



PCE Industry Report

Banking, Finance & Insurance



Middle Market M&A Summary

Banking, Finance & Insurance

4th Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$442.2 million.
 - The largest transaction was the acquisition of Acrisure, LLC by Management for \$2.9 billion.
 - The smallest transaction was the acquisition of NBG Bancorp, Inc. by State Bank Financial Corporation for \$68.0 million.
- The Banking public company industry median P/BV multiple is 1.6x.
- Excluding Banking, public company industry median TEV/Revenue is 1.3x.
- The Banking public company industry median P/E multiple is 20.7x.
- Excluding Banking, public company industry median TEV/EBITDA is 11.9x.

Key Trends

- The Credit Agencies & Debt Management Services subsectors' transaction volume are trending positively, while activity as measured by numbers of transaction with Diversified and Regional Banks, Insurance and Insurance Brokers trended negatively.
- The Diversified & Regional Banks subsector's transaction volume was the largest at 76% of the sector over the past quarter.

Higher wage growth, rising household incomes, and consumer confidence should bring new retail and small business lending opportunities, especially as Net Interest Margins rise due to interest rate hikes. However, retail deposit costs may rise faster than expected, as liquidity coverage ratio requirements place a premium on high-quality stable funding.¹
- In the five years to 2020, the US Credit Bureaus and Rating Agencies industry's revenue is forecast to increase at an average annual rate of 3.7% and increase their profit margins 15.0% in 2015 to 15.8% by 2020. This rise will be driven by technological advancements, which will automate services and improve employee productivity.
- The threat of online sales and automation continues to weigh on the future utilization of brokers and agents, as insurers now have the ability to sell policies cheaply to clients through online portals. Despite the push for technology M&A activity remains robust for insurance and insurance services (brokers) as capital continues to flow into the industry.

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

¹Deloitte, "Banking and Securities Outlook 2017"

Industry Trends During Quarter

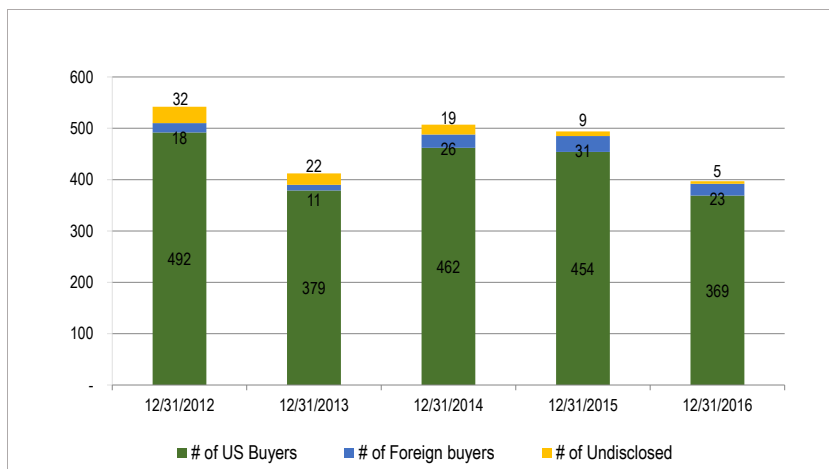
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	(Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↓	↑	↑
Credit Agencies and Debt Managements Services	↑	↓	↓
Insurance	↓	↑	↑
Insurance Brokers	↑	↓	↑

* 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
Insurance Brokers	Acrisure, LLC	Management Buyout	\$2,900.0
Diversified & Regional Banks	CommunityOne Bancorp	Capital Bank Financial Corp.	\$352.9
Insurance	National Interstate Corporation	Great American Insurance Company, Inc.	\$311.2
Diversified & Regional Banks	Security First Bank (Fresno, CA)	Suncrest Bank	\$164.1
Insurance	Direct General Corporation	National General Holdings Corp.	\$161.6
Diversified & Regional Banks	High Point Bank Corporation	BNC Bancorp	\$141.3
Diversified & Regional Banks	First Choice Bank (Lawrenceville, NJ)	Berkshire Bank	\$111.7
Insurance Brokers	Travelers Insurance Services, Inc	Cover-More Group Limited	\$105.8
Diversified & Regional Banks	Ridgestone Financial Services, Inc.	Byline Bancorp, Inc.	\$105.0
Diversified & Regional Banks	NBG Bancorp, Inc.	State Bank Financial Corporation	\$68.0

Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Diversified and Regional Banks

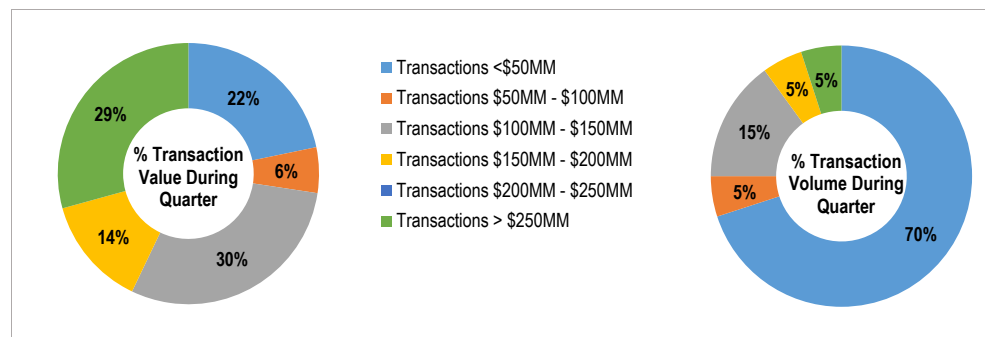
4th Quarter 2016

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

Transaction Volume	42
Number of Transactions with Disclosed Values	20
Transaction Value*	\$1,205.09
Average Transaction Value*	\$60.25
Median Transaction Value*	\$28.86

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

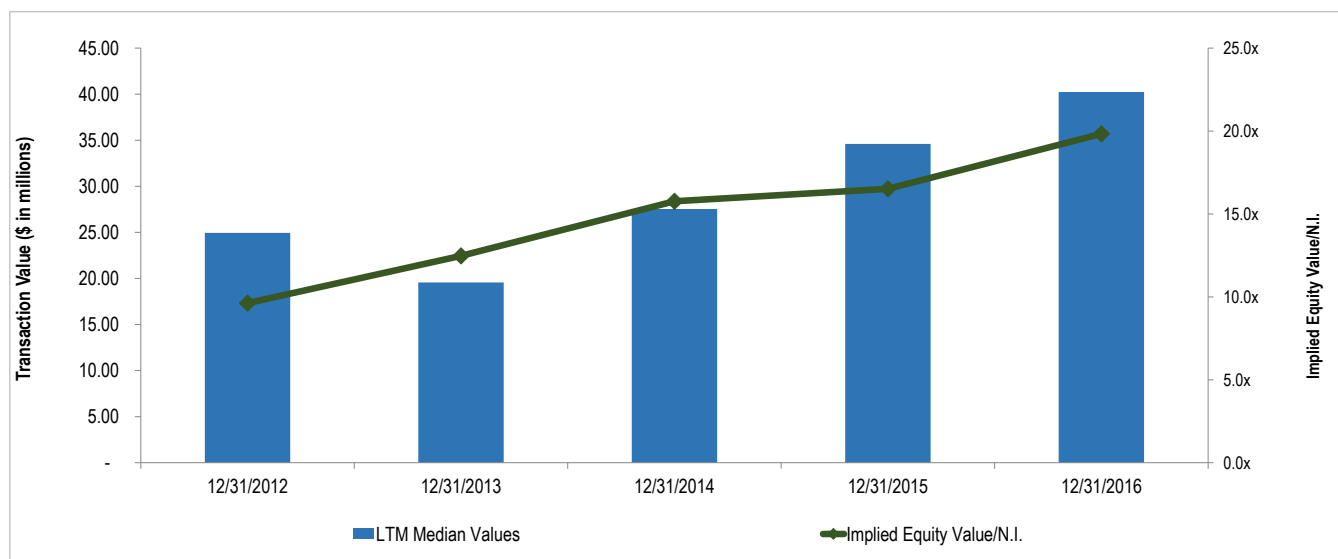
Transactions by Value & Volume



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 1/19/2017 and PCE Proprietary Data

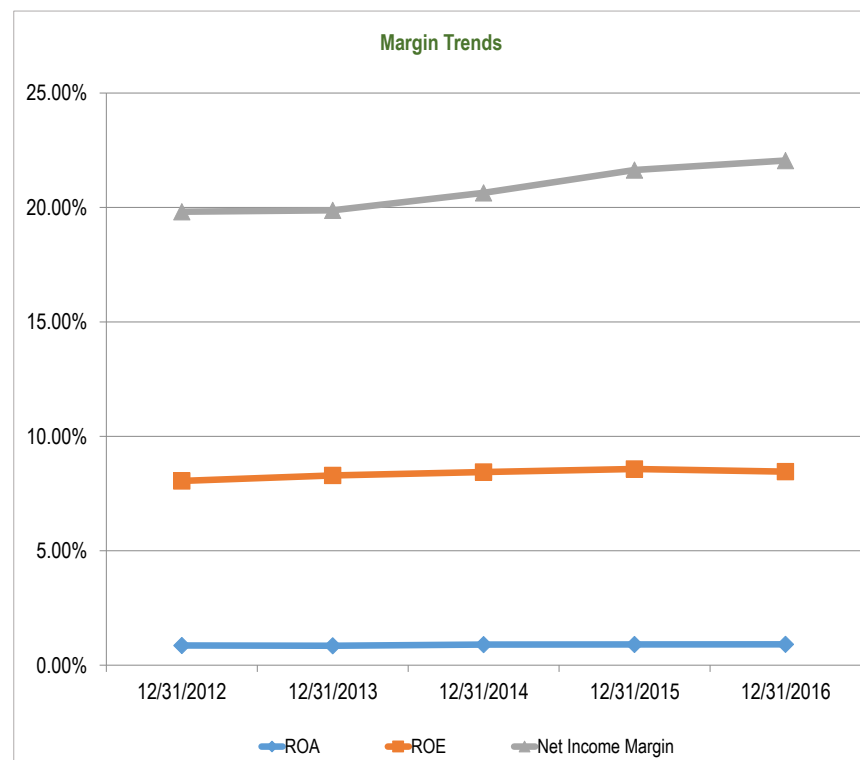
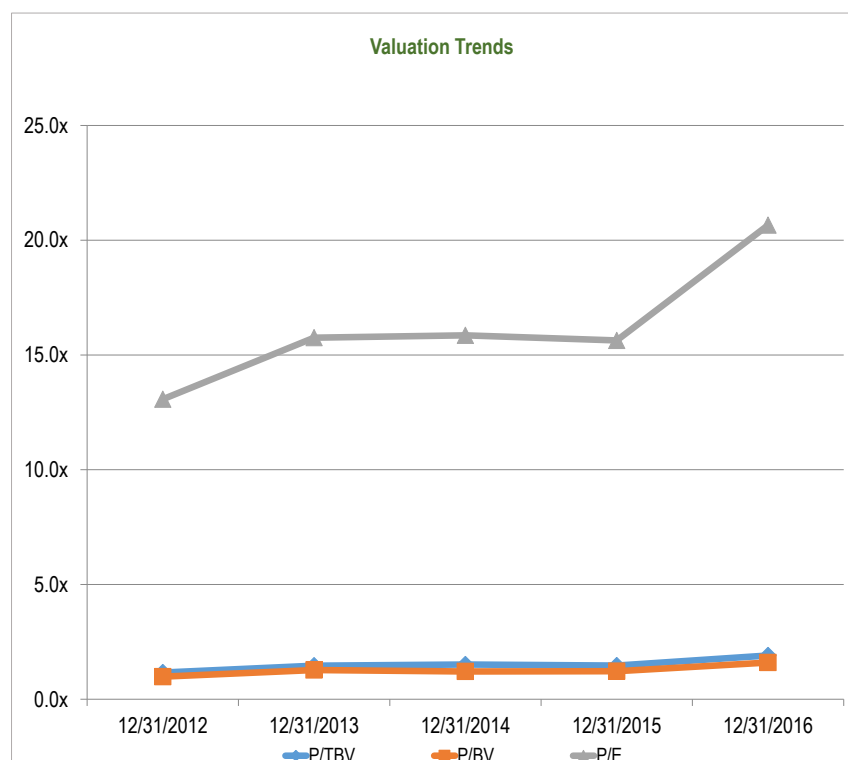
Diversified and Regional Banks

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$5,296	2.0x	1.6x	22.6x	P/TBV	↑
Median	\$546	1.9x	1.6x	20.7x	P/BV	↑
					P/E	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	ROA	ROE	Net Income		
Average	0.9%	8.4%	22.0%	ROA	↑
Median	0.9%	8.5%	22.1%	ROE	↓
				Net Income Margin	↑



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Credit Agencies and Debt Management Services

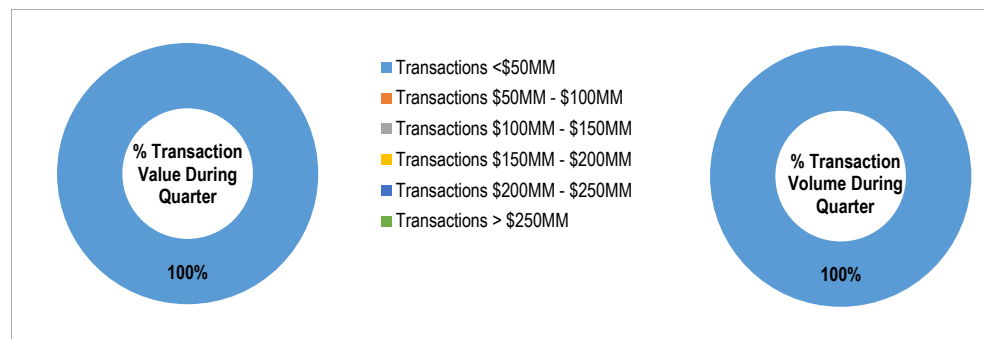
4th Quarter 2016

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

Transaction Volume	6
Number of Transactions with Disclosed Values	1
Transaction Value*	\$30.00
Average Transaction Value*	\$30.00
Median Transaction Value*	\$30.00

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

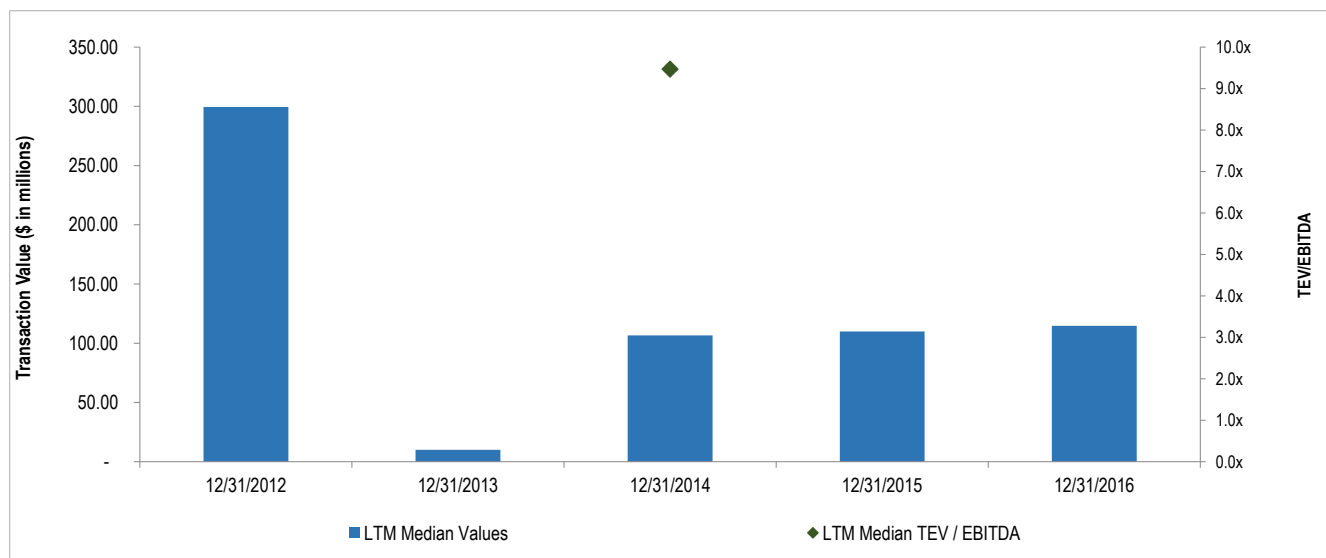
Transactions by Value & Volume



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 1/19/2017 and PCE Proprietary Data

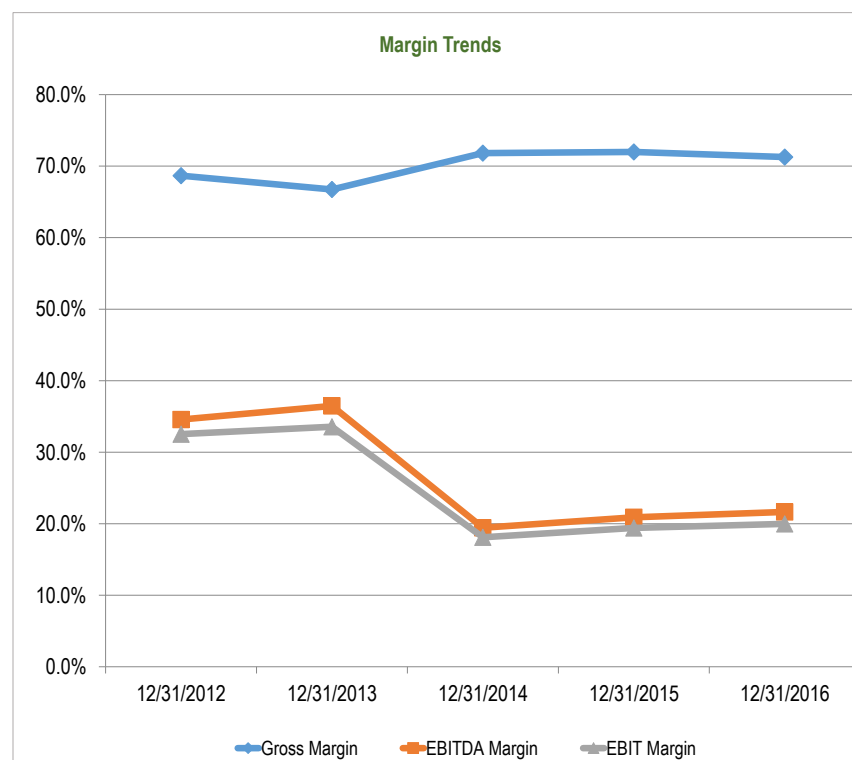
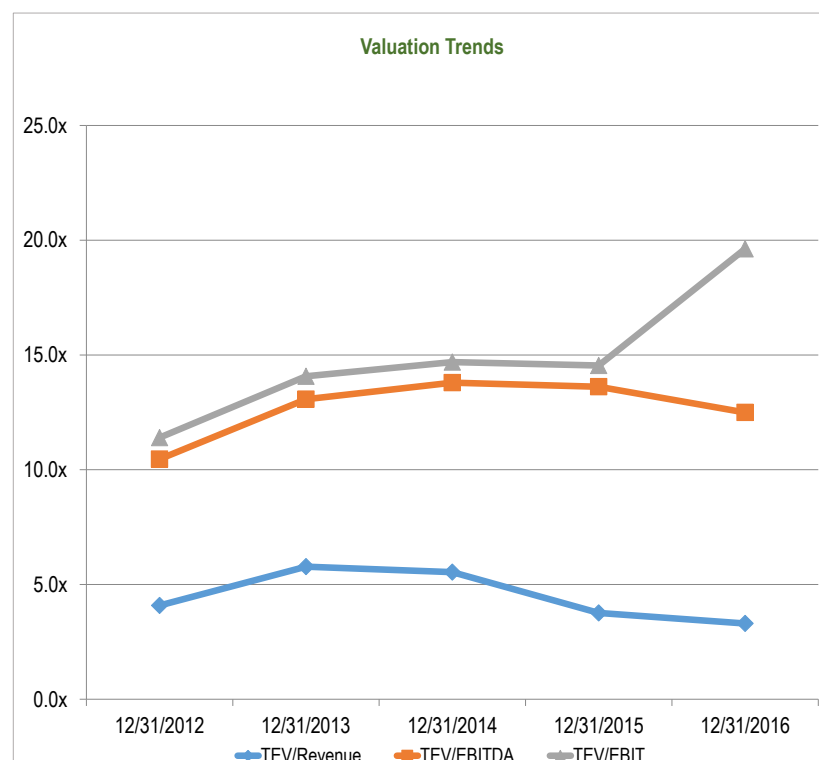
Credit Agencies and Debt Management Services

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	P/E		
Average	\$5,883	3.1x	26.6x	19.6x	TEV/Revenue	↓
Median	\$292	3.3x	12.5x	19.6x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	61.7%	15.9%	13.6%	Gross Margin	↓
Median	71.3%	21.6%	20.0%	EBITDA Margin	↑
				EBIT Margin	↑

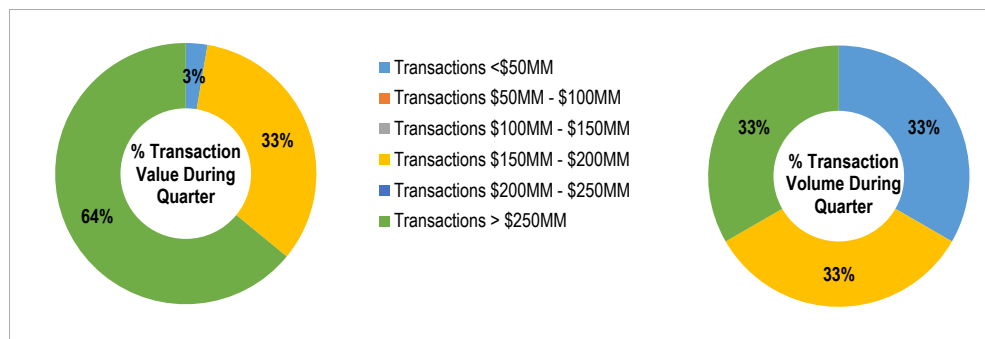


Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

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

Transaction Volume	18
Number of Transactions with Disclosed Values	3
Transaction Value*	\$485.82
Average Transaction Value*	\$161.94
Median Transaction Value*	\$161.59
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

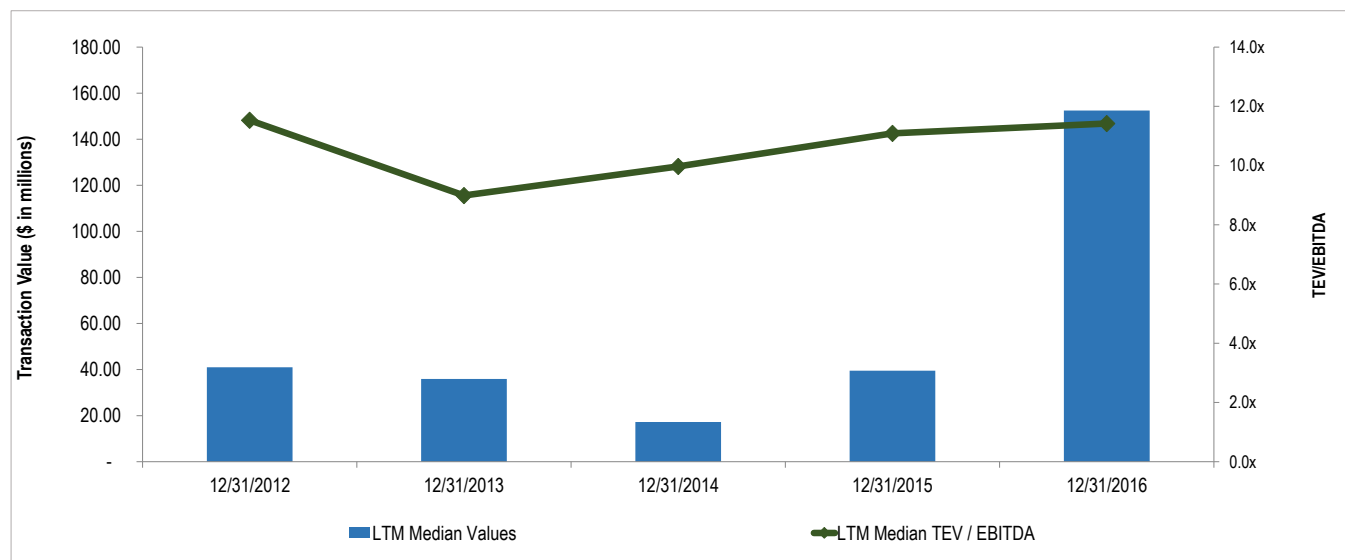
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

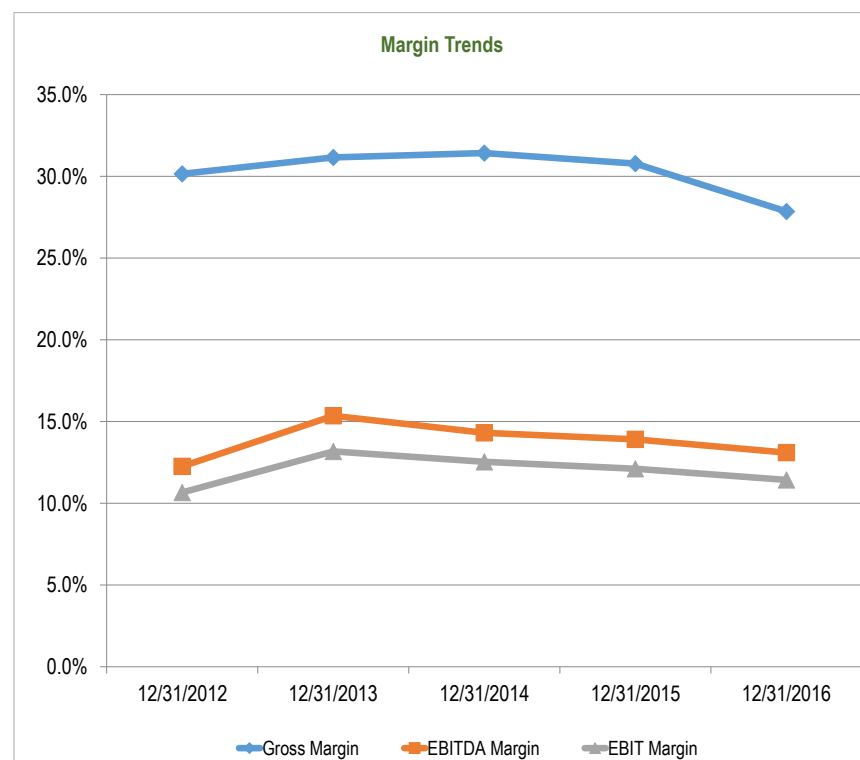
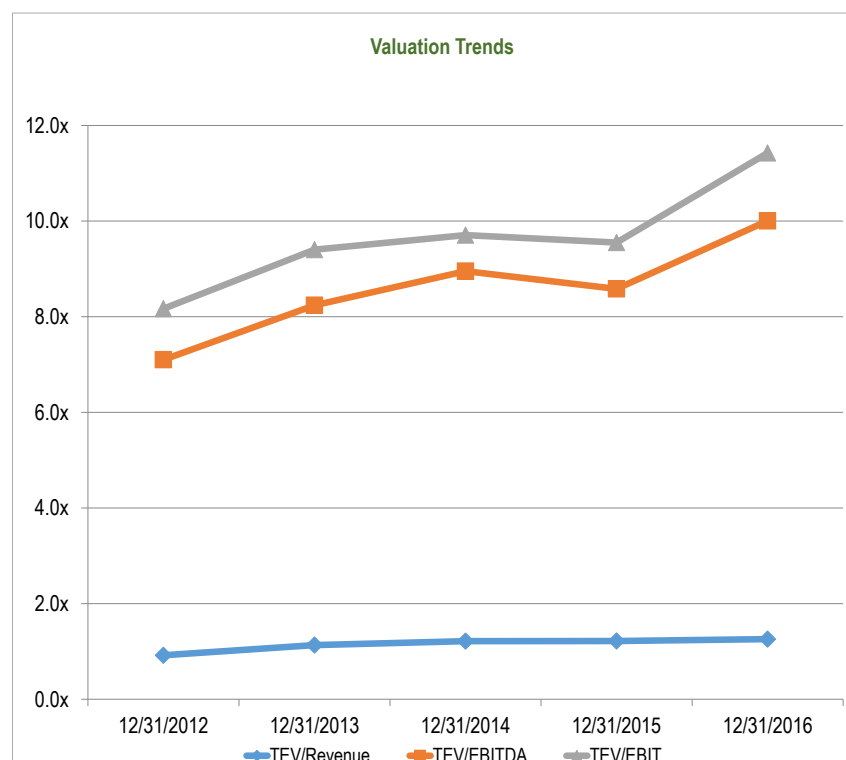


Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,026	2.0x	13.8x	16.2x	TEV/Revenue	↑
Median	\$1,899	1.3x	10.0x	11.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	31.8%	15.5%	14.0%	Gross Margin	↓
Median	27.9%	13.1%	11.4%	EBITDA Margin	↓
				EBIT Margin	↓

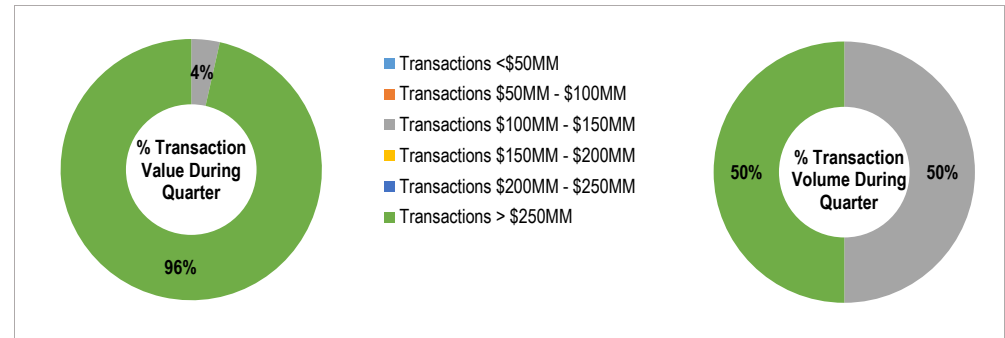


Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

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

Transaction Volume	50
Number of Transactions with Disclosed Values	2
Transaction Value*	\$3,005.80
Average Transaction Value*	\$1,502.90
Median Transaction Value*	\$1,502.90
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

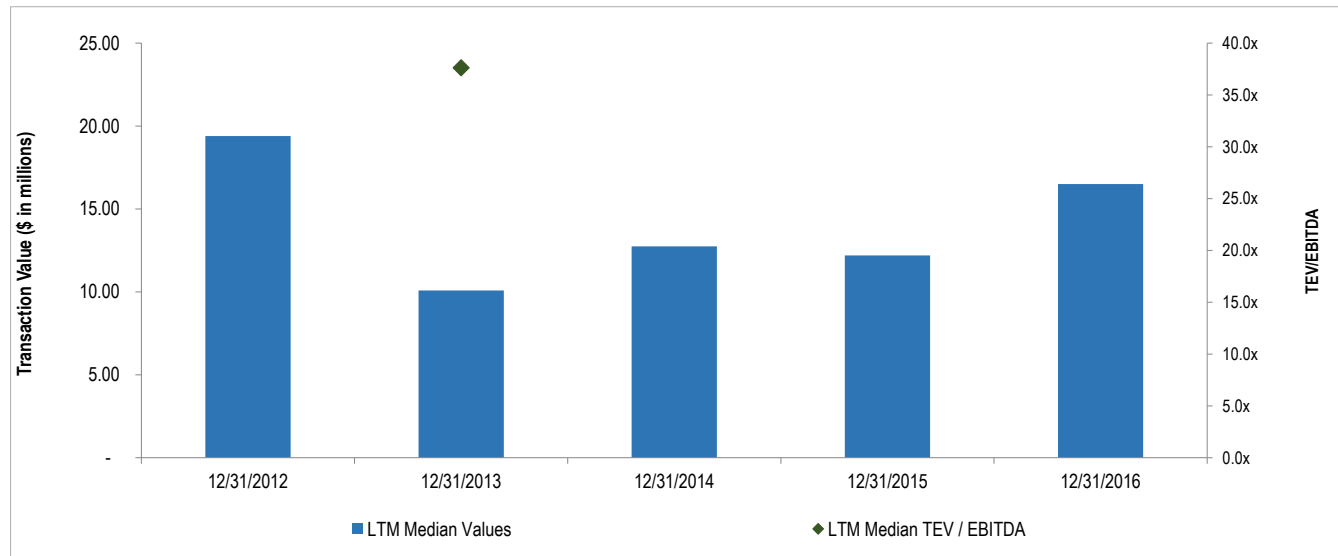
Transactions by Value & Volume



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 1/19/2017 and PCE Proprietary Data

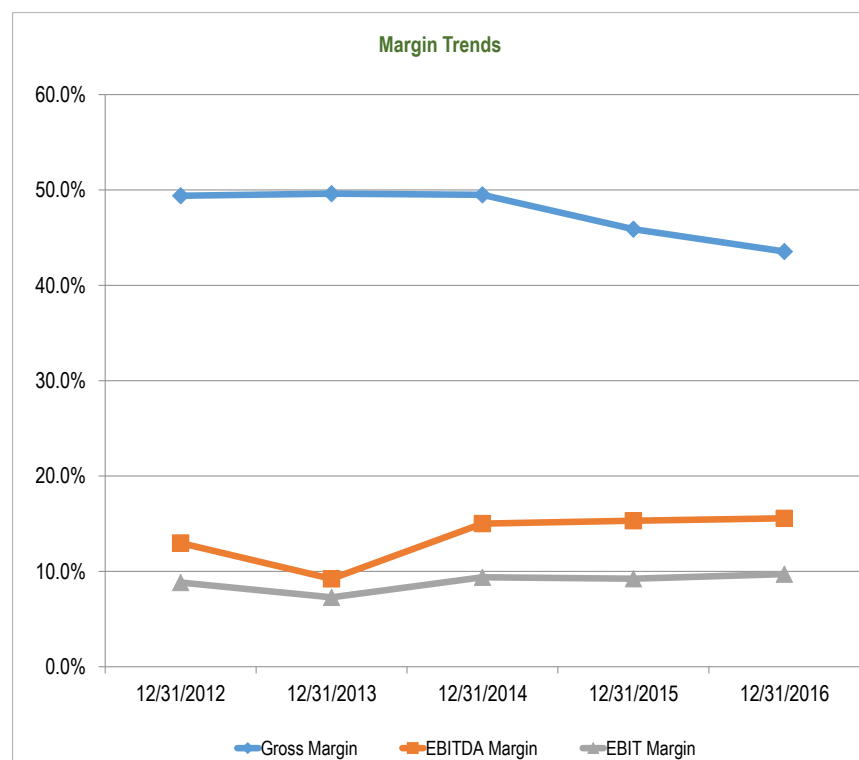
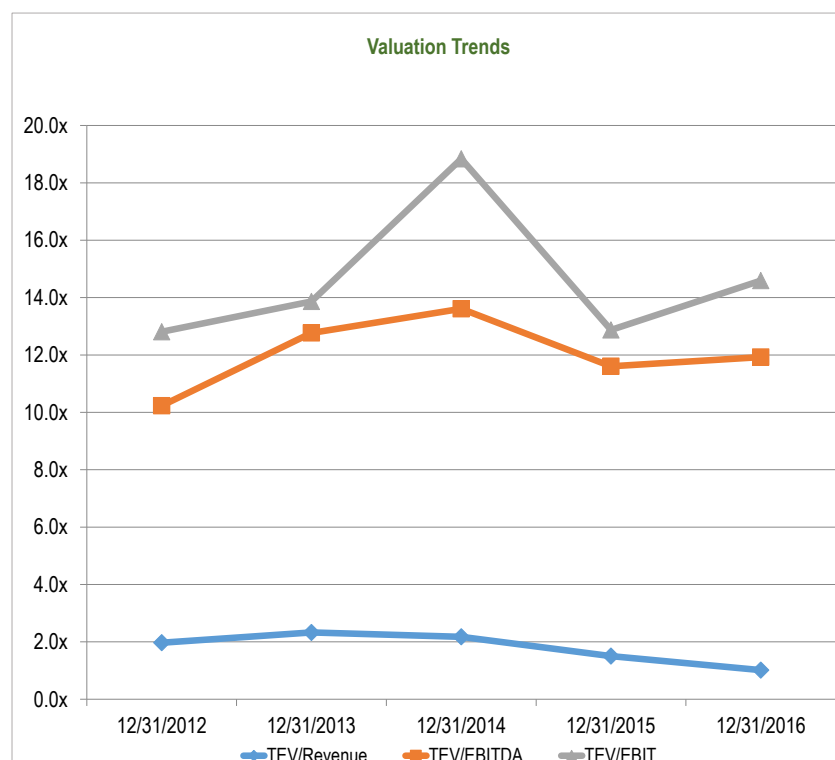
Insurance Brokers

4th Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,351	1.8x	10.4x	16.5x	TEV/Revenue	↓
Median	\$603	1.0x	11.9x	14.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.8%	16.4%	12.1%	Gross Margin	↓
Median	43.5%	15.6%	9.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 1/19/2017 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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- 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:

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- Banking, Finance & Insurance
- Building Products & Construction
- 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