



PCE Industry Report

Banking, Finance & Insurance



Middle Market M&A Summary

Banking, Finance & Insurance

3rd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$1.2 billion.
 - The largest transaction was the acquisition of First Niagra Financial by KeyCorp for \$4.2 billion.
 - The smallest transaction was the acquisition of Avenue Financial by Pinnacle Financial for \$209.4 million.
- The Banking public company industry median P/BV multiple is 1.3x.
- Excluding Banking, public company industry median TEV/Revenue is 1.5x.
- The Banking public company industry median P/E multiple is 16.7x.
- Excluding Banking, public company industry median TEV/EBITDA is 9.2x.

Key Trends

- The Diversified & Regional Banks & Insurance subsectors' transaction volume are trending positively, while activity with Credit Agencies & Debt Management Services and Insurance Brokers trended negatively.
- The Diversified & Regional Banks subsector's transaction volume was the largest at 83% of the sector over the past quarter.
- Most areas of banking are experiencing declines in revenue except for private banking which is expected to rise at an annualized rate of 4.4%.
- In order to drive growth in revenue, the large public insurance brokers will continue to pursue mergers and acquisitions. Despite a soft market with depressed premiums, insurance broker revenue is expected to show growth of around 1.7% per year due in part to higher homeownership, higher employment rates, and an aging population.
- Insurance companies are looking to further integrate digital capabilities, deliver customized products, and decrease claim time. As a result, FinTech companies are expected to drive M&A volume in the upcoming year as companies search for the next industry disruptor such as a new app or a new entrant from outside the insurance industry.

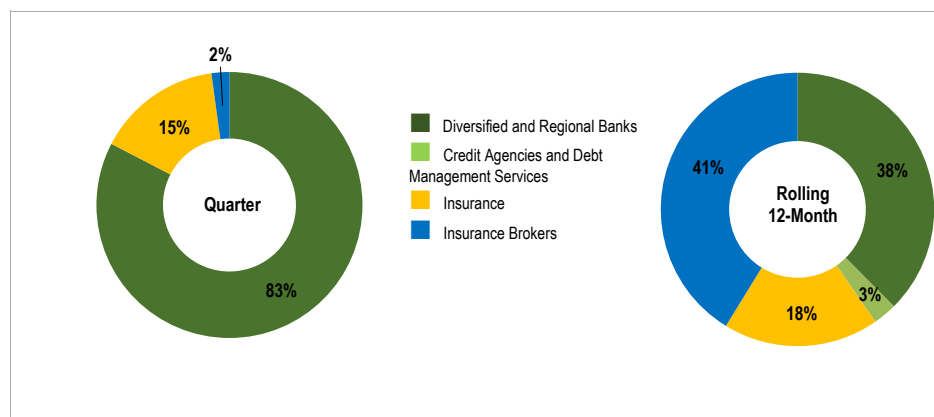
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

Industry Trends During Quarter

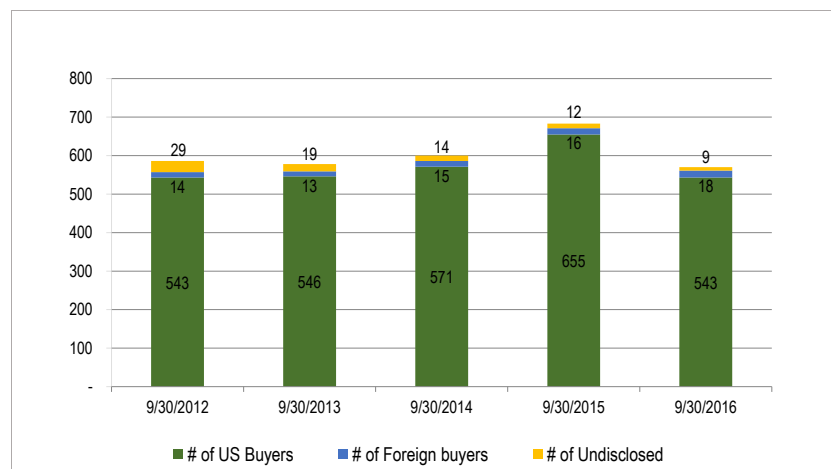
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	(Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↑	↑	↑
Credit Agencies and Debt Managements Services	↓	↑	↑
Insurance	↑	↑	↑
Insurance Brokers	↓	↓	↓

* 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 Transaction Volume Trends by Buyer Origin



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

Sector	Target	Buyer	Transaction Value
Diversified & Regional Banks	First Niagara Financial Group Inc.	KeyCorp.	\$4,218.6
Diversified & Regional Banks	FirstMerit Corporation	The Huntington National Bank Inc.	\$3,457.4
Diversified & Regional Banks	Talmer Bancorp, Inc.	Chemical Financial Corporation	\$1,108.8
Diversified & Regional Banks	Wilshire Bancorp Inc.	Hope Bancorp, Inc.	\$1,021.2
Diversified & Regional Banks	Community & Southern Holdings, Inc.	Bank of the Ozarks, Inc.	\$799.6
Insurance	CIFG Holding Inc.	Assured Guaranty Corp.	\$450.6
Diversified & Regional Banks	American Chartered Bancorp, Inc.	MB Financial Inc.	\$408.2
Diversified & Regional Banks	C1 Financial, Inc.	Bank of the Ozarks, Inc.	\$402.5
Diversified & Regional Banks	Your Community Bankshares, Inc.	WesBanco Inc.	\$214.1
Diversified & Regional Banks	Avenue Financial Holdings, Inc.	Pinnacle Financial Partners Inc.	\$209.4

Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

Diversified and Regional Banks

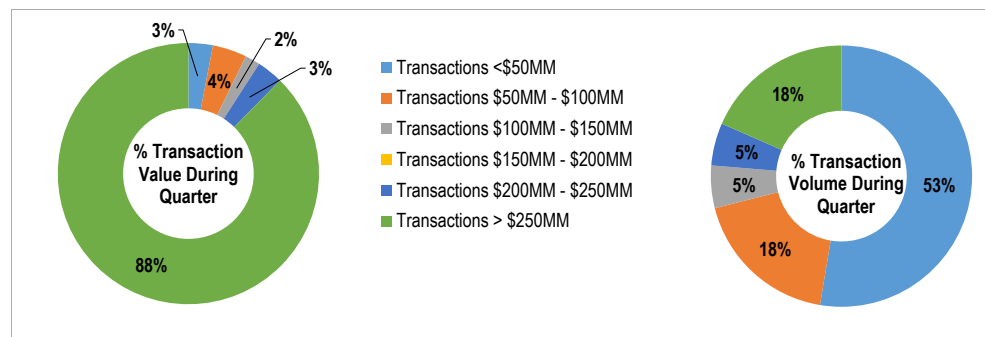
3rd Quarter 2016

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

Transaction Volume	56
Number of Transactions with Disclosed Values	38
Transaction Value*	\$13,026.96
Average Transaction Value*	\$342.81
Median Transaction Value*	\$37.65

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

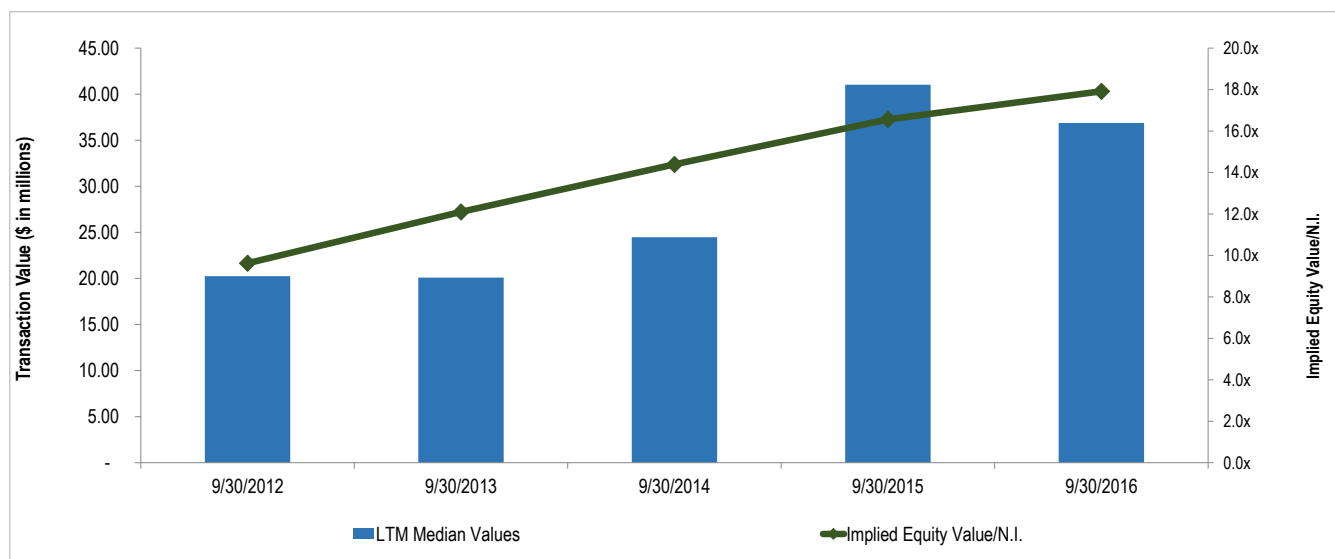
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

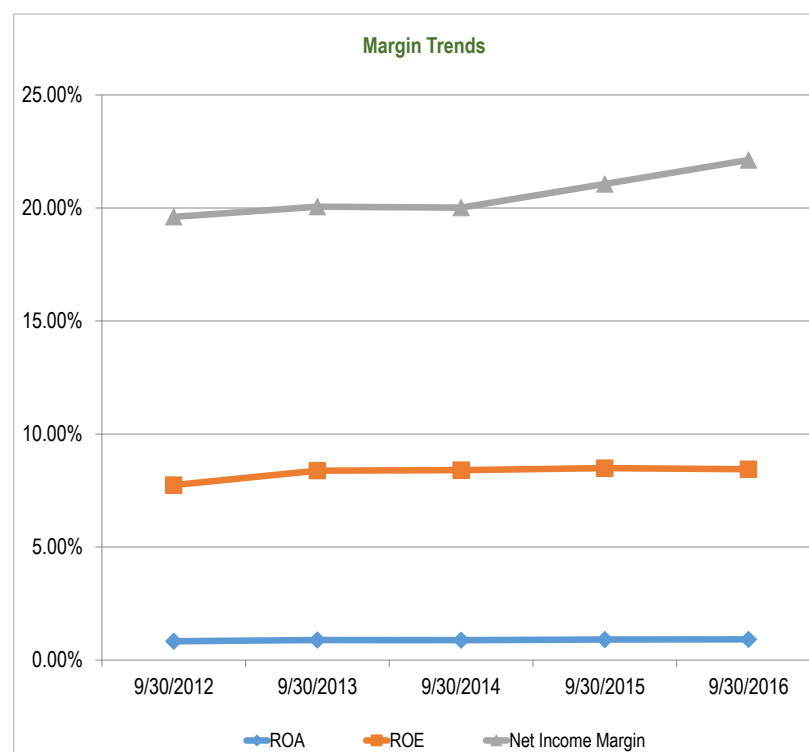
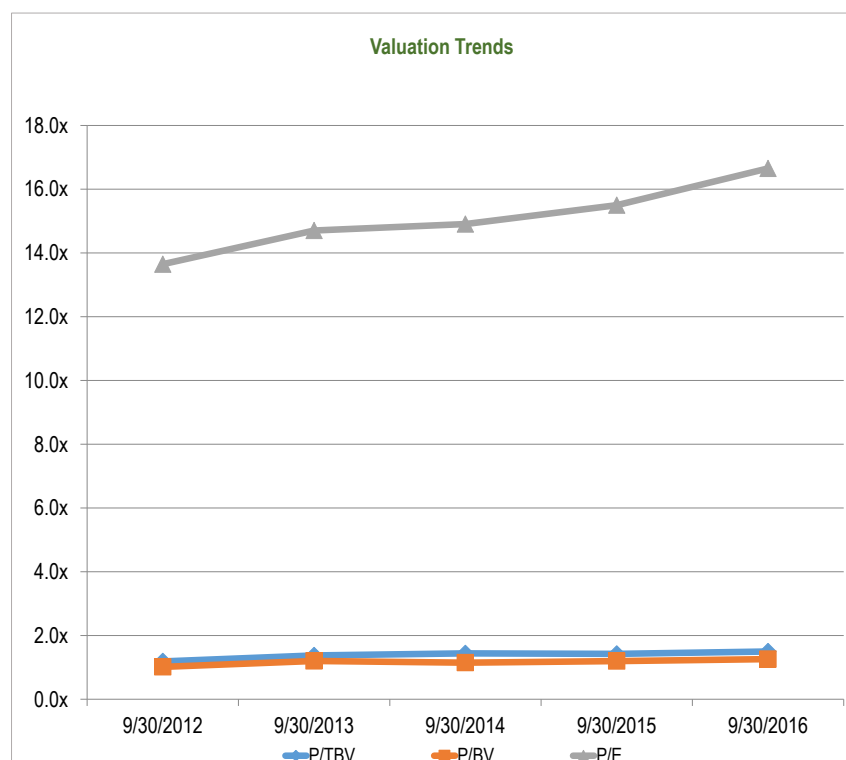
Diversified and Regional Banks

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$4,242	1.5x	1.3x	18.9x	P/TBV	↑
Median	\$416	1.5x	1.3x	16.7x	P/BV	↑
					P/E	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	ROA	ROE	Net Income		
Average	0.9%	8.4%	22.0%	ROA	↑
Median	0.9%	8.4%	22.1%	ROE	↓
				Net Income Margin	↑



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

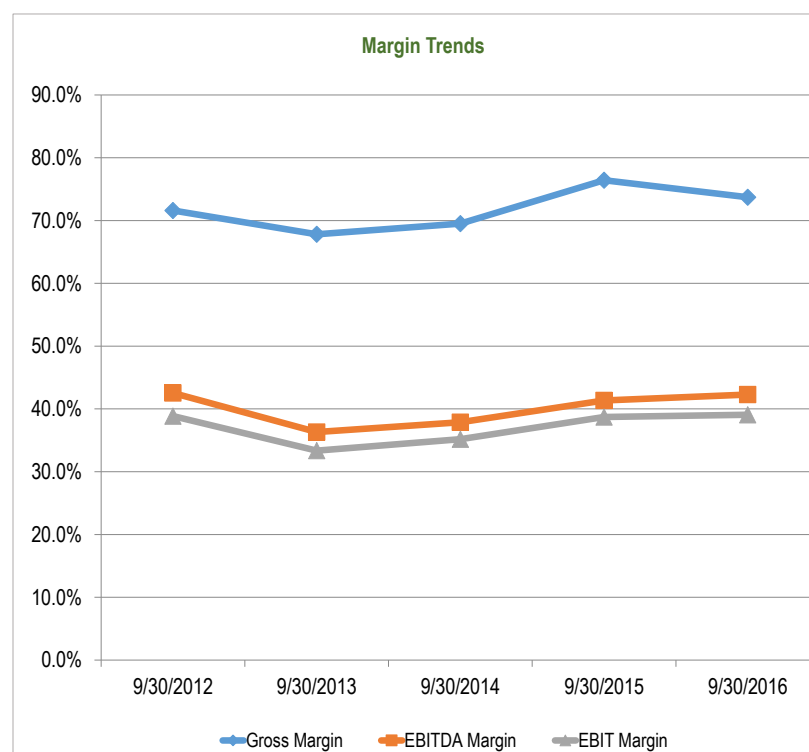
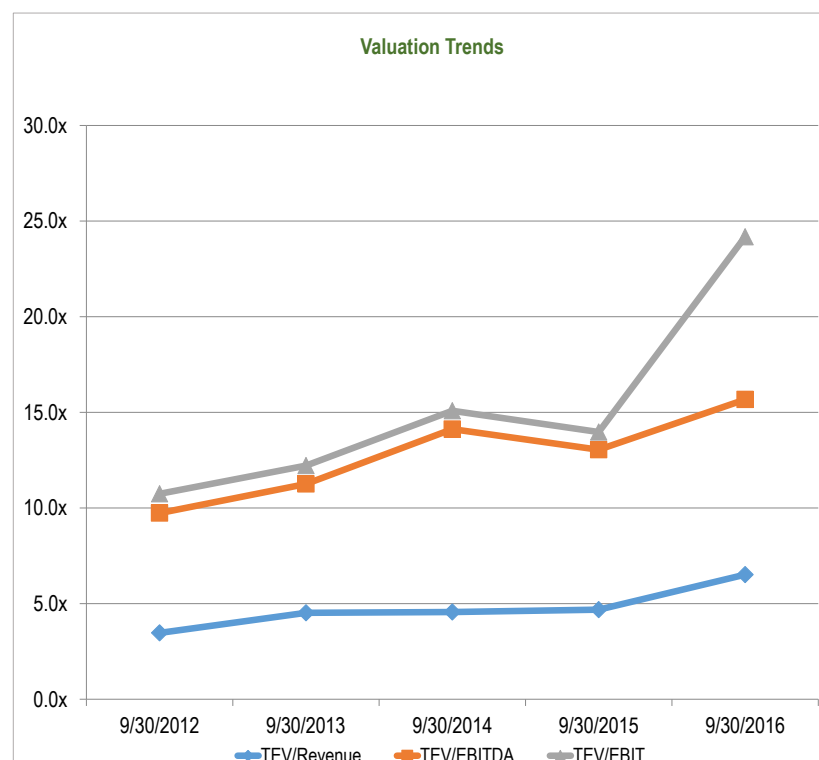
Credit Agencies and Debt Management Services

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	P/E		
Average	\$7,878	4.4x	18.8x	21.0x	TEV/Revenue	↑
Median	\$386	6.5x	15.7x	24.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	65.7%	28.8%	26.6%	Gross Margin	↓
Median	73.7%	42.3%	39.1%	EBITDA Margin	↑
				EBIT Margin	↑

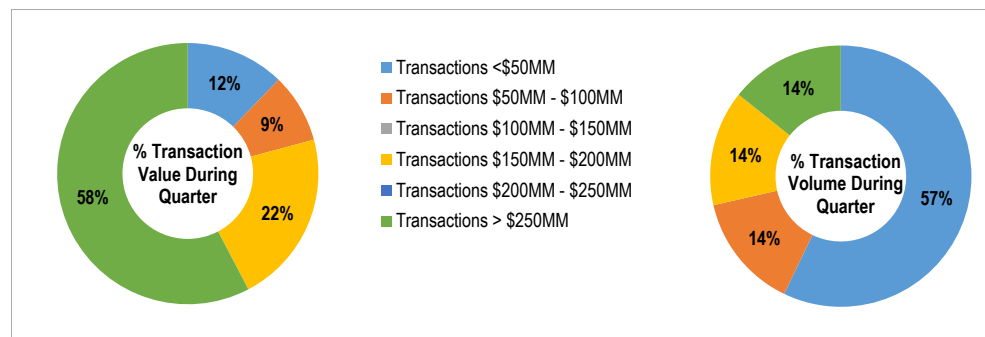


Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

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

Transaction Volume	23
Number of Transactions with Disclosed Values	7
Transaction Value*	\$781.20
Average Transaction Value*	\$111.60
Median Transaction Value*	\$49.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

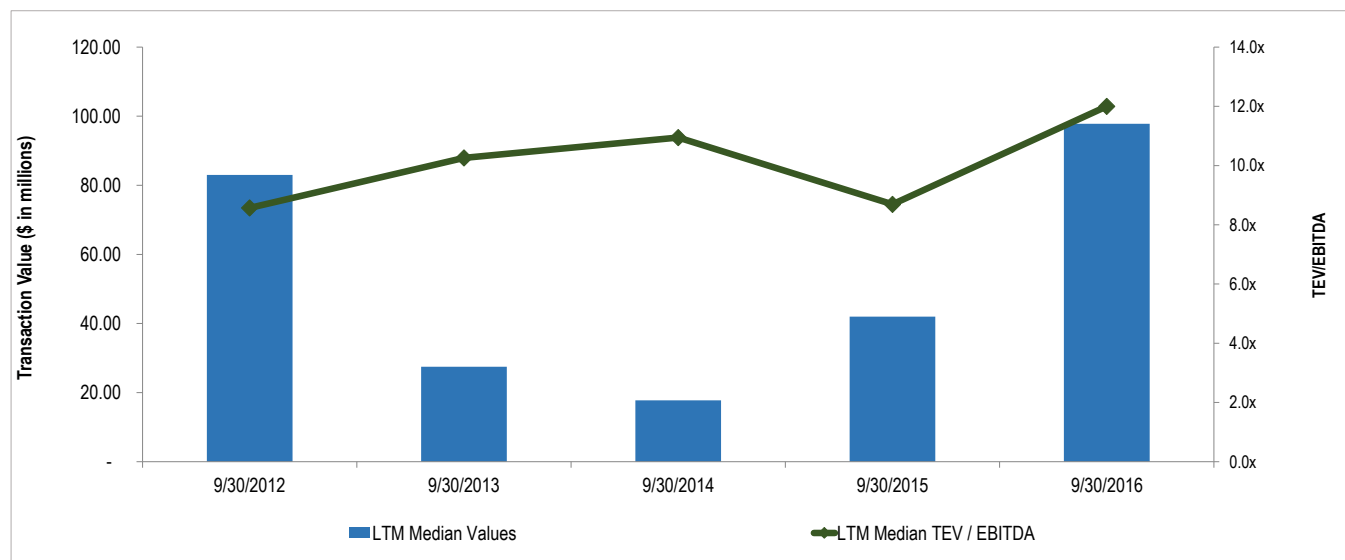
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

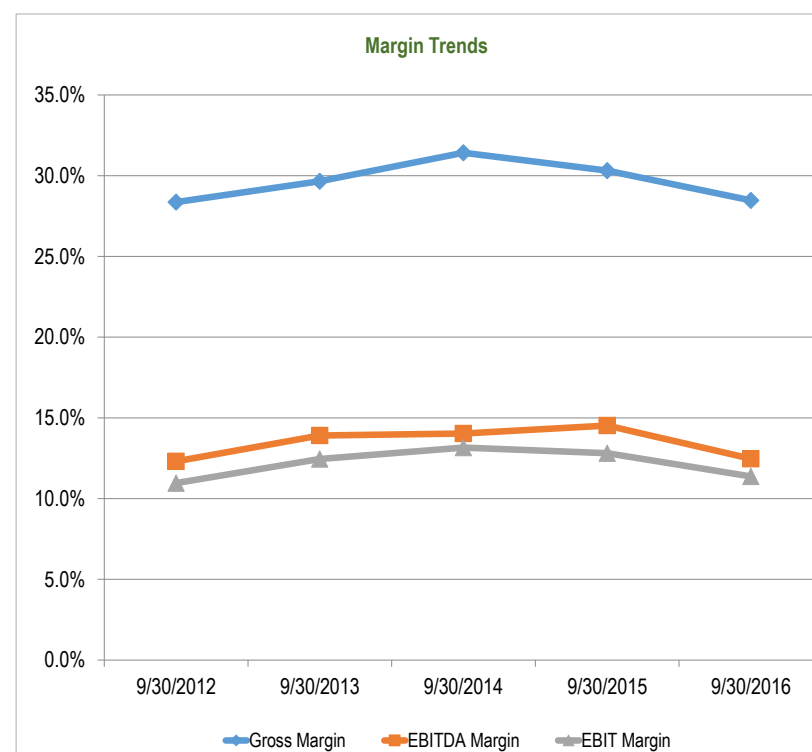
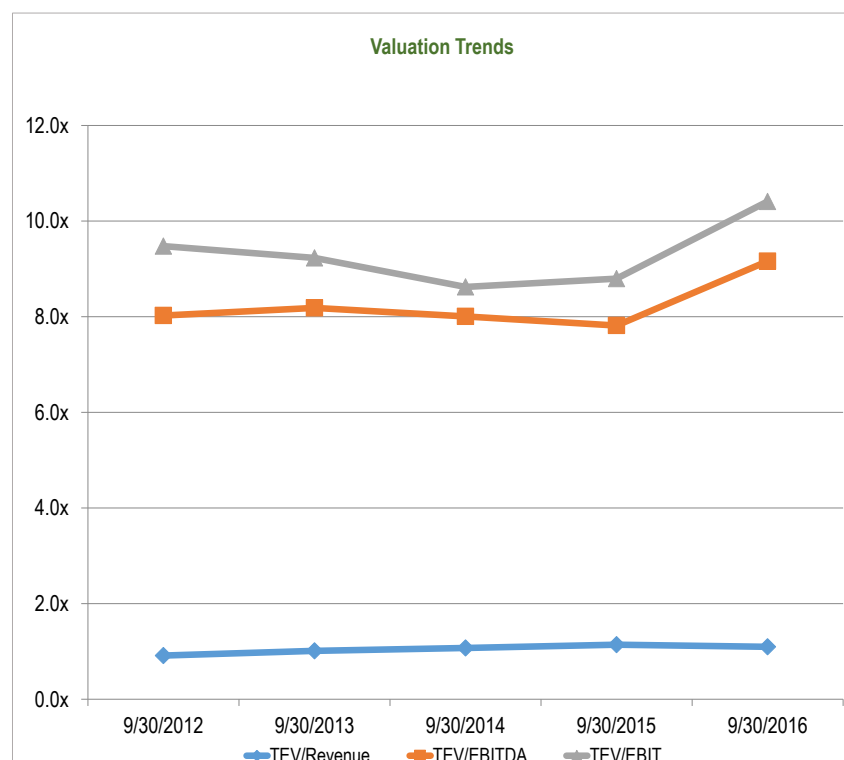


Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,376	1.9x	13.3x	13.0x	TEV/Revenue	↓
Median	\$1,552	1.1x	9.2x	10.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	31.9%	16.1%	14.5%	Gross Margin	↓
Median	28.5%	12.5%	11.4%	EBITDA Margin	↓
				EBIT Margin	↓

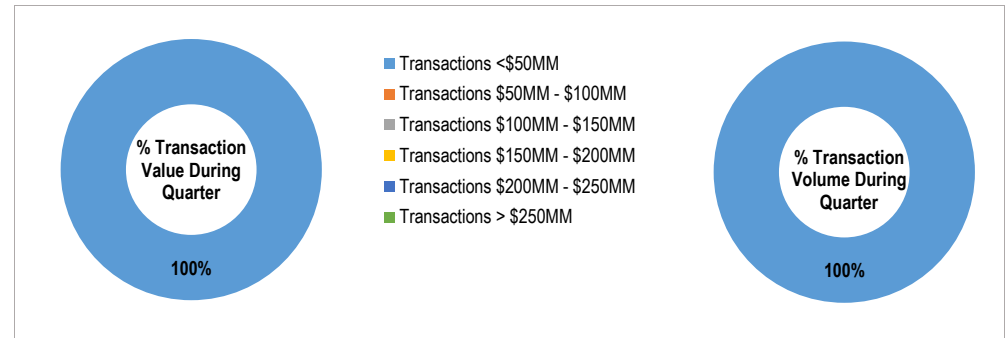


Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

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

Transaction Volume	44
Number of Transactions with Disclosed Values	1
Transaction Value*	\$1.00
Average Transaction Value*	\$1.00
Median Transaction Value*	\$1.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

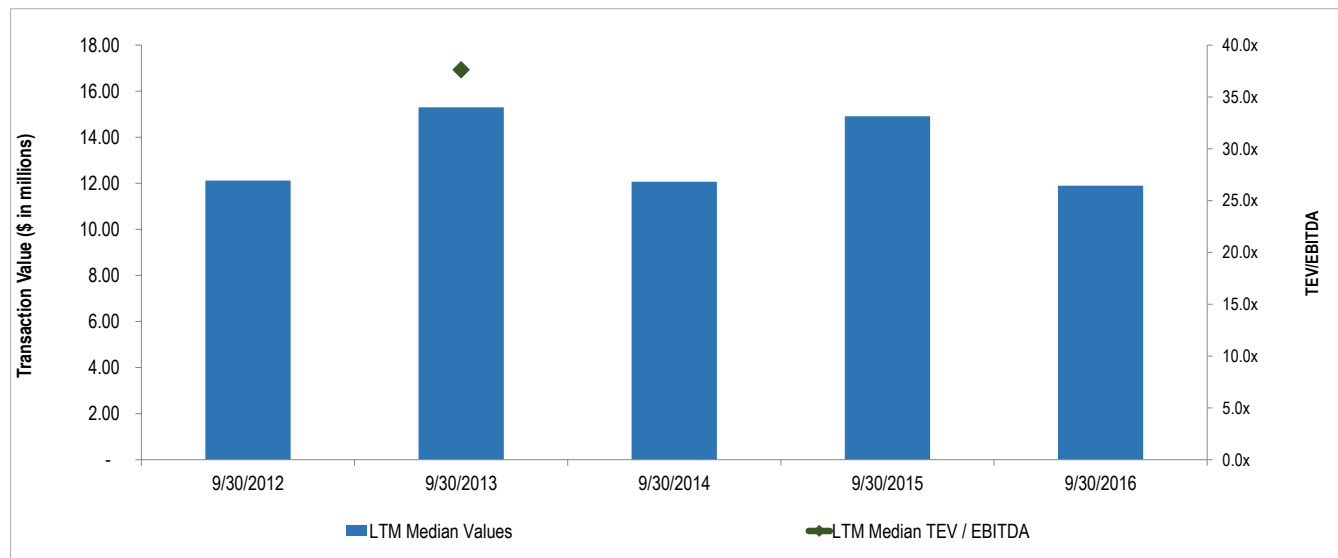
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

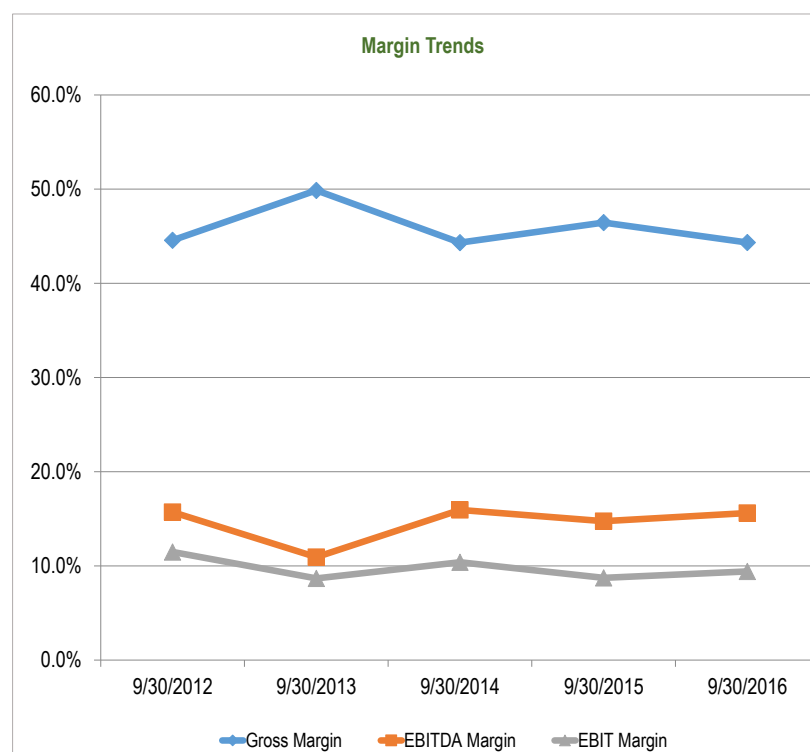
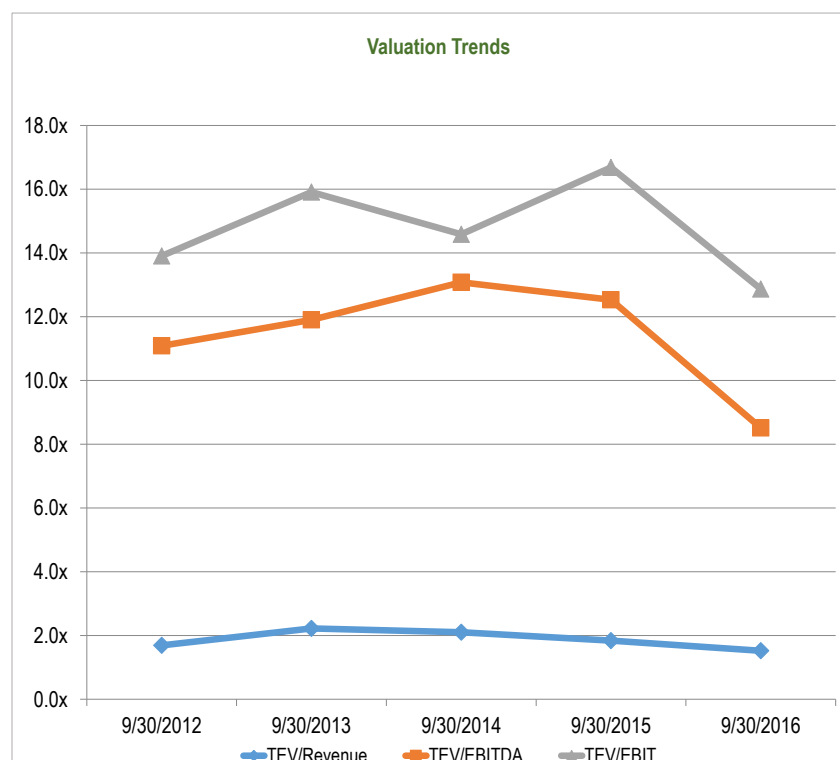
Insurance Brokers

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,105	1.7x	9.5x	13.3x	TEV/Revenue	↓
Median	\$578	1.5x	8.5x	12.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.0%	16.6%	12.3%	Gross Margin	↓
Median	44.3%	15.6%	9.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/13/2016 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:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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PCE Locations

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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