



# PCE Industry Report

Banking, Finance & Insurance



# Middle Market M&A Summary

## Banking, Finance & Insurance

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1st Quarter 2017

### Key Highlights

- The average value of the top ten transactions was \$453.1 million.
- The largest transaction was the acquisition of Yadkin Financial Corporation by F.N.B Corporation for \$1.5 billion.
- The smallest transaction was the acquisition of Amerihealth Casualty Services by Amtrust Financial Services for \$92.8 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 19.5x.
- Excluding Banking, public company industry median TEV/EBITDA is 10.5x.

### Key Trends

- With the Federal Reserve Board set to raise interest rates and President Trump's pro-business stance, Bank stocks have surged in value. This increase in valuation will more than likely drive deal flow for 2017.
- Merger and acquisition activity among insurance brokers and insurance service providers has continued at record levels driven by excess cash on insurance company balance sheets as well as heightened commitment of capital by private equity investors interested in the industry.
- The struggle amongst Congress and the President regarding the destiny of the Affordable Care Act continues to cast significant concerns and uncertainty within the insurance industry. The uncertainty in the health insurance market was only expanded when the mega-mergers between Anthem and Cigna and Aetna and Humana were blocked by Federal courts.
- Technology-driven customers and lack of brand loyalty are driving insurers to expand digital based distribution and services to gain a competitive advantage driving growth in an industry that has seen stagnant growth and has historically provided inefficient services.
- The banking industry has seen consolidation within small to medium community sized banks. This trend will likely continue in 2017 with banks looking to ease the burden of regulatory fees and digital infrastructure investments.

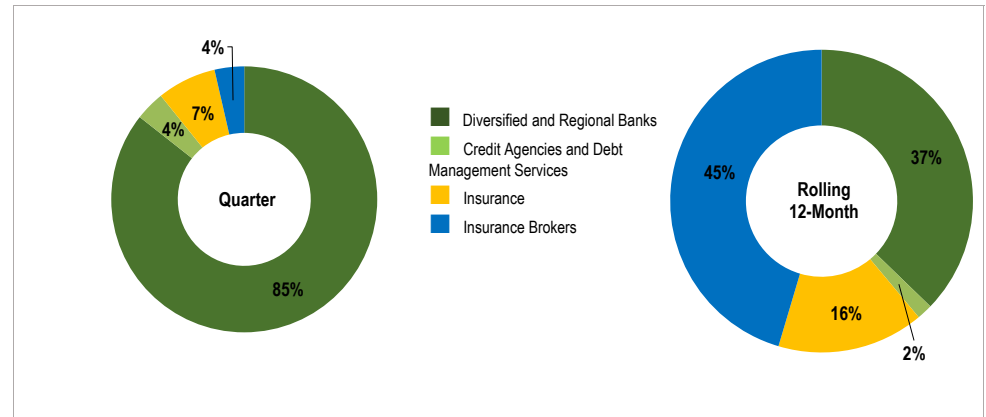
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

## Industry Trends During Quarter

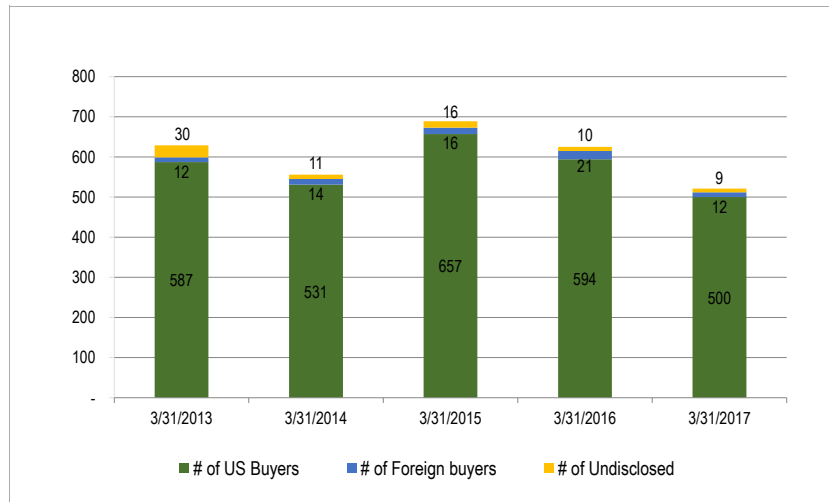
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	(Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↑	↑	↑
Credit Agencies and Debt Management Services	↑	↑	↑
Insurance	↑	↑	↓
Insurance Brokers	↑	↑	↑

\* 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 Transaction Volume Trends by Buyer Origin



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

Sector	Target	Buyer	Transaction Value
Diversified & Regional Banks	Yadkin Financial Corporation	F.N.B. Corporation	\$1,497.4
Insurance	SquareTrade, Inc.	Allstate Non-Insurance Holdings, Inc.	\$1,430.0
Diversified & Regional Banks	Standard Bancshares, Inc.	First Midwest Bancorp, Inc.	\$335.9
Diversified & Regional Banks	Southeastern Bank Financial Corporation	South State Corporation	\$329.1
Diversified & Regional Banks	First NBC Bank	Whitney Bank	\$320.0
Credit Agencies & Debt Management Services	Alarm Funding Associates, LLC	Riverside Partners LLC	\$200.0
Diversified & Regional Banks	Jefferson County Bancshares, Inc.	Enterprise Financial Services Corp	\$131.0
Diversified & Regional Banks	Carolina Bank Holdings, Inc.	First Bancorp	\$98.3
Diversified & Regional Banks	Giant Holdings, Inc.	Home Bancshares, Inc.	\$96.0
Insurance	AmeriHealth Casualty Services	AmTrust Financial Services, Inc.	\$92.8

Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

# Diversified and Regional Banks

1st Quarter 2017

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

Transaction Volume	43
Number of Transactions with Disclosed Values	24
Transaction Value*	\$3,308.36
Average Transaction Value*	\$137.85
Median Transaction Value*	\$38.58

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

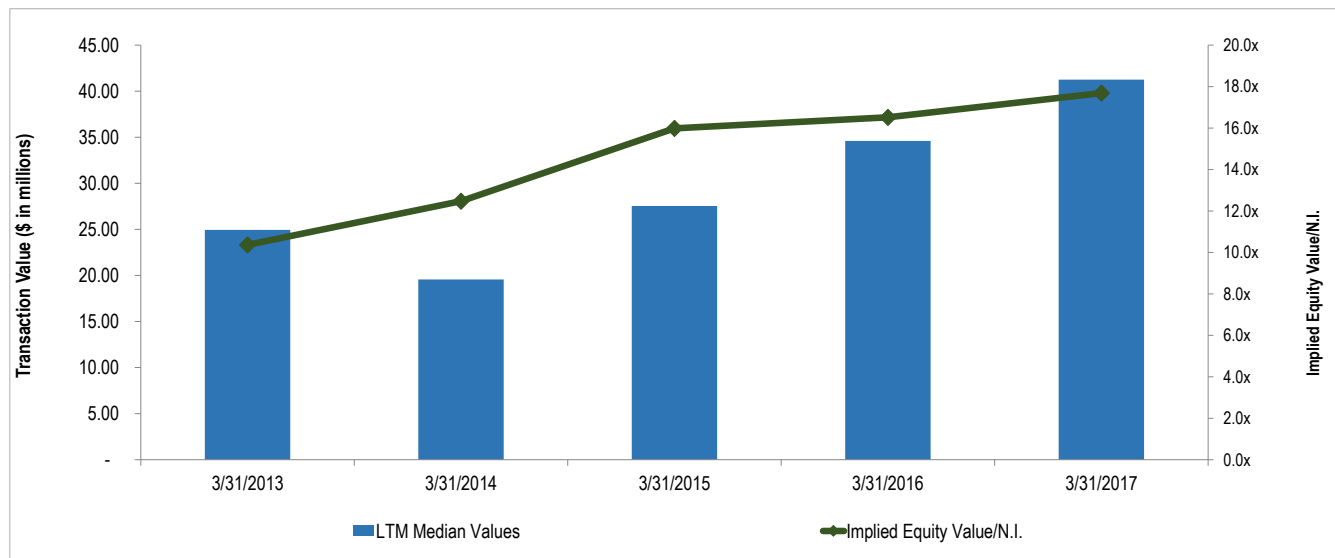
## Transactions by Value & Volume



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 4/25/2017 and PCE Proprietary Data

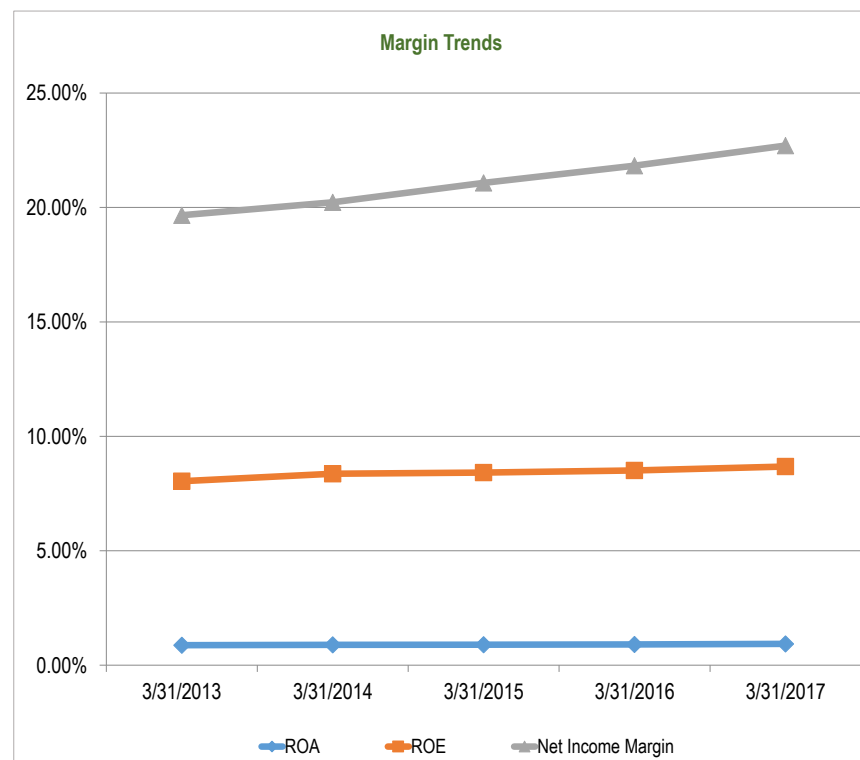
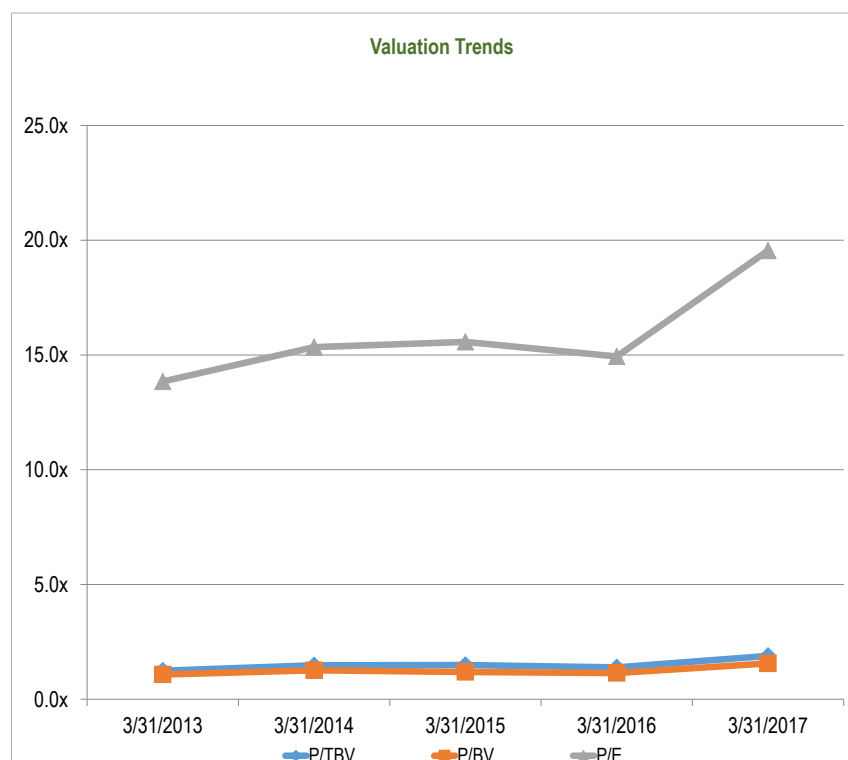
# Diversified and Regional Banks

1st Quarter 2017

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$5,126	1.9x	1.6x	20.9x	P/TBV	↑
Median	\$527	1.9x	1.6x	19.5x	P/BV	↑
					P/E	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	ROA	ROE	Net Income		
Average	0.9%	8.4%	21.9%	ROA	↑
Median	0.9%	8.7%	22.7%	ROE	↑
				Net Income Margin	↑



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data



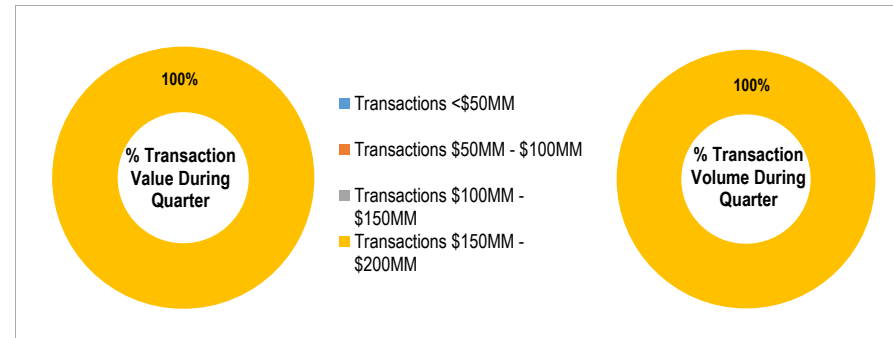


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	5
Number of Transactions with Disclosed Values	1
Transaction Value*	\$200.00
Average Transaction Value*	\$200.00
Median Transaction Value*	\$200.00

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

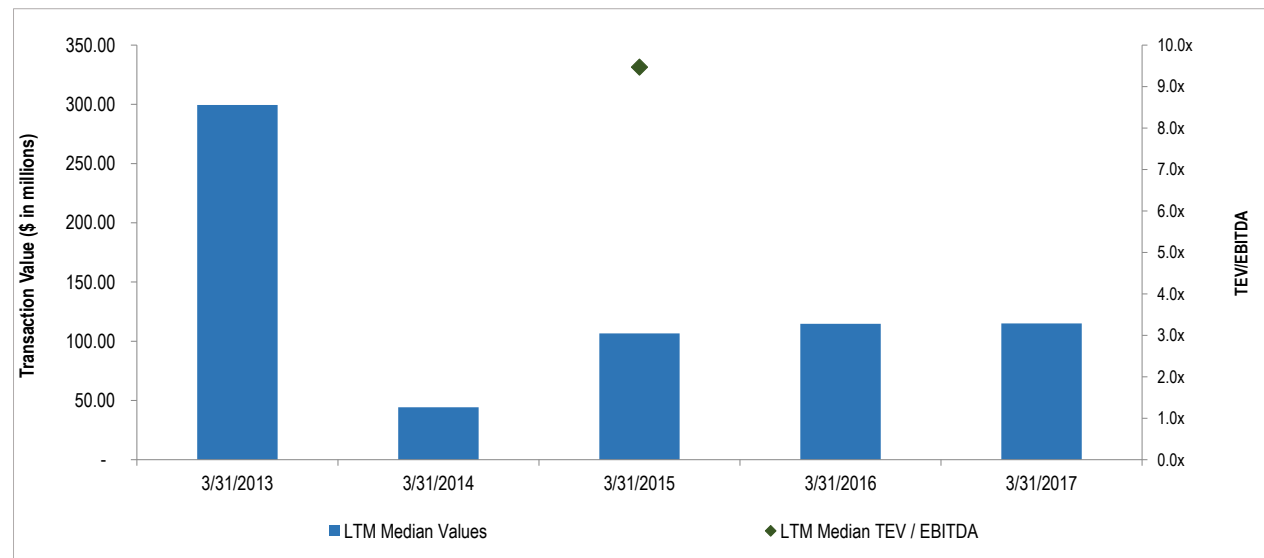
## Transactions by Value & Volume



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## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

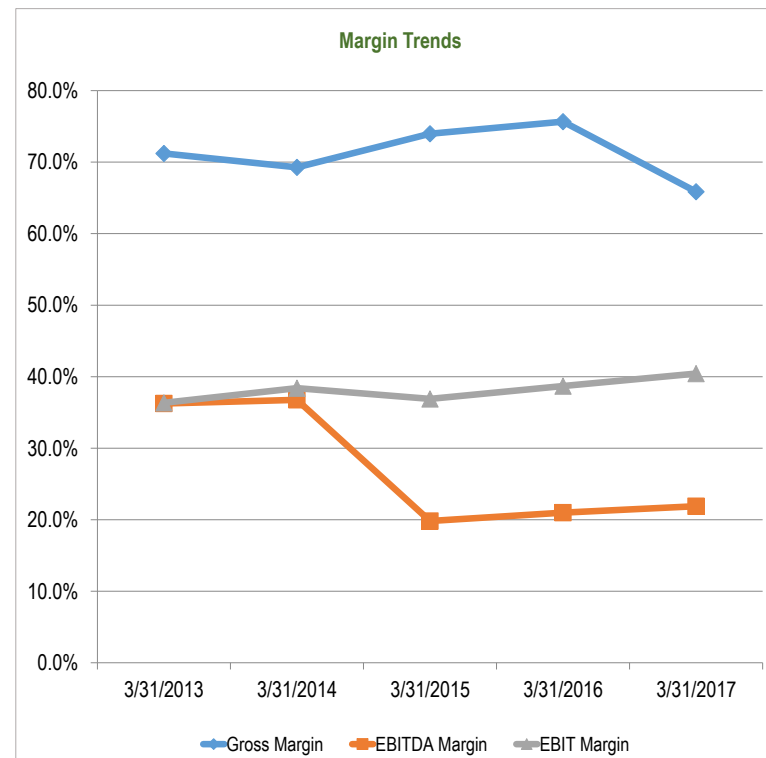
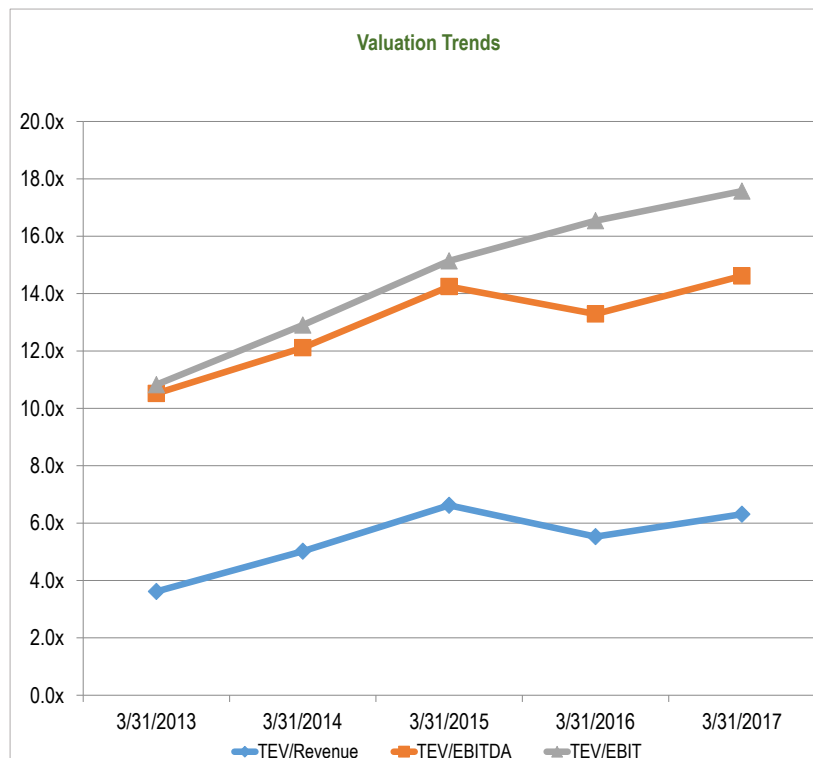
# Credit Agencies and Debt Management Services

1st Quarter 2017

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	P/E		
Average	\$6,266	4.6x	22.4x	30.5x	TEV/Revenue	↑
Median	\$313	6.3x	14.6x	17.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	62.1%	17.5%	24.6%	Gross Margin	↓
Median	65.9%	21.9%	40.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

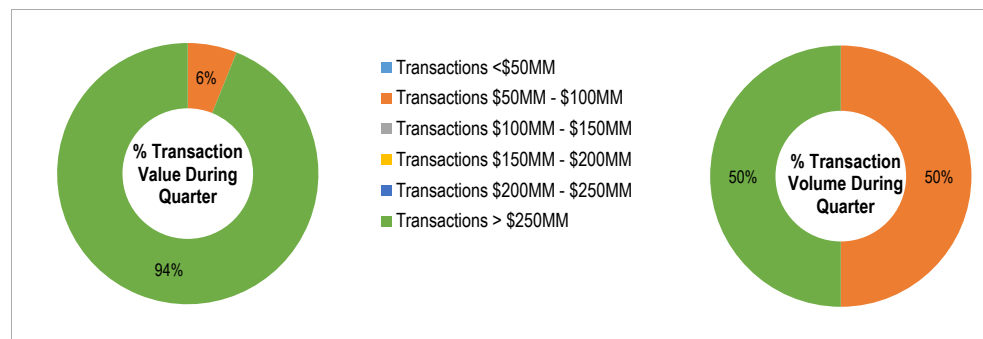


### Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	23
Number of Transactions with Disclosed Values	2
Transaction Value*	\$1,522.80
Average Transaction Value*	\$761.40
Median Transaction Value*	\$761.40

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

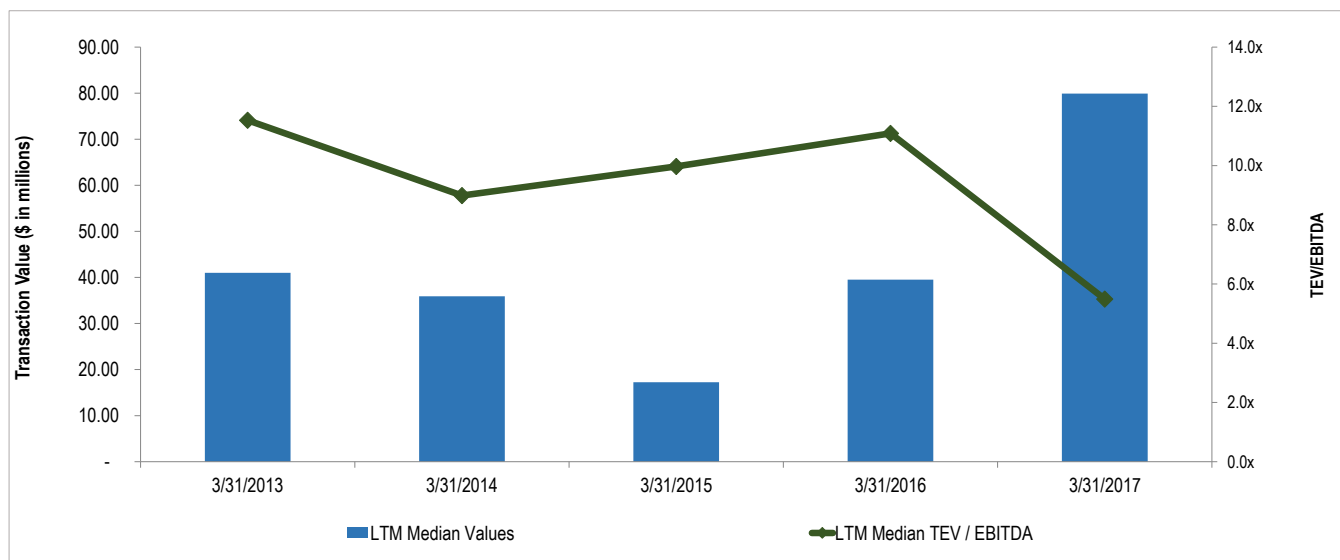
### Transactions by Value & Volume



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### Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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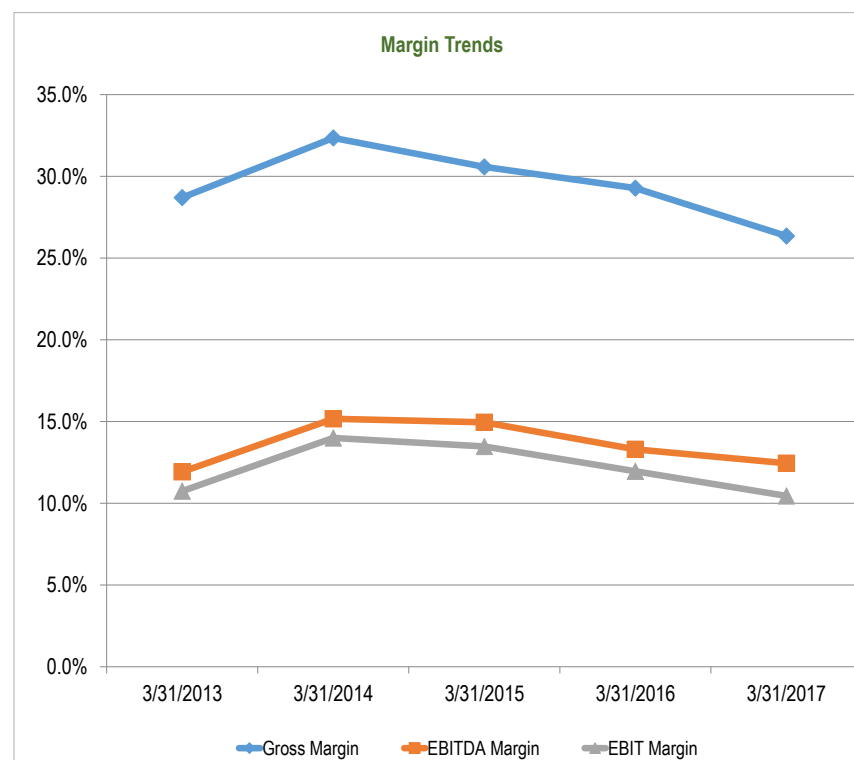
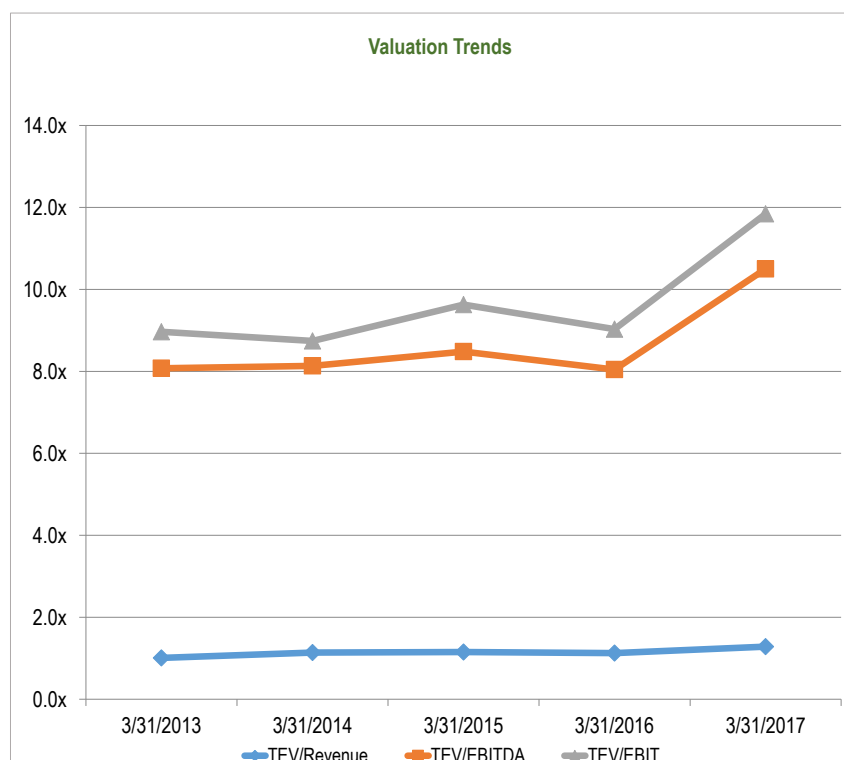




### Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,834	2.1x	13.7x	17.3x	TEV/Revenue	↑
Median	\$1,625	1.3x	10.5x	11.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	28.5%	13.4%	10.6%	Gross Margin	↓
Median	26.4%	12.5%	10.5%	EBITDA Margin	↓
				EBIT Margin	↓



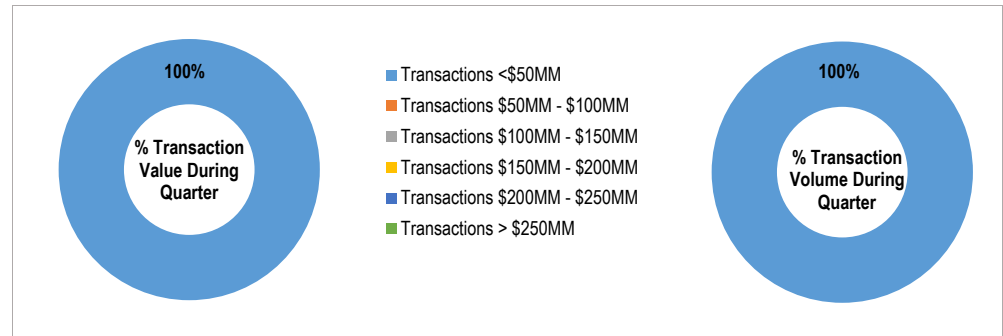
Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

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

Transaction Volume	60
Number of Transactions with Disclosed Values	1
Transaction Value*	\$50.00
Average Transaction Value*	\$50.00
Median Transaction Value*	\$50.00

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

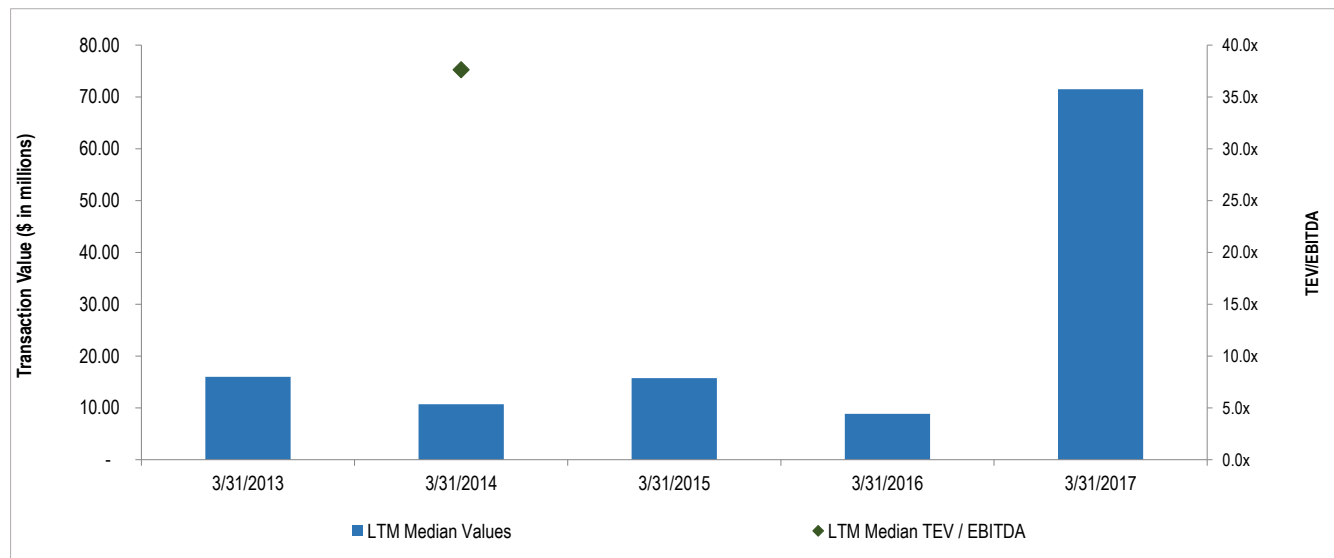
## Transactions by Value & Volume



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## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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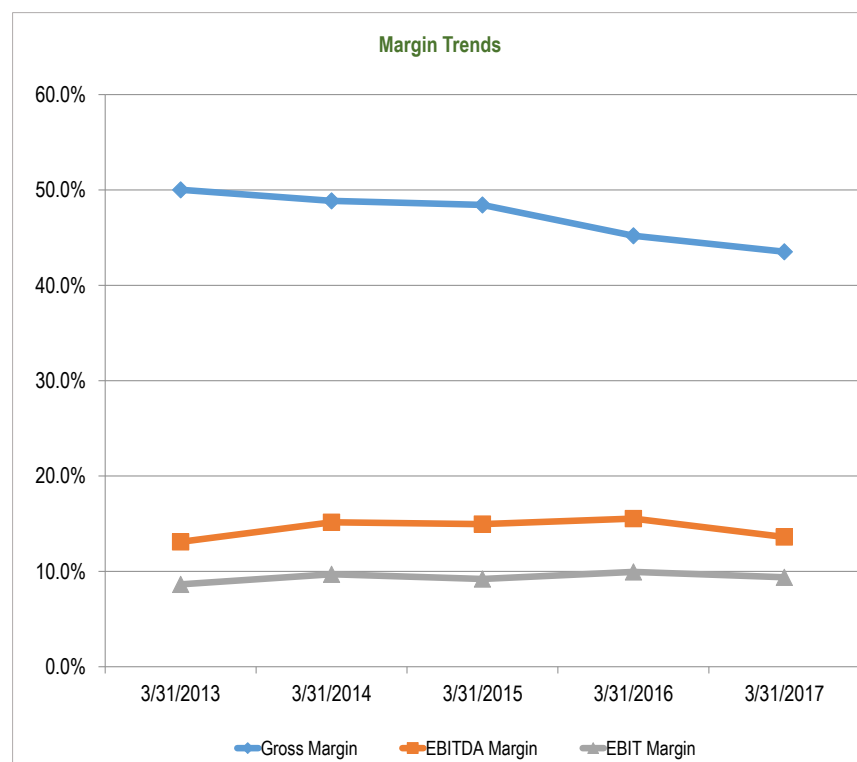
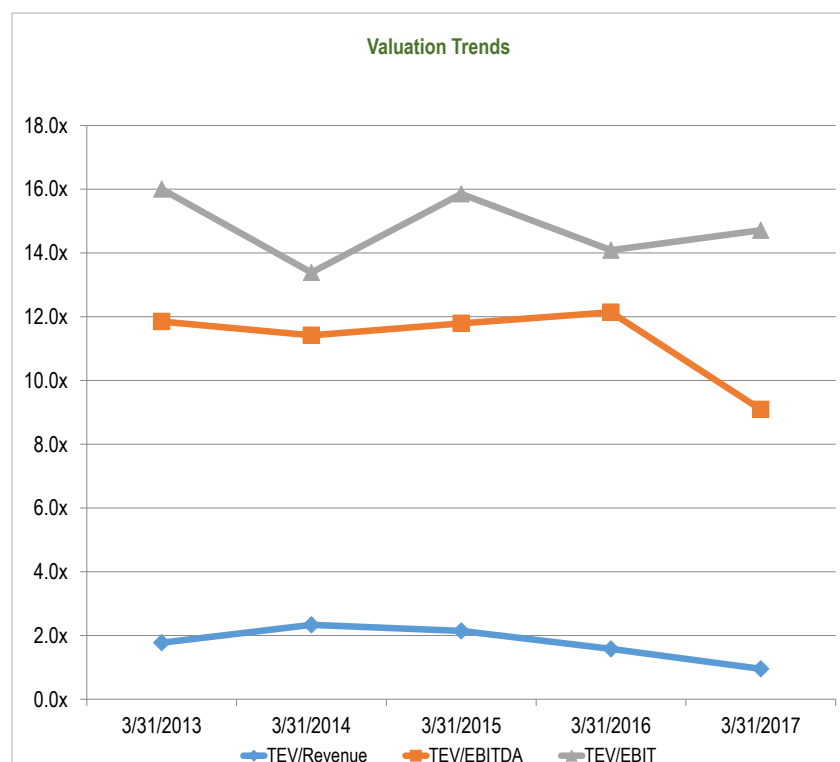
# Insurance Brokers

1st Quarter 2017

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,824	1.8x	9.8x	14.4x	TEV/Revenue	↓
Median	\$515	1.0x	9.1x	14.7x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.3%	15.2%	10.9%	Gross Margin	↓
Median	43.5%	13.6%	9.4%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/25/2017 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:

- 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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Atlanta

Chicago

New York

## 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