus on Greentech, particularly in companies that can address the energy demands of AI. With AI data centers increasingly straining electrical grids, investors are supporting startups developing energy-efficient AI hardware and software solutions and those innovating in renewable energy technologies. This trend reflects a broader alignment with global environmental goals, making Greentech a prominent area for 2025 VC funding.



# 5

## Prepare for mature digital asset market and consolidation

While the value of digital assets rose in 2024, investors have been less bullish on digital assets, and significant capital has moved to established digital asset firms with robust regulatory compliance. In 2025, firms with comprehensive compliance structures in place will be in a better position to attract investment. We have seen buyers halt acquisitions after watching aggressive regulators go after deals. If regulatory scrutiny continues, smaller, less-resourced digital asset firms will face consolidation, and only those aligned with government standards are likely to survive. This consolidation has led investors to back major players, viewing regulatory compliance as a new competitive advantage in the digital asset space.

# 6

## In a patient capital environment, anticipate longer investment horizons and strategic exits

With economic uncertainty and stricter regulations, investors are adopting longer-term perspectives, often considering 10- to 15-year horizons for return on investment. The slowdown in merger and acquisition (M&A) activity has made IPOs and strategic exits less immediate, compelling investors to focus on long-term partnerships and sustainable growth trajectories. According to new data from Pitchbook, VCs returned less funds to their investors in 2023, marking the lowest figures since 2011. Tech companies are also adjusting to this “patient capital” environment, aligning their operational goals with a more extended outlook for scalability and profitability.

Many companies have experienced down-rounds, which can impact the ability of a company to retain talent. If companies do not proactively address the changing equity incentive for their employees, they risk retaining top talent. Experienced team members are looking for other companies that have a more attractive equity incentive and/or are starting new companies where they control the equity.

Having considered the impact of investor funding on the sector, we now turn our attention to insights from Aprio's Technology Practitioners on what to expect across five key areas: Fintech, Healthtech, SaaS, AI, and Cybersecurity.






# Fintech

## Adapting to Change: From Regulatory Tech to Real-Time Payments

**S**andwiched by recessionary trends in the market, venture capitalists are more cautious, exercising restraint when releasing capital. For many investors, easy capital is no longer a given, with firms trying to conserve cash, making themselves more profitable by cutting costs in hopes that valuation multiples will expand in the future. It's a “hunker down and wait for spring mindset” across the space.

Amidst a Fintech winter, regulatory technology, real-time payments, and embedded payments are outliers in the tech space. A long-term positive outcome remains, even as layoffs continue across the space.



“Out of tough times come prosperity—in the sense that you’re going to have all these engineers and entrepreneurs that are very experienced and skilled looking to create their next opportunity for success. They are going to start new Fintech companies in the next couple of years, and that will breed a new round of innovation that learns from the mistakes made in the last round of free money.”

**David Siegel**

*CPA, Fintech Audit Partner*

# Bright spots shine

## Regulatory technology

Regtech is reshaping compliance processes by streamlining monitoring, reporting, and more. Heightened regulatory scrutiny in multiple sectors is pushing many financial institutions to adopt Regtech solutions. As global regulatory frameworks expand and with governments imposing stricter Anti-Money Laundering (AML) regulations, the demand for automated compliance tools is skyrocketing.

## Real-time payments

Real-time payments are rippling through B2B and B2C transactions, upgrading security and cross-border payments. Driven by consumer demand for instant transactions and aided by the amassing of mobile wallets and digital payment apps, this shift is primed to improve the capacity of global payments, with the G20 aiming for 75% of cross-border payments to be settled within an hour by 2027.

The FedNow® service, launched by the Federal Reserve in July 2023, has rapidly gained traction with over 1,000 financial institutions (FIs) now live on the platform.<sup>1</sup> This instant payment infrastructure is enhancing customer experience and operational efficiency, while also expanding use cases such as digital wallet funding, earned wage access, and bill pay. Additionally, the service includes robust risk management features, such as setting thresholds for rejecting payments that exceed specified amounts or frequencies, to help financial institutions detect unusual patterns and manage risks effectively. It could be a game changer for community banks and other FIs in 2025.

## Embedded payments

Embedded payments are a hot trend in Fintech, attracting capital, with SMBs driving significant demand. These software companies are getting a chunk of money from payments chains, cutting down the margins of third-party payment processors and taking revenue from the big banks. This trend will eventually impact the performance of third-party processors and big banks, though it will take time, and they will need to create other sources of revenue.

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1 From *In the News: Increasing ROI and managing risk with the FedNow® Service*, 2024, FedNow®Service (<https://explore.fednow.org/explore-the-city?id=3&building=news-center&postId=71&postTitle=in-the-news:-increasing-roi-and-managing-risk-with-the-fednow-service>)



## The state of digital assets

While investors aren't pouring money into digital assets as much as they used to, its decline is in part tied to its mainstream appeal. The flow of capital in the space is now moving towards the big players who can meet compliance standards. The money is more focused on the assets considered to be more 'stable.'

*"As people are deploying less capital, the risky assets get it last. To operate as a digital asset company now, you have to be so far down the regulatory compliance pipeline that it is really expensive to operate. You have to overregulate yourself. There's going to be some consolidation among digital asset companies because they won't be able to endure the regulation coming their way. There's a lot of uncertainty right now in the digital asset world, and regulation is coming."*

- David Siegel, CPA, Fintech Audit Partner

## AI grows more power hungry

AI companies are creating a strain on the U.S. electrical grid. As more AI data centers prepare to go online, it could drive electrical rates to astronomical proportions, making utility stocks particularly attractive.



"People are very fearful of rising energy rates, which is why people bought into utility stocks since they do create opportunity. For regions with the capacity to rapidly expand infrastructure, these areas will be ripe for business."

**Brett Williams**

CPA, CCSFP, CHQP, LA ISO/IEC 27001, Information Assurance National Practice Leader

# HEALTHTECH



## The Future is Now: Empowering Patients and Providers

The Healthtech industry is undergoing a transformative shift, driven by advancements in AI, data analytics, and patient-centered approaches. In fact, since 2019, AI deals in healthcare have grown at twice the rate of AI-related deals across the tech sector.<sup>2</sup> Automated scheduling and revenue cycle management solutions have attracted interest. VC investments in healthcare AI are on pace to reach more than \$11B in 2024.

Healthcare systems worldwide are moving away from traditional, reactive approaches to an anticipatory model that empowers individuals to take control of their wellness, and AI is playing a crucial role in this evolution.

## Patient-centered and patient-focused

Understanding that healthcare has become patient-centered, SaaS companies building health platforms are now providing better access to medical information and records from doctor's visits. Much of what used to be hidden away with doctors is now available to patients. As a result, individuals are empowered to be more involved in the healthcare process.

The money is beginning to follow. There were 728 Healthtech deals in the first quarter of 2024 alone, which is a record high in deal volume. Still, some cooling signs remain as only 2% of Healthtech deals were valued at more than \$100M, and 79 VC-backed Healthtech companies exited in 2024. As SVB notes, with M&A activity slowing, investors may need to look at 10 or even 15-year horizons.<sup>3</sup>

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<sup>2</sup> From *The AI-Powered Healthcare Experience Mapping the Patient Journey*, 2024, Silicon Valley Bank (<https://www.svb.com/trends-insights/reports/artificial-intelligence-ai-in-healthcare/>)

<sup>3</sup> From *The Future of Healthtech 2024 Report*, 2024, Silicon Valley Bank (<https://www.svb.com/trends-insights/reports/healthtech-trends-report/>)

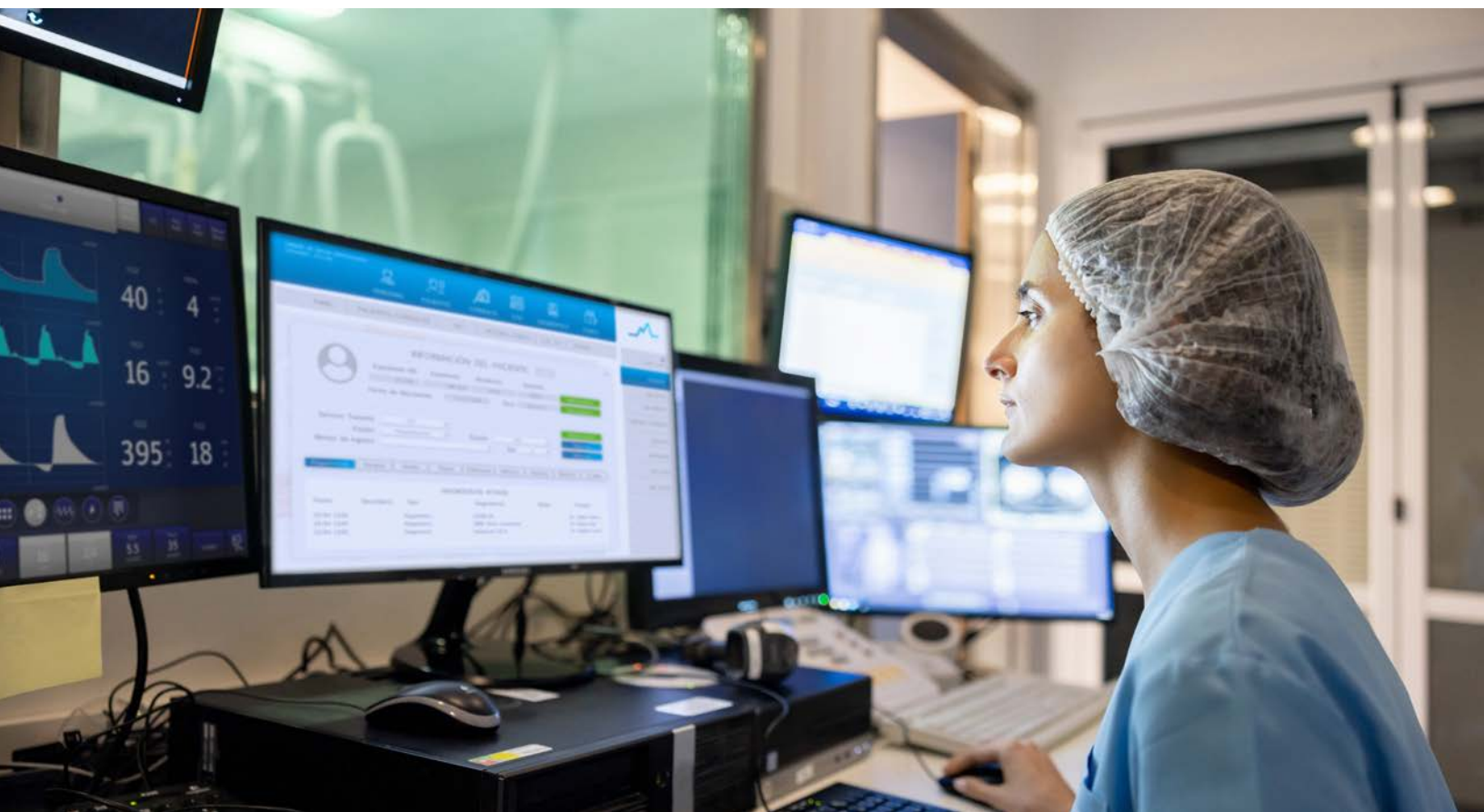


## Proactive healthcare is now

The present reactive approach to healthcare has inflated costs to unsustainable heights. There are a slew of investments towards proactive healthcare, with companies using data analytics to provide a deeper understanding of a patient's health history, conditions, DNA, and more, prompting individuals to take ownership and be proactive about their health.

*"A lot of this movement is coming through the companies that provide benefits enrollment services. So, what they are incorporating into their platforms for companies that use their services is 'proactive member notifications' to help lower healthcare costs by being proactive about prompting individuals within the plan to get screened based on demographics, health history, and genetic markers. It's about sending the message to the member that they need to consider certain proactive measures based on their specific risk factors."*

- Powell Jones, CISA, CCSFP, ISO 27001 LA, Information Assurance Partner





“Health records are more valuable than credit card numbers. Your health information, by a significant percentage, is more valuable because people can make false insurance claims if they have your health record and they get paid on those claims. It takes a lot longer to identify insurance fraud compared to credit card fraud.”

**Powell Jones**

*CISA, CCSFP, ISO LA, Information Assurance Partner*

## Despite opportunity, risk remains Cyber risk management

In an era of electronic health records, it can be too easy for non-providers to hack into vulnerable systems. “There is a ton of risk and a lot of that risk goes to the third party who is storing PII, which is where many breaches occur. Often, it’s not the hospital or medical practice, but it’s the third-party service provider,” says Powell Jones, CISA, CCSFP, ISO LA, Information Assurance Partner at Aprio. Healthcare executives need to understand that now more than ever, strengthening their cyber risk management programs requires a careful audit of risk exposure down the healthcare supply chain.



# SaaS

## Software in Transition: From Slowdown to AI-Driven Transformation

The SaaS industry has faced a noticeable slowdown, with 2023 and 2024 marked by reduced activity and tempered valuations. This shift has sparked questions about whether the AI hype has peaked. Despite this, optimism is returning as the economy shows signs of recovery, and businesses across industries increasingly rely on SaaS solutions.

AI has emerged as a pivotal focus for SaaS companies, driving innovation as they explore ways to integrate it into their operations to retain customers and stay competitive. Today, SaaS companies leveraging AI can deliver significantly greater value to their users than they could just two years ago.

## Low-code and no-code upswing

Low-code and no-code platforms aren't new, but they are certainly fueling the next wave of software development. Startups are leading the charge, demonstrating how drag-and-drop functionality can replace traditional coding. Looking ahead, technologies like voice-to-code and image-to-code promise to drive even faster, more accessible transformation across software development.

## Digital transformation to AI transformation

AI is changing SaaS beyond customer service, pushing companies to incorporate it into every facet of their platforms to avoid losing their share in a highly competitive market. As SaaS companies recover from a period of slower growth, they are racing to add AI functionalities that can enhance their core offerings and keep clients engaged. AI is now essential for improving coding, delivery, development, managed services, and customer support.

*“SaaS stands for software as a service, and that is essentially what AI is. It’s an evolution of SaaS. AI companies, like traditional SaaS companies, are looking to monetize their products that allow for a recurring revenue model.”*

- Alan Langelli, CPA, Technology Audit Partner

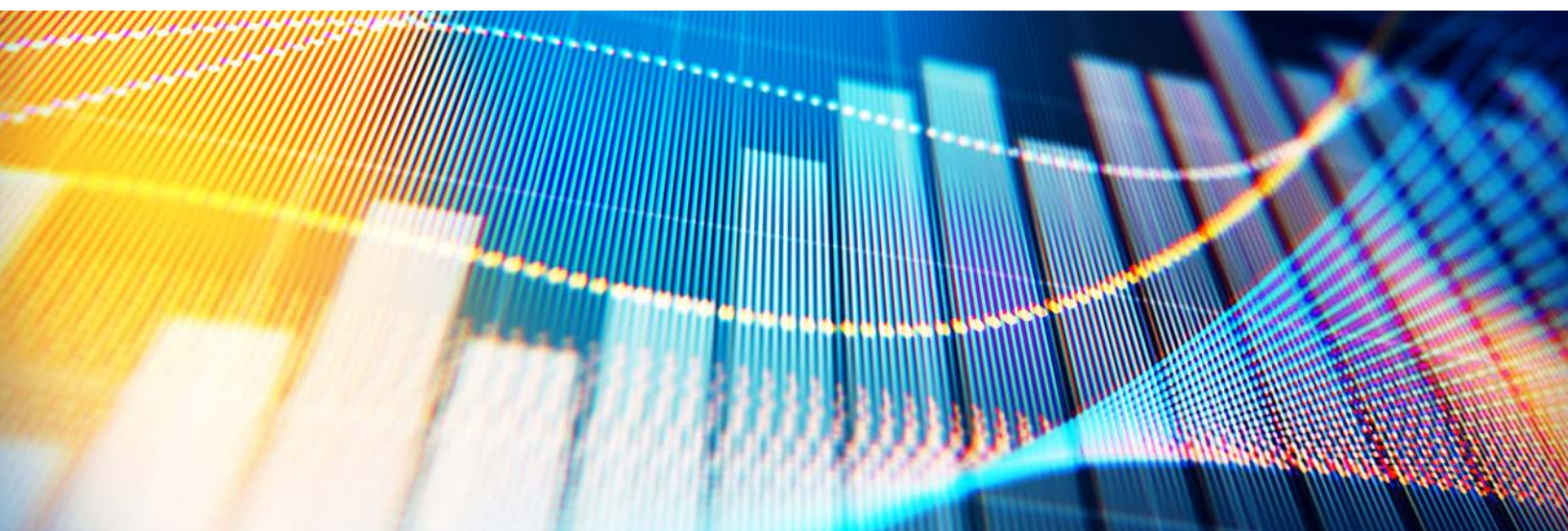
## Normalizing of valuations

SaaS valuations saw a steady correction from the highs of 2021 and 2022, gradually normalizing to pre-pandemic levels. While investors are ready to deploy capital, they’re looking for more grounded valuations that better reflect the current market. Founders may feel the pressure of this adjustment, but the trend indicates a more sustainable approach for SaaS growth moving forward, especially for those who are bringing real value to their customers with AI enhancements.

## Customer churn and ROI

Customer churn remains a top challenge for SaaS companies, particularly in marketing tech, where ROI can be tough to justify to clients. Customers investing heavily in software expect transparent and quantifiable outcomes, especially when they are spending six figures on a platform. SaaS companies that embed ROI-tracking tools directly into their products can empower customers to link spend to outcomes, adding a valuable selling point and helping teams justify their investment to management.

Companies who continue to post 95% plus renewal rates are capturing the attention of investors.





## Embedded iPaaS

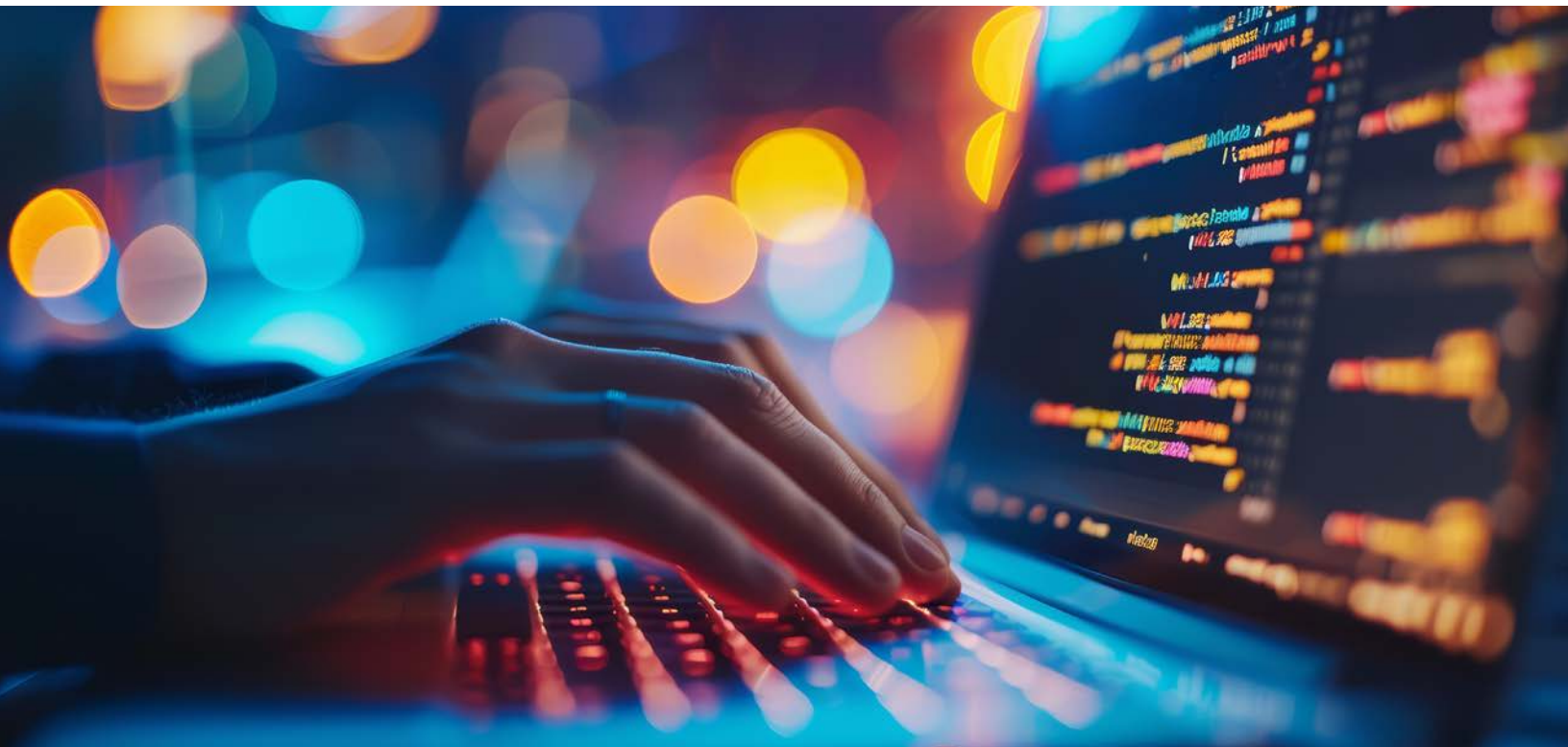
The modern tech stack focuses on integration, as highlighted in the G2 2024 Buyer Behavior Report, which saw integration as a key factor for B2B software buyers. “The ability to sell SaaS is tied to integration,” says Robert Casey, CPA, Technology Audit Partner. Embedded integration platform as a service (iPaaS) solutions help B2B SaaS companies easily link their products with other tools used by their clients, enhancing the connectivity of SaaS applications.

## The SaaS formula

When companies transition from tech-enabled services to a SaaS business model, they are effectively using technology to generate higher margins and gain recurring revenue. Through the power of SaaS, historically people-driven processes are automated, and workflows and business operations are adapted into software-driven solutions. That alone generates recurring revenue not seen under a human-driven model. The appeal of SaaS is its predictable revenue streams and high margins. In 2025, the priority will be figuring out how to combine people and software.<sup>4</sup>

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<sup>4</sup> From *Lateral's Richard de Silva: A lot more deal activity in 2025*, by Rafael Canton, 2024, PE Hub (<https://www.pehub.com/laterals-richard-de-silva-a-lot-more-deal-activity-in-2025/>)



# ARTIFICIAL INTELLIGENCE

## Balancing Progress and Protection in the Age of AI

In 2025, technology companies should prepare for significant advancements and challenges in three key areas: AI imperatives and risks, new frontiers of computing, and synergy between man and machine.<sup>5</sup>

Autonomous AI (Agentic AI) offers the promise of enhanced productivity, but will require robust governance to ensure ethical use, especially as governments step up their efforts at applying regulation in this area. Post-quantum cryptography will become essential for data protection against quantum computing threats, while hybrid computing will drive innovation but demand specialized skills, and will introduce new security risks.

## AI transparency

Europe, Asia-Pacific, and some states within the United States have current regulations primarily focused on AI producers (e.g., companies developing AI technologies and large language models) rather than on AI users (e.g., businesses implementing AI tools). There are growing demands for transparency on both sides. More companies using AI will need to disclose its presence on their platforms. Meanwhile, producers will need to address key issues like discrimination, bias, and how to know if the results coming out of the AI tool are reliable.

*“You are going to have to inform the individual that you are using AI technology in your interactions with them, if that is the website they are visiting or the application they are using. Transparency and privacy for the end user is going to become a huge focus. That is going to be based around more and more governmental agencies around the world drafting and passing AI-related legislation in 2025.”*

– Powell Jones, CISA, CCSFP, ISO 27001 LA, Information Assurance Partner

<sup>5</sup> From *Gartner Top 10 Strategic Technology Trends for 2025*, by Gene Alvarez, 2024, Gartner (<https://www.gartner.com/en/articles/top-technology-trends-2025>)



## AI funding rounds

A substantial amount of investments have flowed into AI startups, as investor enthusiasm for AI drives stock market gains and reshape enterprise spending priorities. Valuations are rising rapidly and companies are burning through funds to make space for new tech that's coming. Strong earnings and a favorable outlook are keeping investors and tech firms bullish on AI's future.

## Harnessing AI for Operational Efficiency and Enhanced Client Experiences

Technology companies can anticipate AI to revolutionize their operations, especially by automating repetitive tasks related to user communication and administration. AI-powered tools will simplify processes such as data entry and fraud detection, minimizing manual labor while improving customer and user experiences. Additionally, real-time automated decision-making will optimize business workflows across areas like logistics, customer support, and marketing, driving efficiency and enhancing outcomes.

Embracing AI will be crucial for optimizing workflows, improving financial management, and delivering the advisory services clients increasingly demand from their technology providers and partners. However, companies must also be ready to address challenges related to data security, privacy, and the need for comprehensive training to stay competitive, while fully leveraging the potential of generative AI.

# Safety and security

While AI companies are moving at a rapid pace, many are overlooking the need for rigorous safety and risk assessments. This lack of due diligence could backfire if a significant information incident occurs.

Companies using AI tools are starting to expect the AI developer to not just bring a SOC2 report, but an AI certification, such as ISO 42001. “A lot of this is going to come down to third-party risk management and what you are going to be held accountable to if you’re the provider of the technology,” says Powell Jones, CISA, CCSFP, ISO LA Information Assurance Partner. “For companies that are using AI technology, what are the things they need to be asking their providers? They may have third-party risk management processes in place, but they’re going to have to modify some of the questions they’re asking to make sure they are addressing the nascent risks specific to AI.”

# Automation is opening doors

“You can take large data sets and process them more rapidly with AI than you can with current processes. You must be comfortable with the output if it is correct. We can process all the data we want to, but if the output is wrong then it doesn’t really matter,” adds Jones. “I think there’s a huge opportunity with companies to automate their data analysis processes and to potentially provide deeper insight in regard to what’s happening with that data.”

This automation is also prompt-driven and will ultimately help make better business decisions. On the client side, they’re using AI to enhance how their services are provided and the capabilities that come along with it.



# CYBERSECURITY



## Navigating Regulatory Waters: Cybersecurity and Compliance

In the year ahead, technology companies will need to brace for significant regulatory changes as the Cybersecurity Maturity Model Certification (CMMC) will require defense contractors and their third-party providers to meet stringent cybersecurity standards. Meanwhile, the Digital Operational Resilience Act (DORA) will impose rigorous cybersecurity requirements on financial institutions and their information and communication technology (ICT) providers. These regulations will drive up compliance and security costs, emphasizing the need for robust risk management and operational resilience across the tech industry.

### CMMC Compliance

The CMMC program is a highly technical and robust law that will impact over 50,000 companies involved in the defense contracting supply chain. Developed by the U.S. Department of Defense, CMMC aims to strengthen cybersecurity within the Defense Industrial Base (DIB) by enforcing a standard that ensures contractors protect sensitive DoD information.<sup>6</sup> It's no longer enough for federal contractors to have their own cybersecurity measures in place; third-party providers now must be compliant too, creating a cascading effect.

Compliance with CMMC will be mandatory to secure or retain government contracts. Therefore, federal contractors must achieve certification before they can win future government contracts. This new federal law will have ripple effects throughout the entire economy as contractors, subcontractors, and technology providers that handle Controlled Unclassified Information (CUI) will be held to these standards.

*"It's going to buttress out. [It will affect] everybody that practically does business with them that touches their systems. It's complex, so there's going to be a big uptick in compliance and security costs."*

- Shane Peden, CISSP, CISA, PCI QSA, IAS Managing Director and PCI and CaaS Leader

<sup>6</sup> From *Cybersecurity Maturity Model Certification (CMMC) Program*, 2024, FederalRegister.gov (<https://www.federalregister.gov/d/2024-22905>)

# DORA and regulatory concerns

Across the Atlantic, the European Union has implemented the Digital Operational Resilience Act (DORA) as part of its broader Digital Finance Package (DFP). DORA is designed to increase the resilience of financial institutions to ICT-related incidents and imposes stringent cybersecurity requirements across the EU's financial sector.<sup>7</sup> DORA requires financial institutions and their ICT providers to implement new technical standards by January 17, 2025. It will be critical for technology companies to cover four key areas: ICT risk management and governance, incident response and reporting, digital operational resilience testing, and third-party risk management.

## Cybersecurity risks

There is a trend towards quantifying cybersecurity risk and making a clear case for the budget needed to address it. CFOs and financial leaders must be able to justify spending on cybersecurity with concrete metrics and assessments, demonstrating how investments directly mitigate risks and protect business continuity.

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<sup>7</sup> From *Digital Operational Resilience Act (DORA)*, 2024, European Insurance and Occupational Pensions Authority ([https://www.eiopa.europa.eu/digital-operational-resilience-act-dora\\_en](https://www.eiopa.europa.eu/digital-operational-resilience-act-dora_en))





## Supply chain risks

Both CMMC and DORA emphasize the importance of supply chain resilience. A single vulnerability in the supply chain can jeopardize the entire network, therefore it is critical for companies to verify that their vendors comply with security standards. Companies need to conduct thorough vendor assessments to stay compliant, as a lapse could render them ineligible for contracts they have held for years.

“As a company, you need to understand where you fit in,” says Shane Peden, CISSP, CISA, PCI QSA, IAS Managing Director and PCI and CaaS Leader at Aprio. “You may be subject to these regulations and have nothing to do with the defense industrial base or the financial system in the EU. [You might not know that] you may be a provider to [an organization] who is doing business with one of these entities, [so you are] subjected to it through the trickle down. That’s a major risk.”

“That’s why you’re seeing multi-cloud provider environments. Whether there’s regulation or not, supply chain risk is being highlighted enough recently that people are really starting to recognize the risk there and adding redundancy to their environments. Everything is outsourced now.”

- Brett Williams, CPA, CCSFP, CHQP, LA ISO/IEC 27001, Information Assurance  
National Practice Leader



# WHAT'S NEXT

## Pursuing Success in a Transformative Era

As we look ahead to 2025, the technology landscape is poised for significant transformation across various sectors. From the integration of AI in SaaS and Healthtech to the evolving regulatory frameworks in Fintech and cybersecurity, technology companies and entrepreneurs seeking funding must navigate a complex and dynamic environment.

Embracing innovation while ensuring compliance and security will be crucial for success. By leveraging advanced technologies and adopting proactive strategies, businesses can drive growth, enhance operational efficiency, and deliver exceptional value to their clients.

Aprio's experienced Technology Practitioners are here to help you capitalize on the opportunities that lie ahead. With deep industry knowledge and a commitment to excellence, our team can provide the insights and support you need to drive growth, enhance operational efficiency, and ensure compliance in an ever-changing environment.

Connect with our team today.





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