



PCE Industry Report

Banking, Finance & Insurance



Middle Market M&A Summary

2nd Quarter 2016

Banking, Finance & Insurance

Key Highlights

- The average value of the top ten transactions was \$554 million.
 - The largest transaction was the acquisition of National Penn Bancshares Inc. by BB&T Corporation for \$1.815 billion.
 - The smallest transaction was the acquisition of IHC Risk Solutions, LLC by SR Corporate Solutions America Holding Corp. for \$152.5 million.
- The Banking public company industry median P/BV multiple is 1.2x.
- Excluding Banking, public company industry median TEV/Revenue is 1.5x.
- The Banking public company industry median P/E multiple is 15.4x.
- Excluding Banking, public company industry median TEV/EBITDA is 9.1x.

Key Trends

- The Diversified & Regional Banks, Credit Agencies & Debt Management Services, Insurance, and Insurance Brokers subsectors' transaction volume are all trending negatively.
- The Insurance Brokers subsector's transaction volume was the largest at 53% of the industry over the past quarter.
- A result of low interest rates and low energy prices cutting margins, the net income at 6,122 banks and savings operations insured by the FDIC fell 2% in the first quarter despite the industry experiencing higher revenue than the prior year.
- The improving economy has increased the credit-worthiness of an average borrower, which has reduced commercial banks' provision for loan and lease losses, making the Commercial Bank's revenue projected to grow at 0.9% in 2016 after years of negative growth in the early 2010s.¹
- While the insurance industry has been steadily recovering over the past few years, recent gains in the US dollar have led to foreign exchange risk for operators, leading to a lower than average growth of 1.8% so far in 2016.

Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

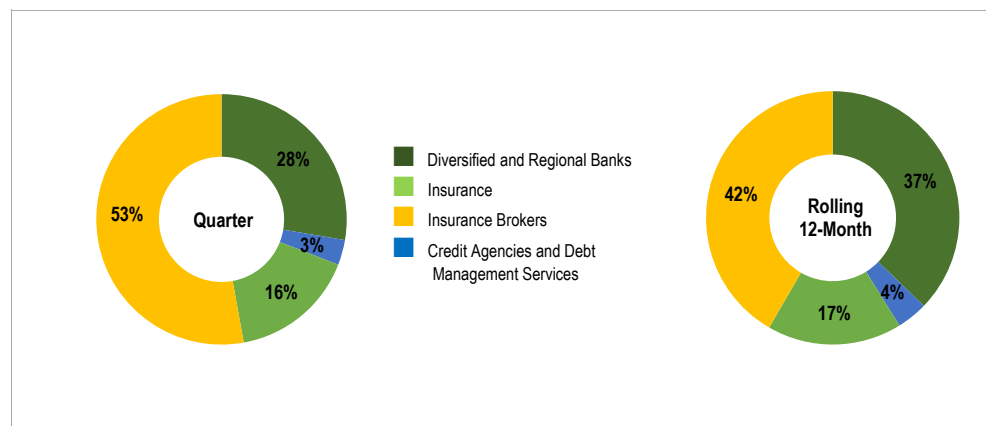
¹ "US 1st quarter bank income down 2%, energy sector contributes to 'mixed' results", Talk Business Report, June 2016.

Industry Trends During Quarter

Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	TEV/EBITDA (Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↓	↑	↑
Credit Agencies and Debt Management Services	↓	↑	↑
Insurance	↓	↓	↑
Insurance Brokers	↓	↑	↓

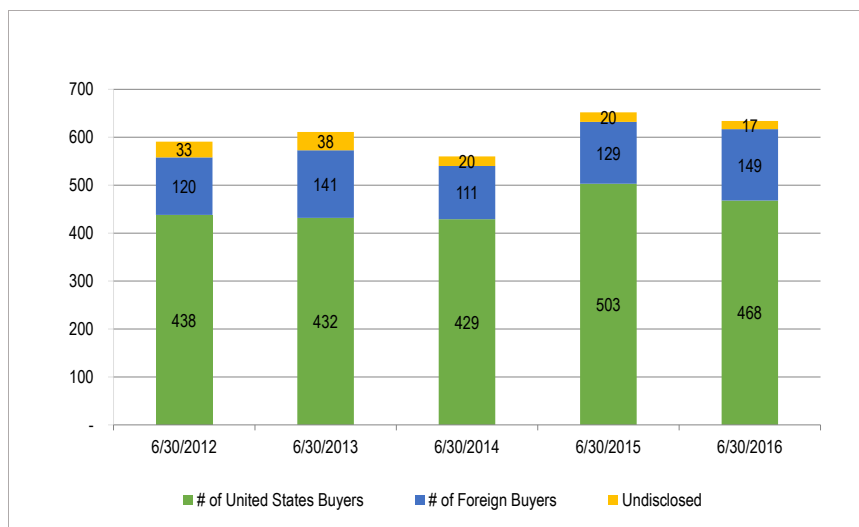
* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month

Rolling 12-Month Transaction Volume Trends by Buyer Origin



* Results exclude transactions that did not disclose buyer information

Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Diversified & Reg Banks	National Penn Bancshares Inc.	BB&T Corporation	\$1,815.5
Insurance Brokers	Rural Community Insurance Agency, Inc.	Zurich American Insurance Company	\$1,050.0
Insurance	The Phoenix Companies Inc.	Nassau Reinsurance Group	\$613.4
Insurance Brokers	The Swett & Crawford Group, Inc.	BB&T Corporation	\$500.0
Credit Agencies & Debt Mgmt	NewStar Business Credit LLC	Sterling National Bank	\$349.9
Insurance	Century-National Insurance Company And Western General Agency, Inc.	National General Holdings Corp.	\$315.0
Diversified & Reg Banks	Bank of Georgetown	United Bank	\$288.6
Insurance	Republic Companies, Inc.	AmTrust Financial Services, Inc.	\$233.0
Diversified & Reg Banks	Monarch Financial Holdings, Inc.	TowneBank	\$221.7
Insurance	IHC Risk Solutions, LLC	SR Corporate Solutions America Holding Corporation	\$152.5

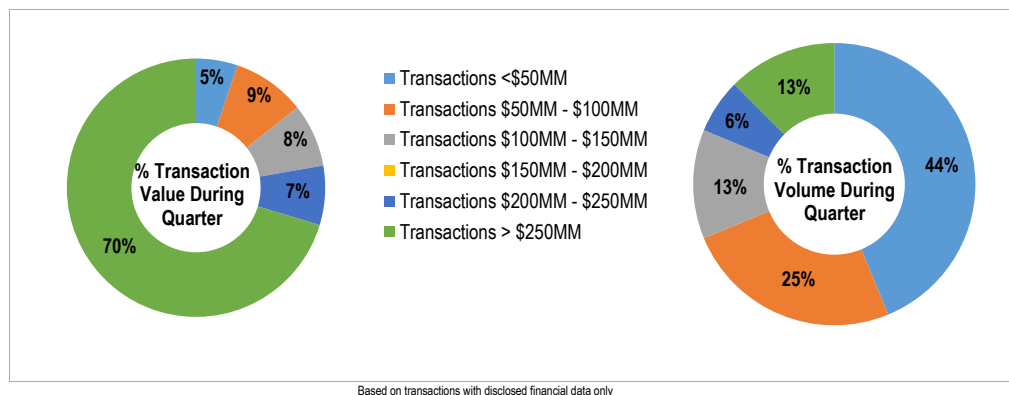
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	34
Number of Transactions with Disclosed Values	16
Transaction Value*	\$2,991.76
Average Transaction Value*	\$186.98
Median Transaction Value*	\$57.48

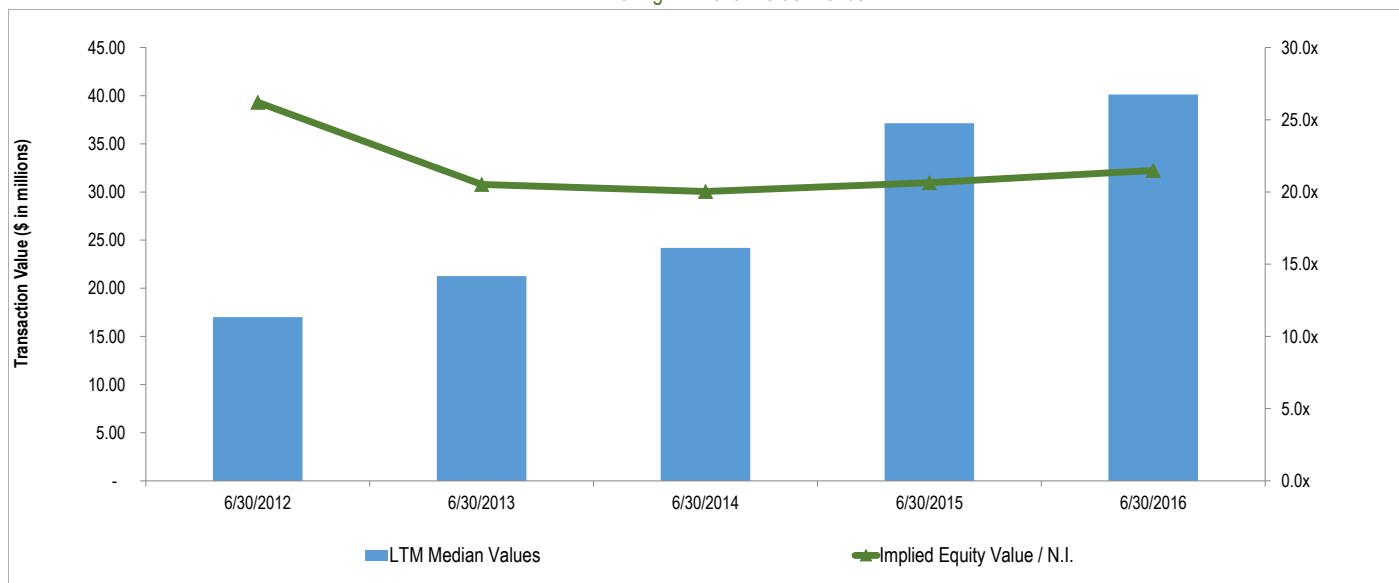
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Transactions by Value & Volume



Private Sector Value Trends

Rolling 12-Month Value Trends



** Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.*

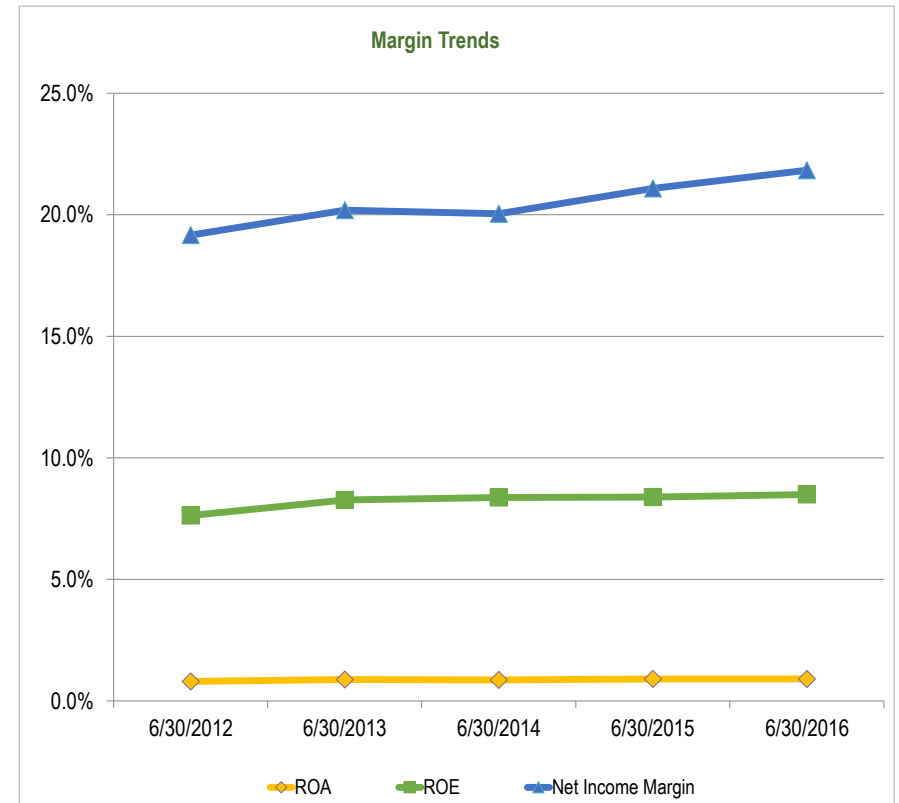
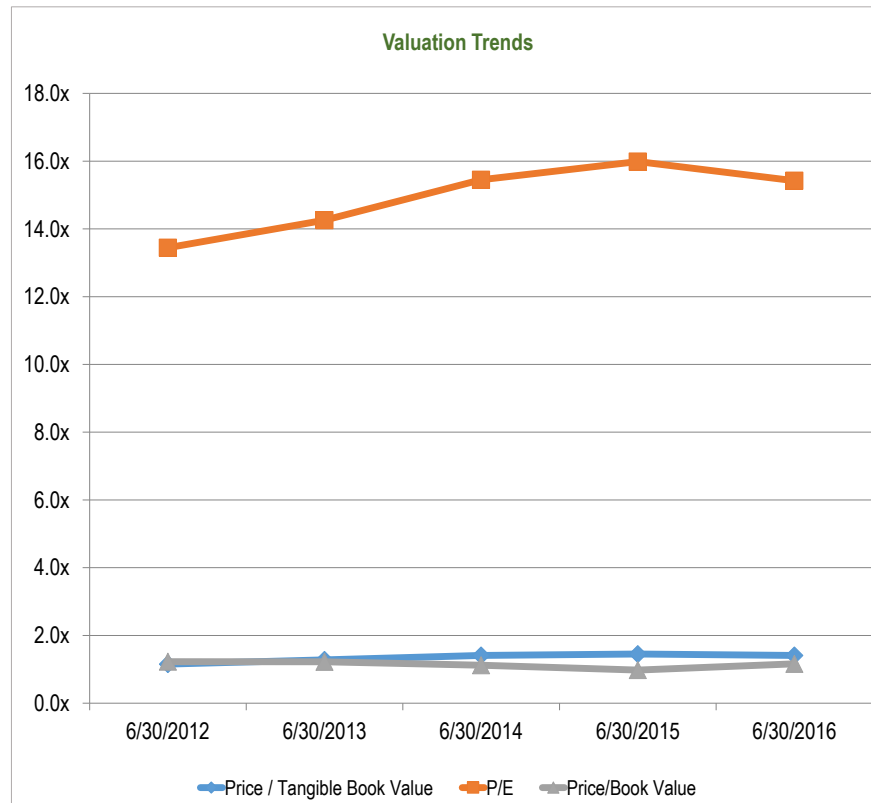
Diversified and Regional Banks

2nd Quarter 2016

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$3,748	1.5x	1.2x	17.5x	P/TBV	↓
Median	\$357	1.4x	1.2x	15.4x	P/BV	↑
					P/E	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	ROA	ROE	Net income		
Average	0.90%	8.30%	21.87%	ROA	↑
Median	0.91%	8.49%	21.83%	ROE	↑
				Net Income Margin	↑



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Credit Agencies and Debt Management Services

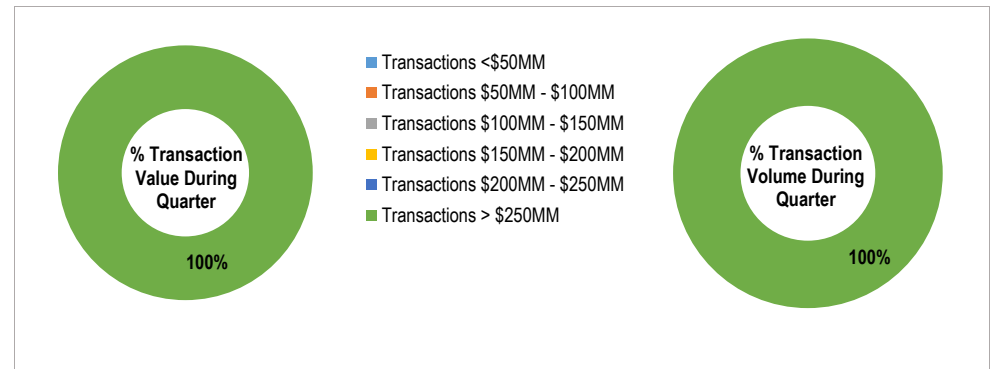
2nd Quarter 2016

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	4
Number of Transactions with Disclosed Values	1
Transaction Value*	\$349.90
Average Transaction Value*	\$349.90
Median Transaction Value*	\$349.90

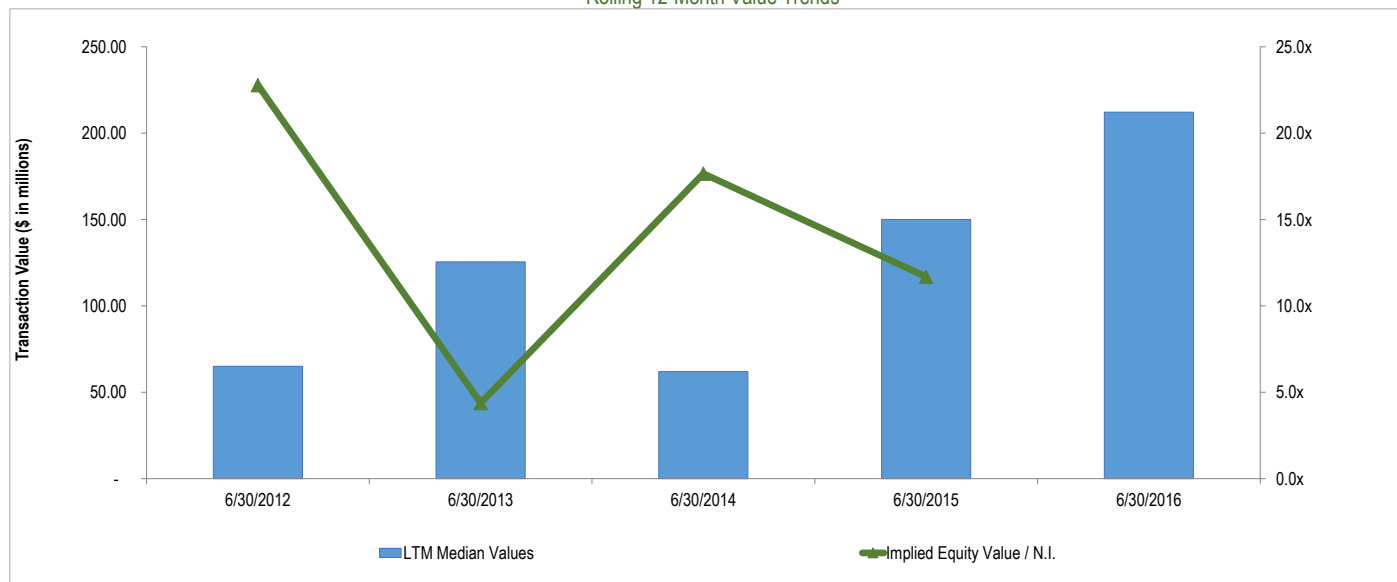
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Transaction by Value & Volume



Private Sector Value Trends

Rolling 12-Month Value Trends



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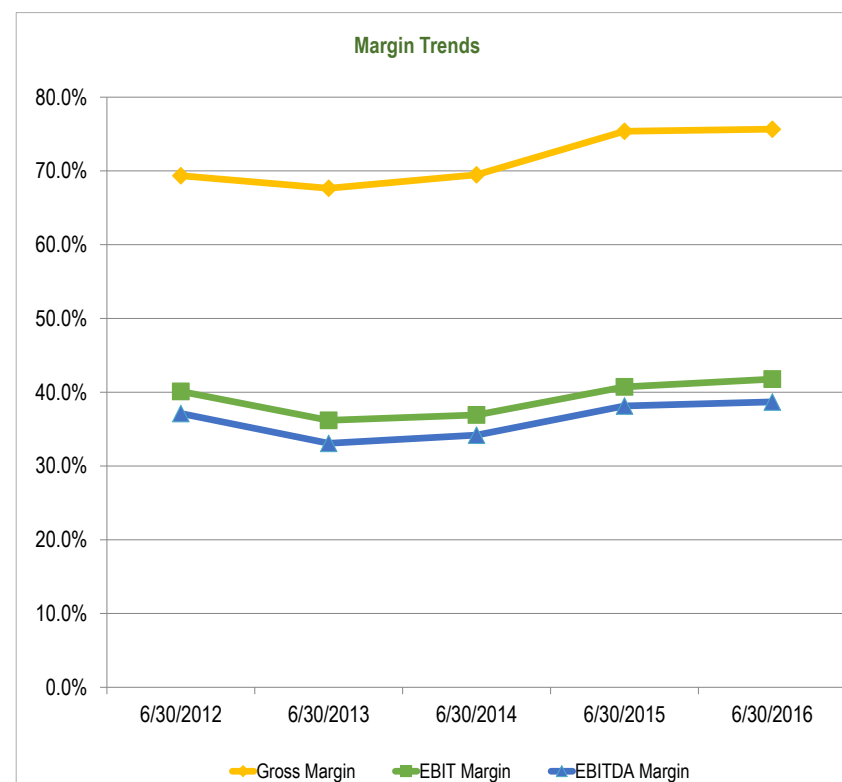
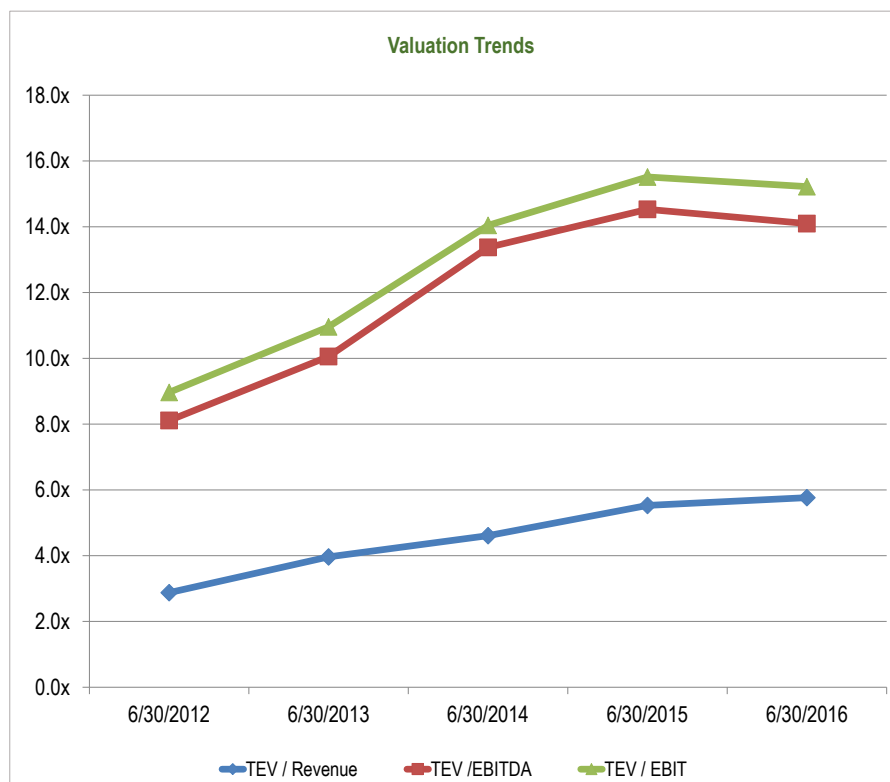
Credit Agencies and Debt Management Services

2nd Quarter 2016

Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	P/E	6/30/2016 Trends	
Average	\$2,722	22.6x	22.6x	19.6x	TEV / Revenue	↑
Median	\$198	5.8x	5.8x	15.2x	TEV / EBITDA	↓
					TEV / EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	6/30/2016 Trends	
Average	66.8%	28.8%	26.6%	Gross Margin	↑
Median	75.7%	41.8%	38.7%	EBIT Margin	↑
				EBITDA Margin	↑



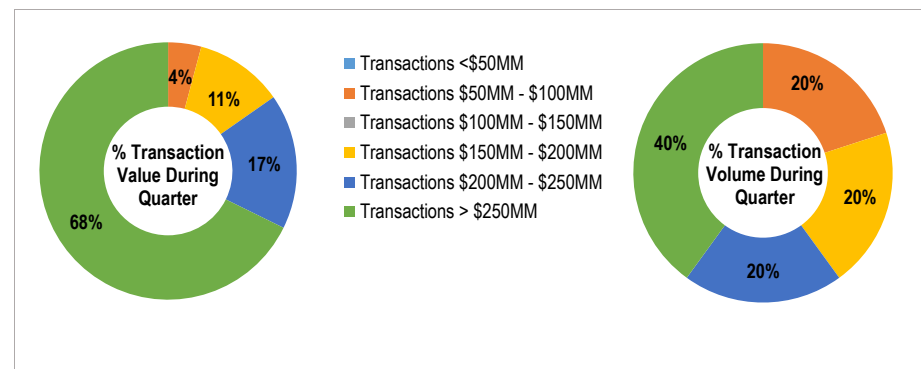
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	20
Number of Transactions with Disclosed Values	5
Transaction Value*	\$1,370.86
Average Transaction Value*	\$274.17
Median Transaction Value*	\$233.00

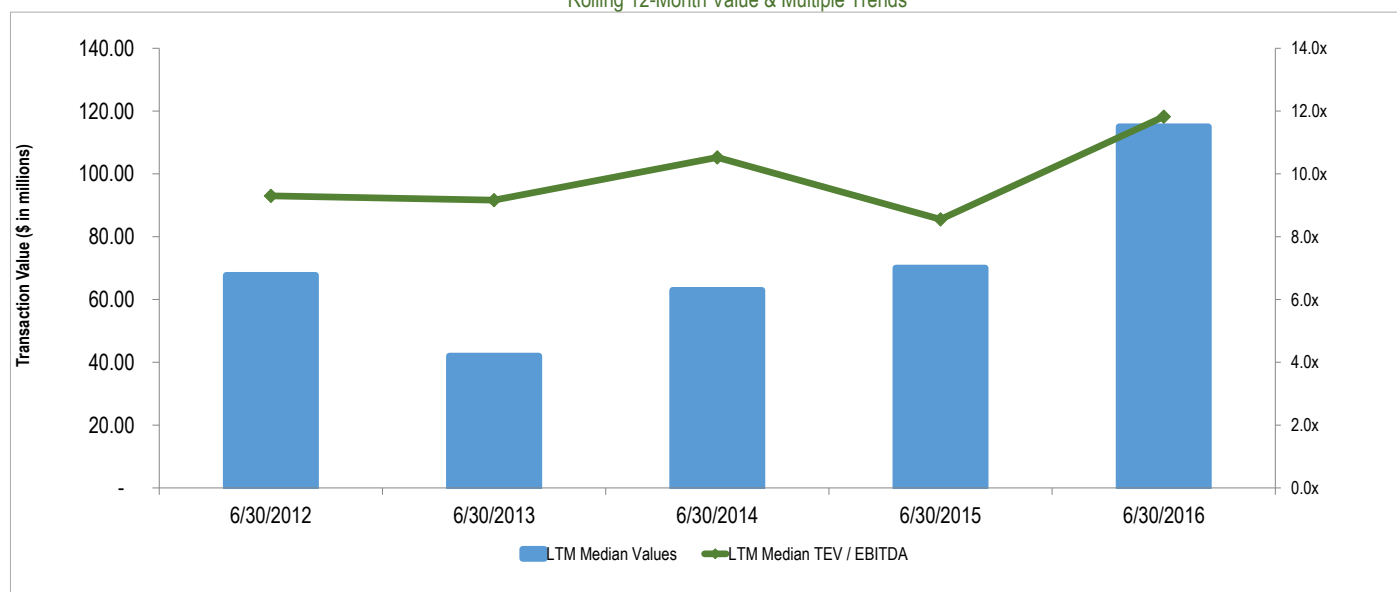
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

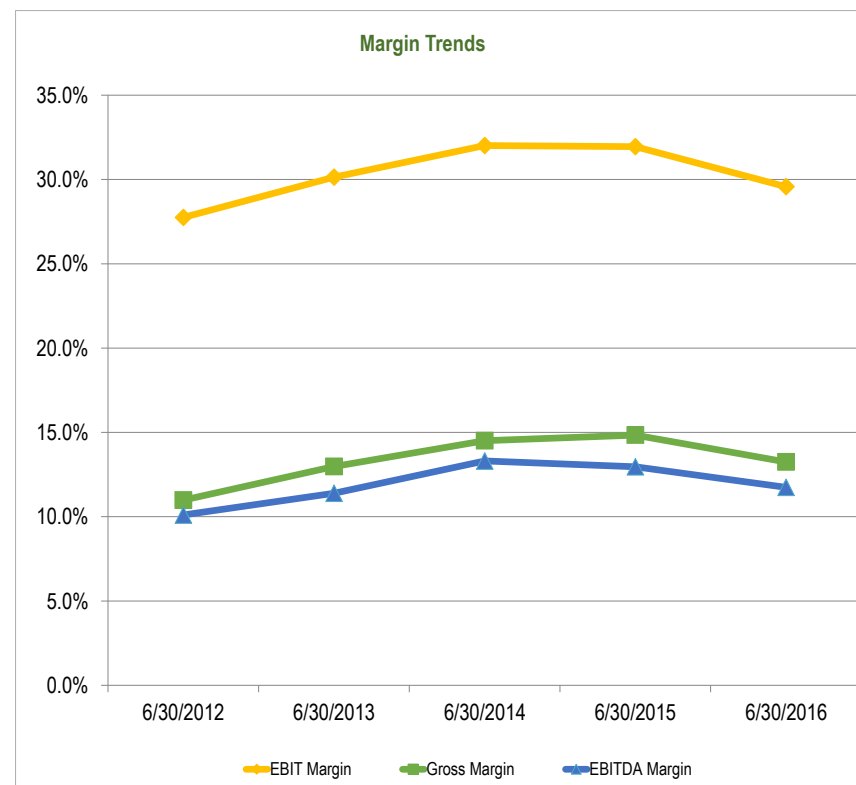
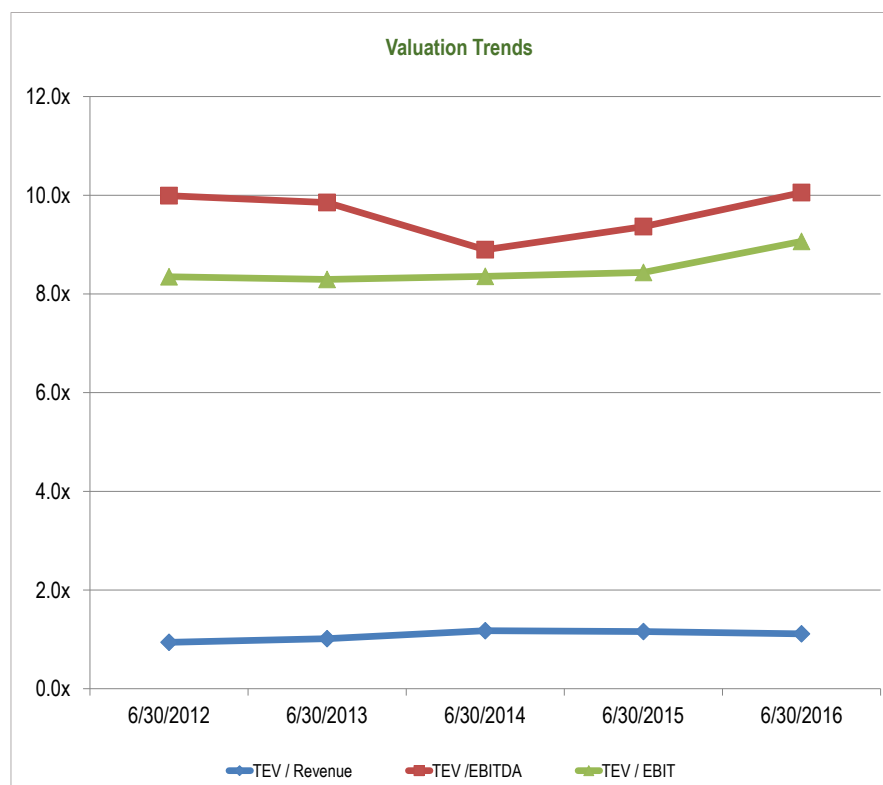


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,881	1.8x	13.9x	12.6x	TEV / Revenue	↓
Median	\$1,325	1.1x	9.1x	10.1x	TEV / EBITDA	↑
					TEV / EBIT	↑

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	32.9%	16.4%	14.8%	EBIT Margin	↓
Median	29.6%	13.2%	11.7%	Gross Margin	↓
				EBITDA Margin	↓



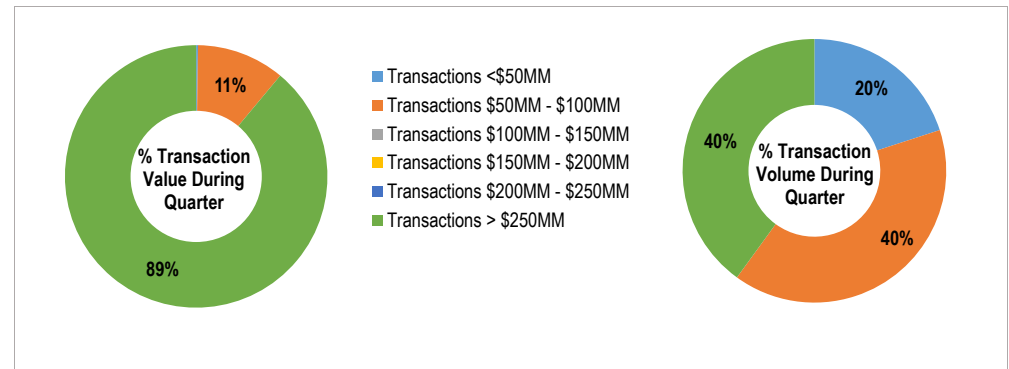
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	65
Number of Transactions with Disclosed Values	5
Transaction Value*	\$1,742.90
Average Transaction Value*	\$348.58
Median Transaction Value*	\$96.00

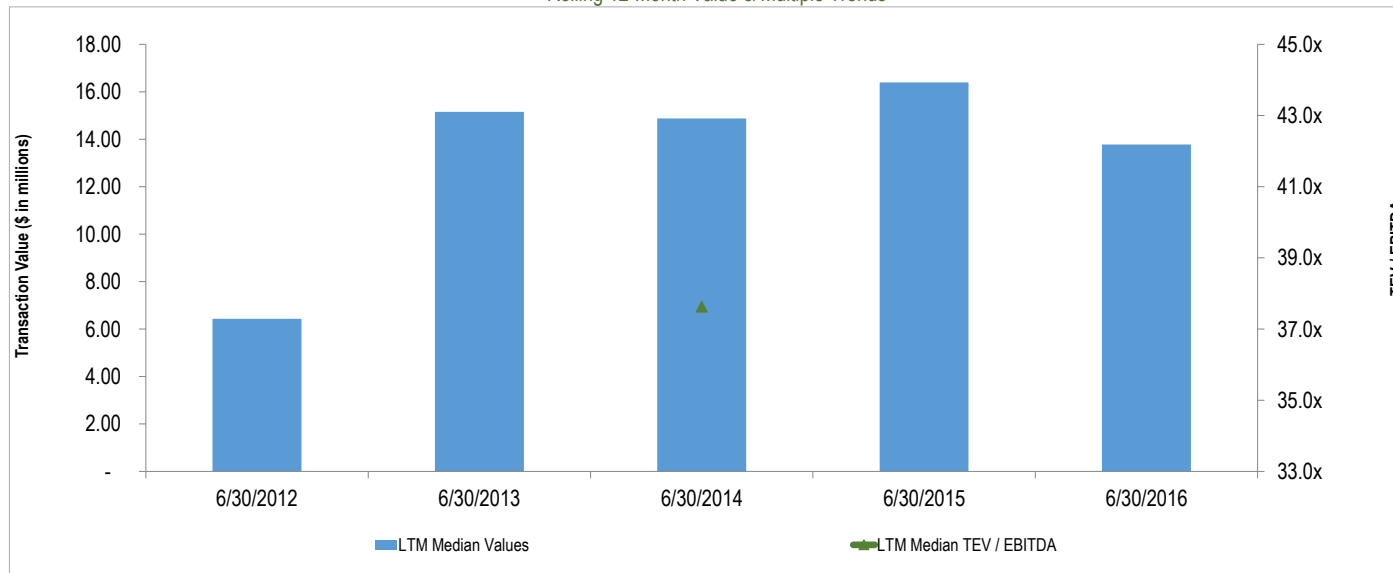
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Transactions by Value & Volume



Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends

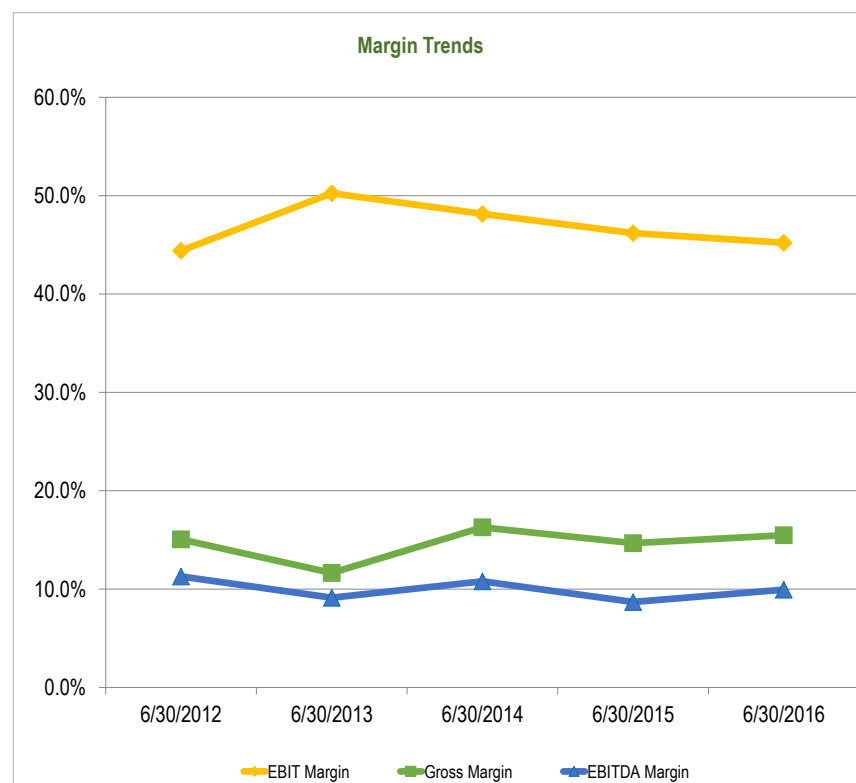
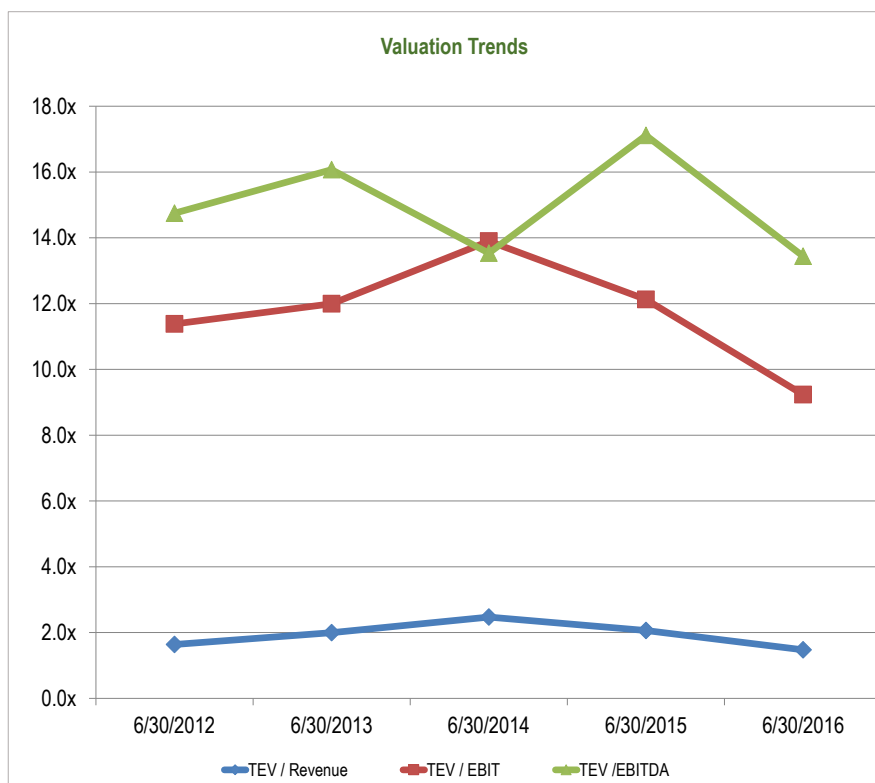


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Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,101	1.7x	9.8x	13.9x	TEV / Revenue	↓
Median	\$445	1.5x	9.2x	13.4x	TEV / EBIT	↓
					TEV / EBITDA	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.9%	16.6%	12.2%	EBIT Margin	↓
Median	45.2%	15.5%	9.9%	Gross Margin	↑
				EBITDA Margin	↑



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

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- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
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- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

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- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value