



PCE Industry Report

Banking, Finance & Insurance



Middle Market M&A Summary

Banking, Finance & Insurance

2nd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$0.0 billion.
 - The largest transaction was the acquisition of Private Bancorp by Canadian Imperial Bank of Commerce for \$5.0 billion.
 - The smallest transaction was the acquisition of American Coastal Insurance Company by United Imperial Insurance Corp for \$310.4 million.
- The Banking public company industry median P/BV multiple is 1.6x.
- Excluding Banking, public company industry median TEV/Revenue is 1.4x.
- The Banking public company industry median P/E multiple is 19.5x.
- Excluding Banking, public company industry median TEV/EBITDA is 11.4x.

Key Trends

- Private Equity groups, driven by excess powder, have been driving demand in the insurance industry while increasing transaction multiples. This is putting a strain on the ability of insurance companies to compete in the industry as private equity group valuations continue to create a disparate marketplace.¹
- As the competition increases between financial technology firms and traditional lenders, a stronger need for collaboration between the industry arises. This collaboration between new and traditional lenders will pave the way for deal activity and will result in a consolidation of Fintech firms and an adoption of new products and services for traditional lenders.
- Insurers are seeking exciting M&A opportunities as they are focused on transforming their businesses and operating models in the face of geopolitical uncertainties. This is speeding up consolidation within the industry, with this trend continuing into the second half of the year.
- By increasing the regulatory threshold from \$25 billion to \$100 billion, The Federal Reserve eliminated a key transaction barrier for the banking industry. Mid-market banks are set to benefit the most from this development as banks will begin to feel more comfortable acquiring smaller banks and expanding their footprint.²
- Blockchain technology is a potential disrupting factor in the insurance industry as insurance companies look to smart contracts, alternative premium collections, claim payments and predictive analytics to help drive value.

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

¹ Jones, Stephanie K. "Is Private Equity Investment in insurance Agencies Always a Good Thing?" The Insurance Journal (2017)

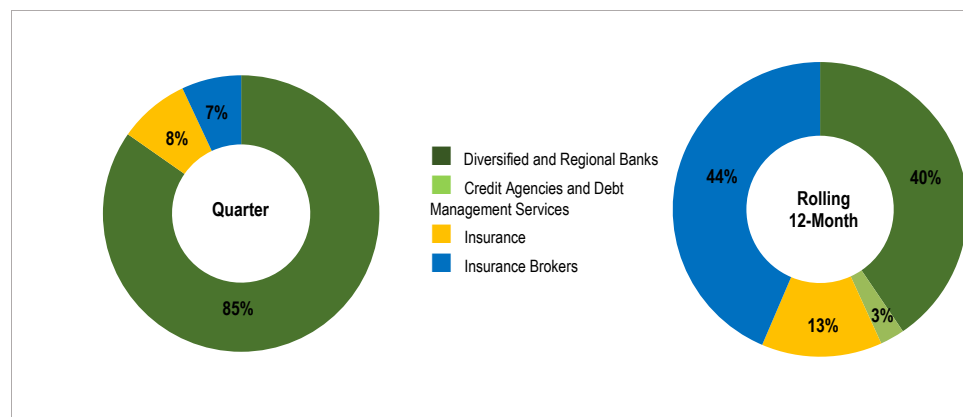
² Porzio, Matt. "Fed Move Could Spur Flurry of Banking M&A Deals." Forbes Magazine., 24 Apr. 2017.

Industry Trends During Quarter

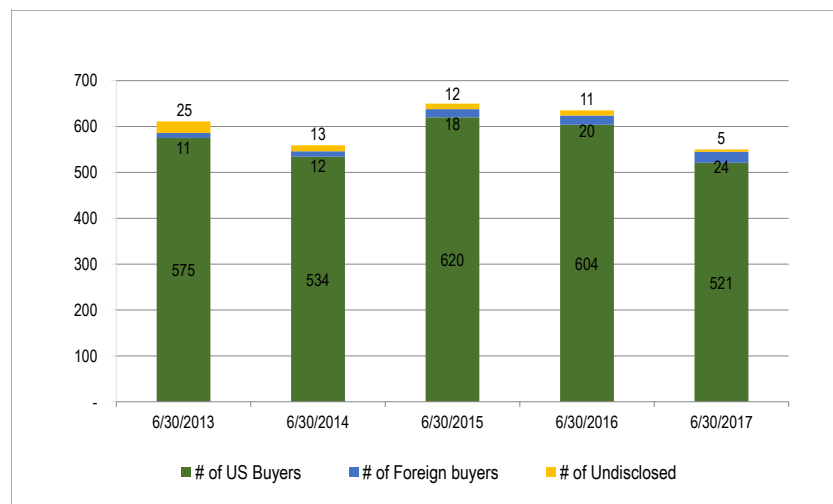
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	(Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↑	↓	↓
Credit Agencies and Debt Managements Services	↓	↑	↑
Insurance	↑	↓	↓
Insurance Brokers	↑	↑	↑

* 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
Diversified & Regional Banks	PrivateBancorp, Inc.	Canadian Imperial Bank of Commerce	\$4,977.0
Insurance Brokers	USI Insurance Services, LLC	KKR & Co. L.P.	\$4,300.0
Diversified & Regional Banks	BNC Bancorp	Pinnacle Financial Partners, Inc.	\$1,761.2
Diversified & Regional Banks	Cardinal Financial Corporation	UBV Holding Company, LLC	\$929.6
Diversified & Regional Banks	Cascade Bancorp	First Interstate BancSystem, Inc.	\$589.3
Insurance Brokers	OneDigital Health and Benefits	New Mountain Capital, LLC	\$560.0
Diversified & Regional Banks	Carlisle Bancshares, Inc.	Independent Bank Group, Inc.	\$494.0
Diversified & Regional Banks	Heritage Oaks Bancorp	Pacific Premier Bancorp, Inc.	\$407.2
Diversified & Regional Banks	Suffolk Bancorp	People's United Financial, Inc.	\$406.5
Insurance	American Coastal Insurance Company	United Insurance Holdings Corp.	\$310.4

Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

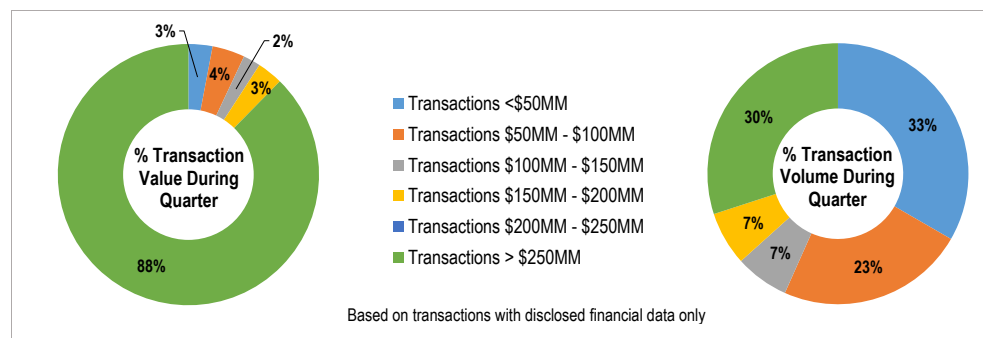
Diversified and Regional Banks

2nd Quarter 2017

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

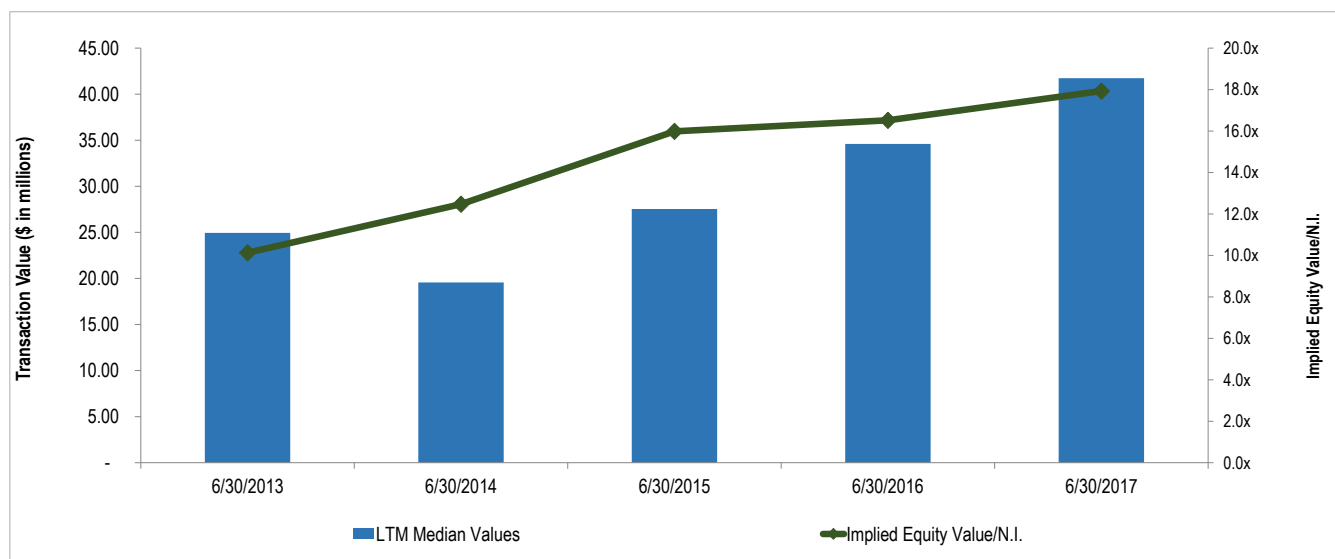
Transaction Volume	50
Number of Transactions with Disclosed Values	30
Transaction Value*	\$11,458.48
Average Transaction Value*	\$381.95
Median Transaction Value*	\$76.37
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



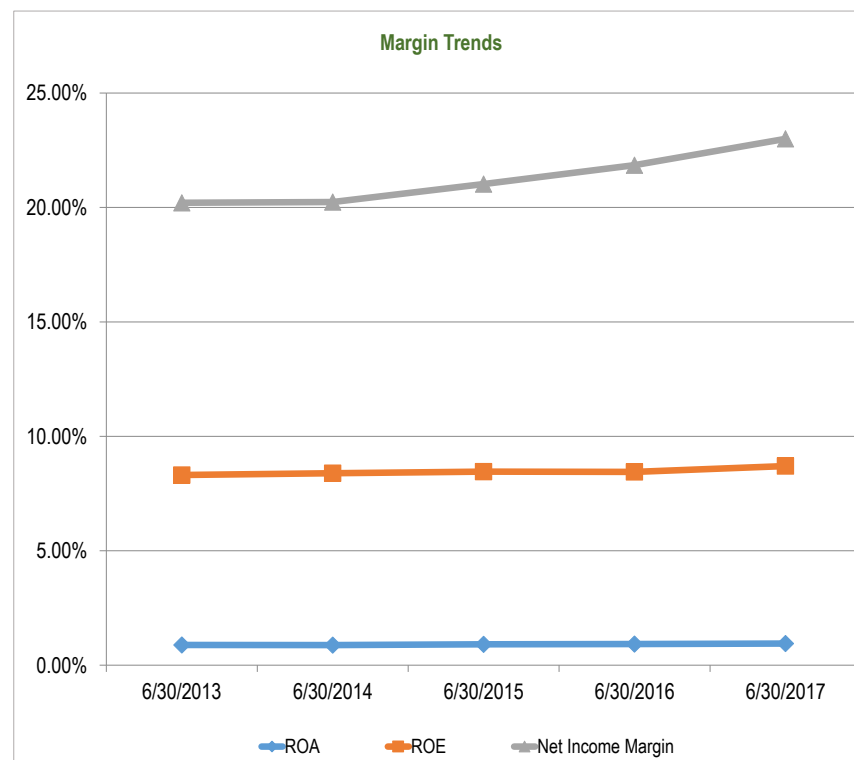
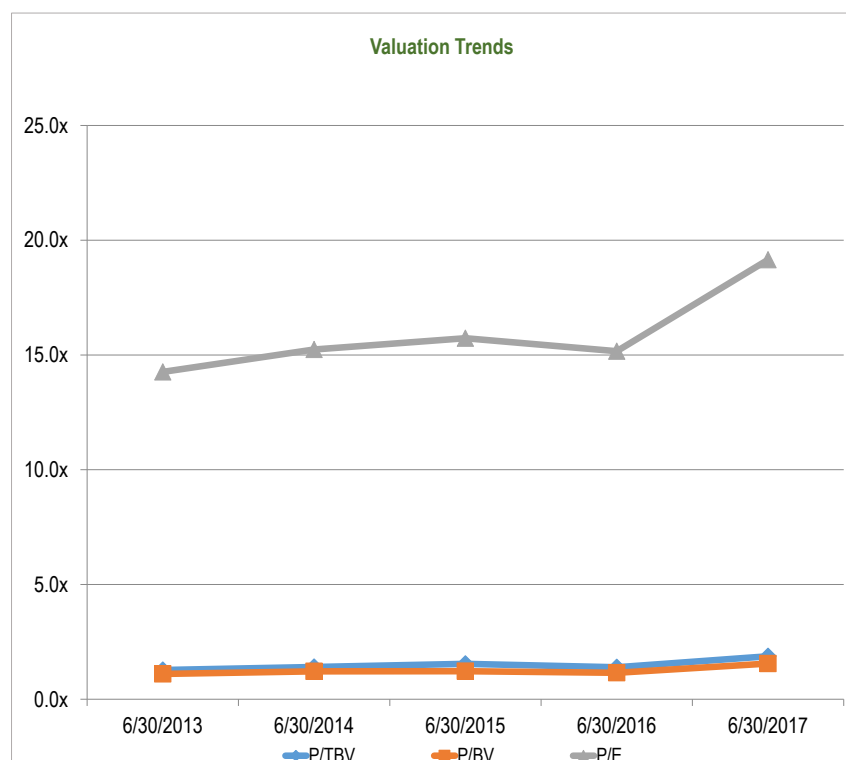
Diversified and Regional Banks

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$5,542	1.9x	1.6x	20.9x	P/TBV	↑
Median	\$564	1.9x	1.6x	19.1x	P/BV	↑
					P/E	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	ROA	ROE	Net Income		
Average	0.9%	8.5%	22.4%	ROA	↑
Median	0.9%	8.7%	23.0%	ROE	↑
				Net Income Margin	↑



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

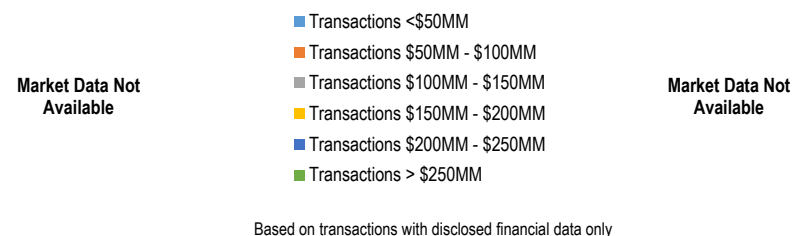
Credit Agencies and Debt Management Services

2nd Quarter 2017

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

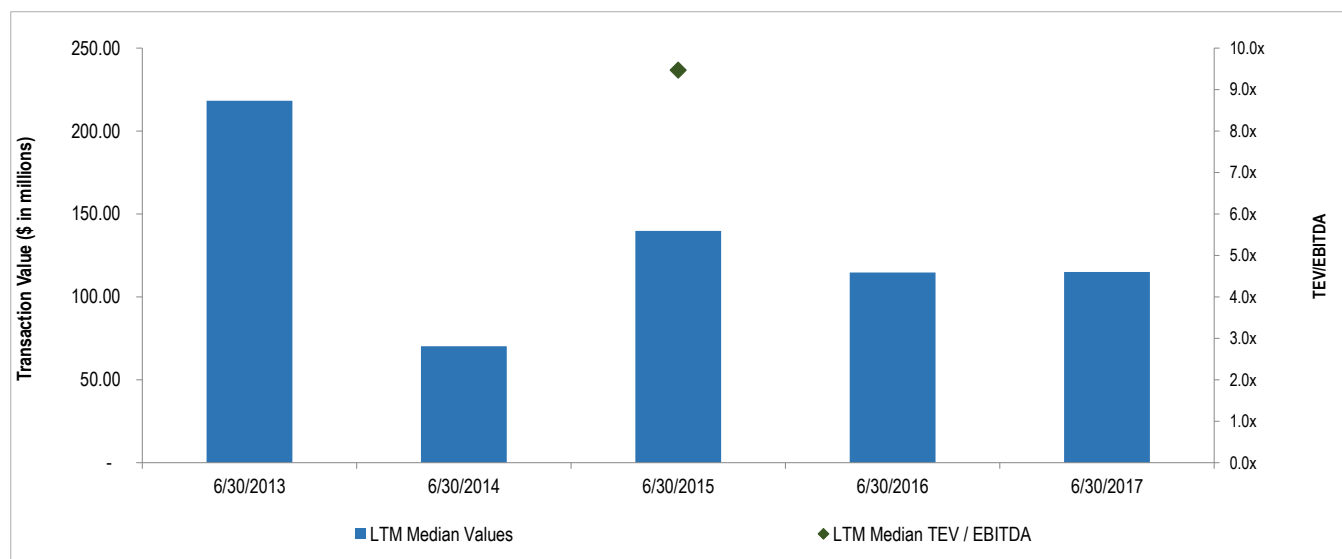
Transaction Volume	3
Number of Transactions with Disclosed Values	0
Transaction Value*	\$0.00
Average Transaction Value*	N/A
Median Transaction Value*	N/A
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



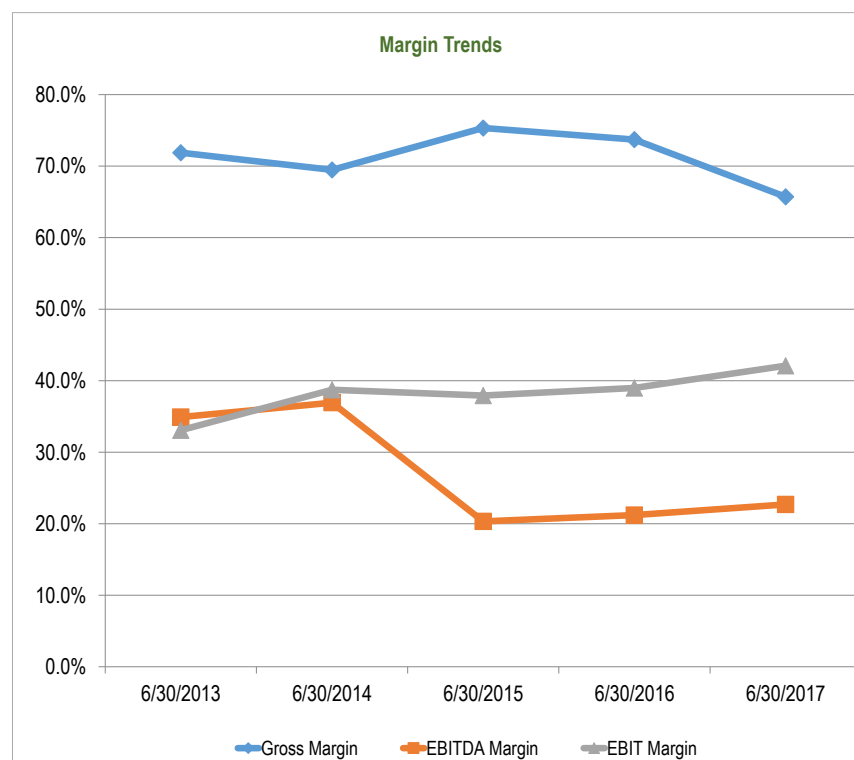
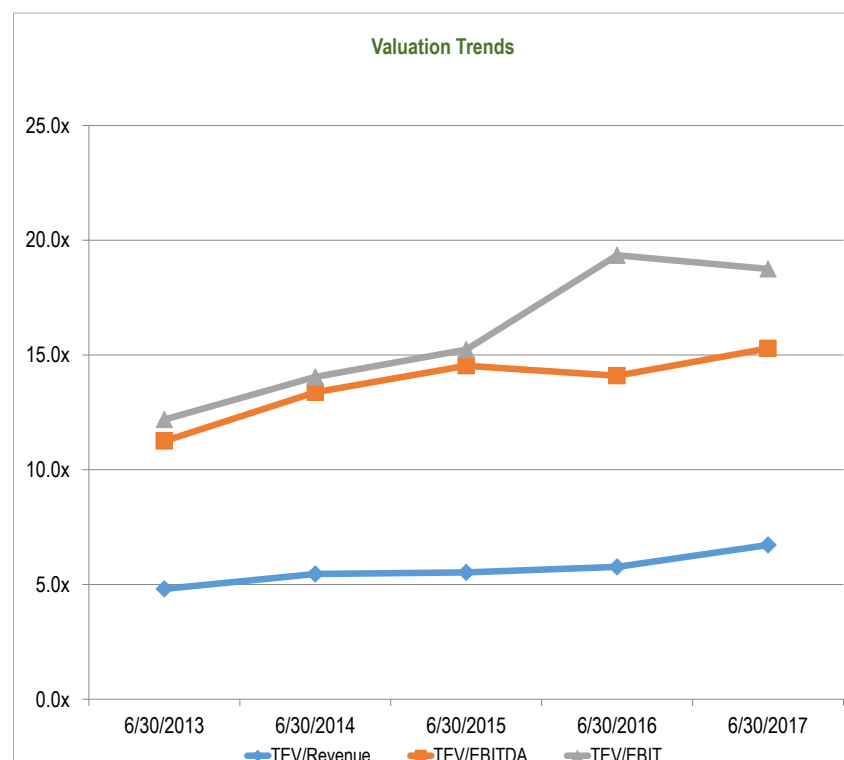
Credit Agencies and Debt Management Services

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends
	Market Cap	Revenue	EBITDA	P/E	
Average	\$7,023	4.8x	25.0x	25.8x	TEV/Revenue ↑
Median	\$306	6.7x	15.3x	18.7x	TEV/EBITDA ↑
					TEV/EBIT ↓

	Margins			Last Twelve Months 06/30/2017 Trends
	Gross Profit	EBITDA	EBIT	
Average	61.8%	19.8%	26.5%	Gross Margin ↓
Median	65.7%	22.7%	42.1%	EBITDA Margin ↑
				EBIT Margin ↑



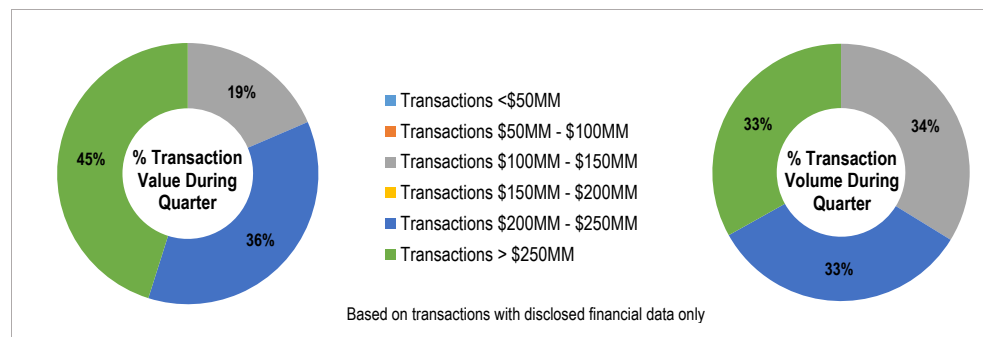
Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

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

Transaction Volume	28
Number of Transactions with Disclosed Values	3
Transaction Value*	\$687.86
Average Transaction Value*	\$229.29
Median Transaction Value*	\$250.00

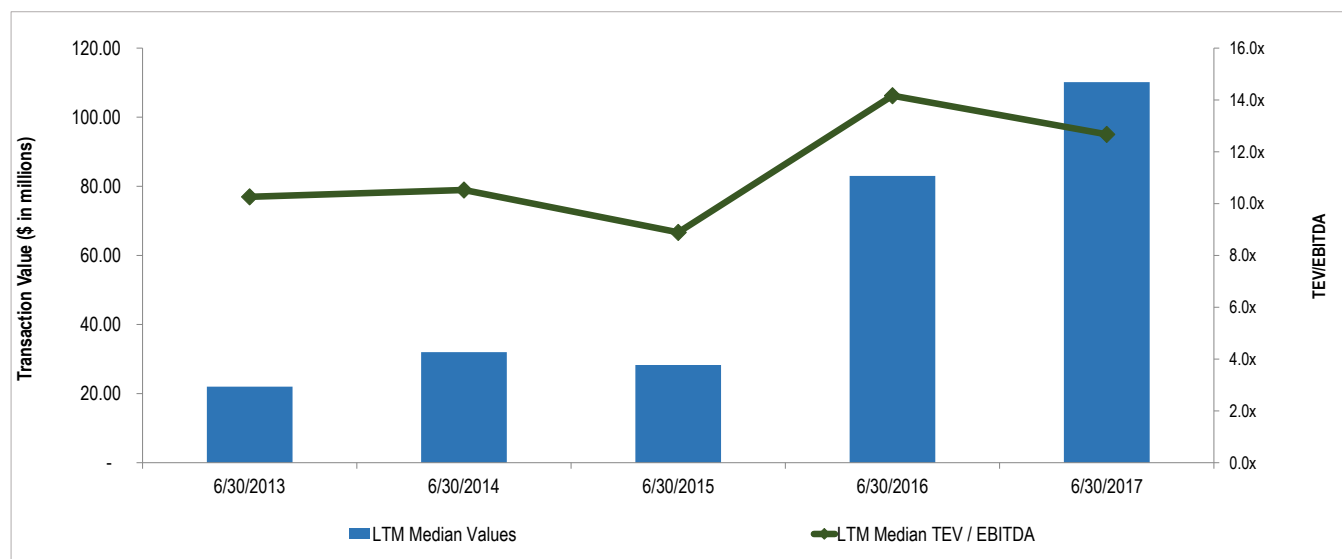
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



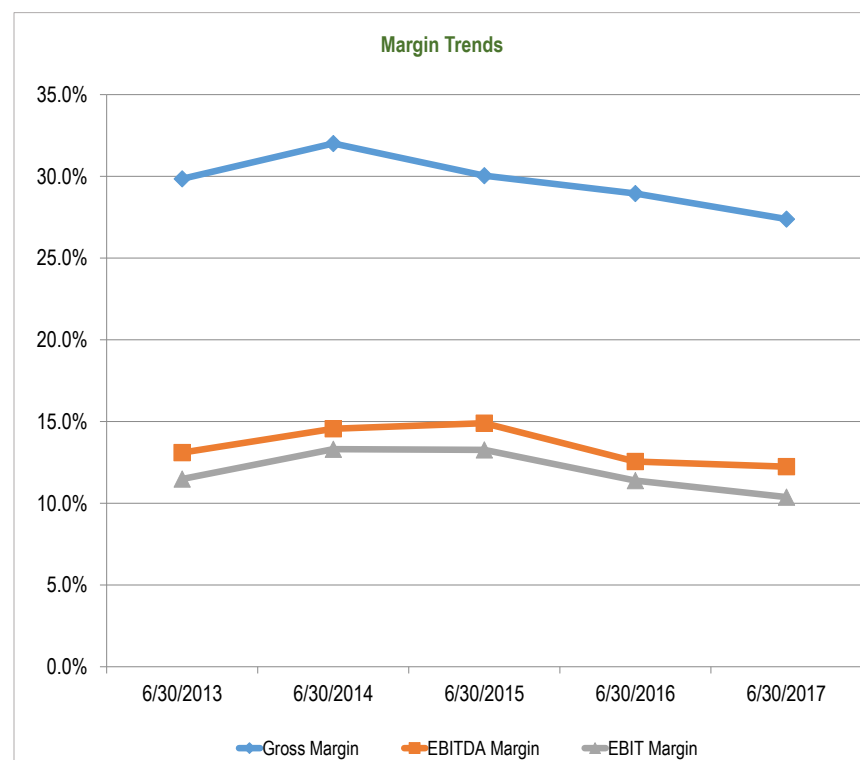
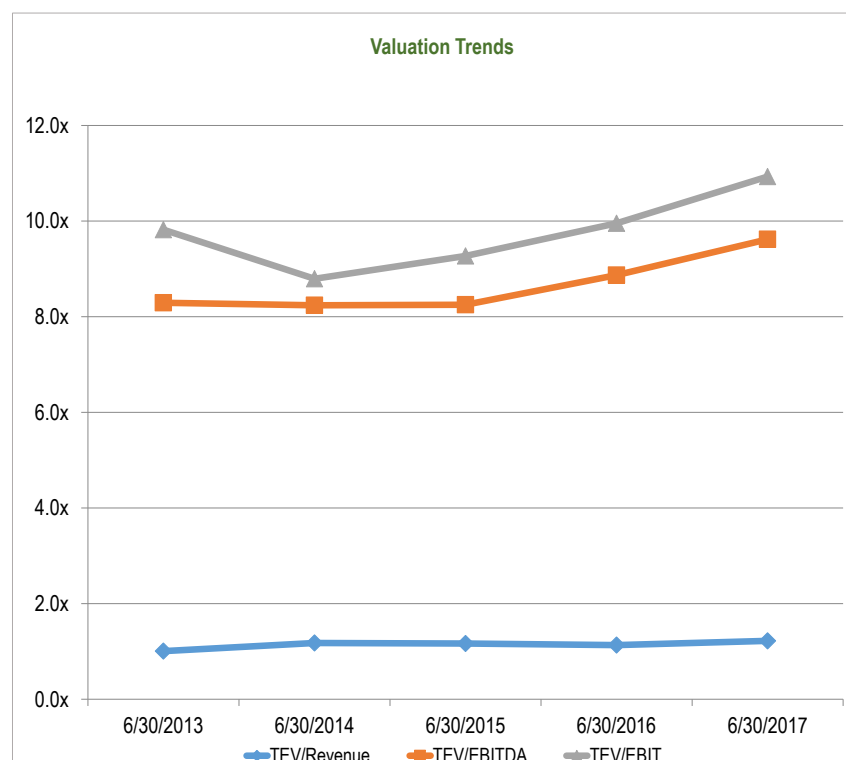
Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data



Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,112	2.1x	13.6x	19.1x	TEV/Revenue	↑
Median	\$1,621	1.2x	9.6x	10.9x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.4%	12.9%	9.8%	Gross Margin	↓
Median	27.4%	12.2%	10.4%	EBITDA Margin	↓
				EBIT Margin	↓

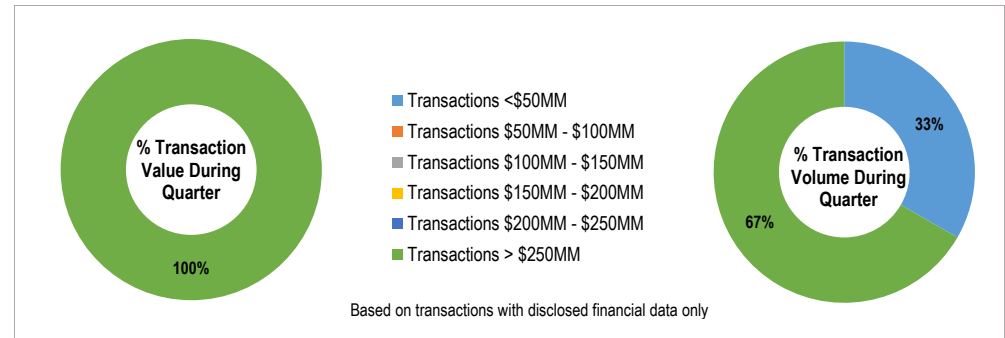


Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

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

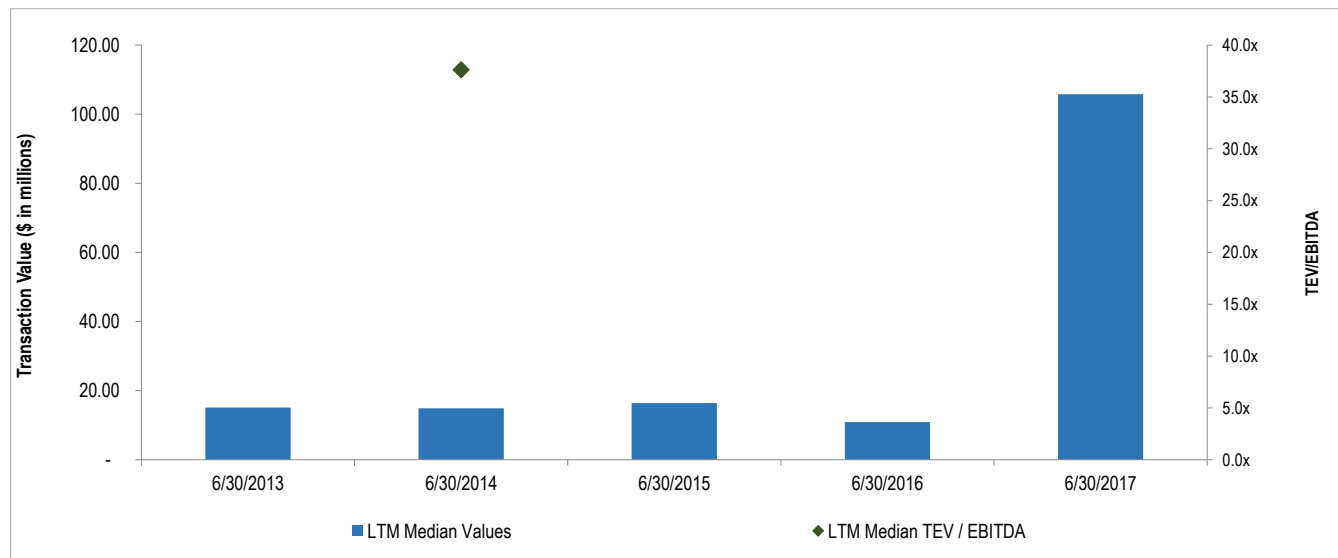
Transaction Volume	69
Number of Transactions with Disclosed Values	3
Transaction Value*	\$4,869.30
Average Transaction Value*	\$1,623.10
Median Transaction Value*	\$560.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

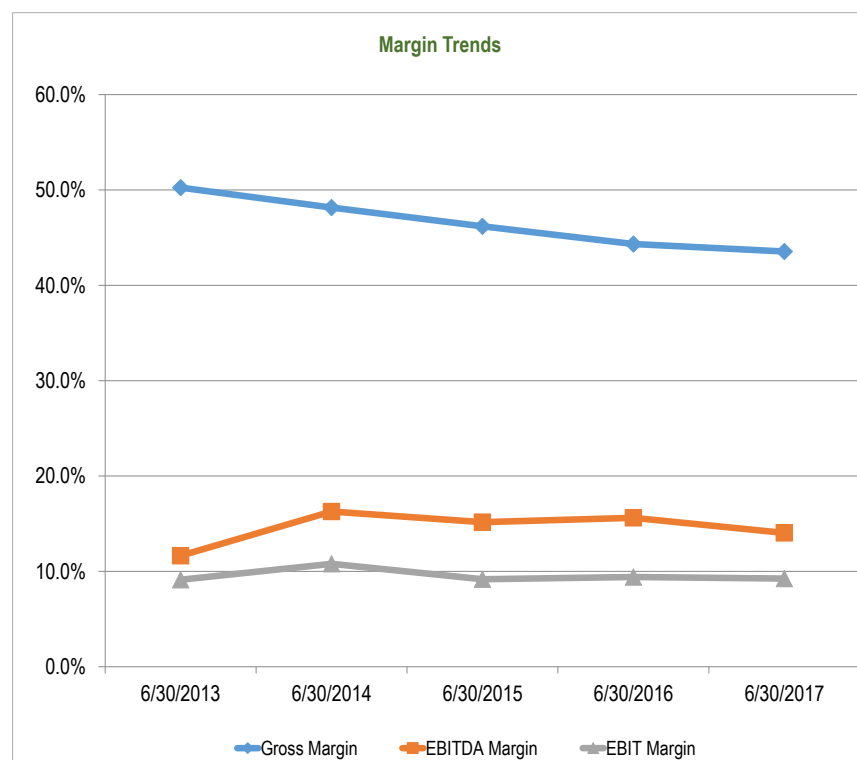
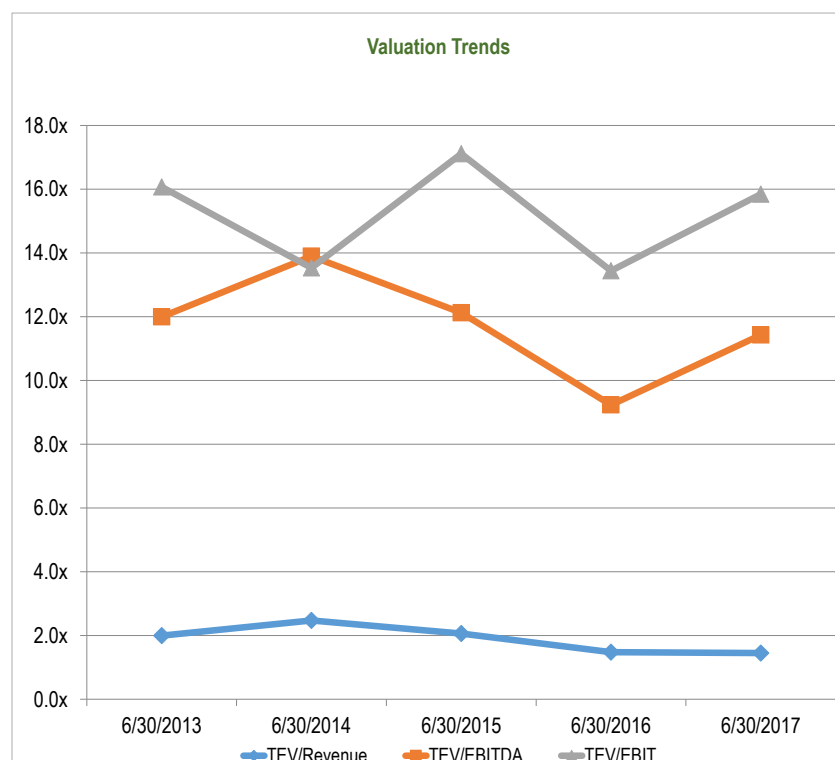
Insurance Brokers

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,241	1.9x	14.6x	28.9x	TEV/Revenue	↓
Median	\$451	1.4x	11.4x	15.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.3%	16.0%	11.7%	Gross Margin	↓
Median	43.5%	14.0%	9.2%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/24/2017 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:

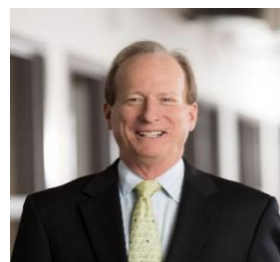
- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic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

