



PCE Industry Report

Banking, Finance & Insurance



Middle Market M&A Summary

Banking, Finance & Insurance

3rd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$675.0 million.
- The largest transaction was the acquisition of Scottrade bank by TD Bank for \$1.4 billion.
- The smallest transaction was the acquisition of First Community Financial Partners by First Busey Corporation for \$235.4 million.
- The Banking public company industry median P/BV multiple is 1.6x.
- Excluding Banking, public company industry median TEV/Revenue is 2.1x.
- The Banking public company industry median P/E multiple is 19.5x.
- Excluding Banking, public company industry median TEV/EBITDA is 11.1x.

Key Trends

- The Insurance industry continues to search for methods to automate manual systems and processes. In recent months, industry leaders have explored the use of drones to aid in new policy underwriting, as well as the surveillance of property damages for claims evaluation.
- As this report is being published, the insurance industry remains in a state of uncertainty surrounding the economic impact of the recent major catastrophes. Total cost of hurricanes, earthquakes and fires has not yet been calculated, but is sure to have major negative impact on year-end underwriting results.
- Peer to Peer (P2P) payment companies continue to experience significant user adoption and growth which is sure to impact the banking industry. Mobile P2P is forecasted to grow to \$336 billion by 2021, more than quadrupling its current size. These projections will help drive significant transaction activity among Fintech type firms that are looking to grow their market share.¹
- An International Institute for Analytics study identified the insurance industry among the lowest in analyzing available data points to maximize the development of lead and reduction of acquisition costs. With insurance acquisition costs on the rise, the industry is just starting to turn to AI and data analytics companies in an effort to bridge this technology gap.²
- M&A activity among banks has begun to shift towards the acquisition of Fintech firms in an effort to remain relevant as consumer banking service preferences shift.

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

¹Green, Rachel. "Digital Peer-to-Peer Payments Are the New Norm." Business Insider, Business Insider, 24 Aug. 2017.

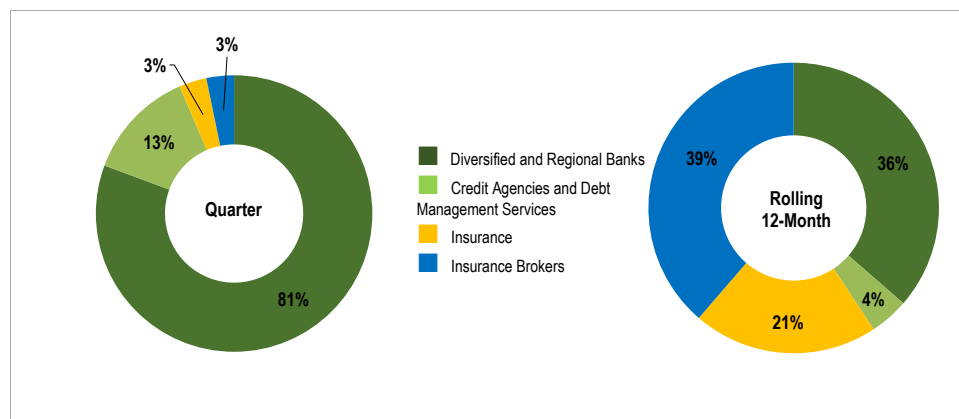
²Adriano, Lyle. "Insurance Industry Has Lots of Data – Just Doesn't Know What to Do with It." Insurance Business, Key Media, 23 Aug. 2017.

Industry Trends During Quarter

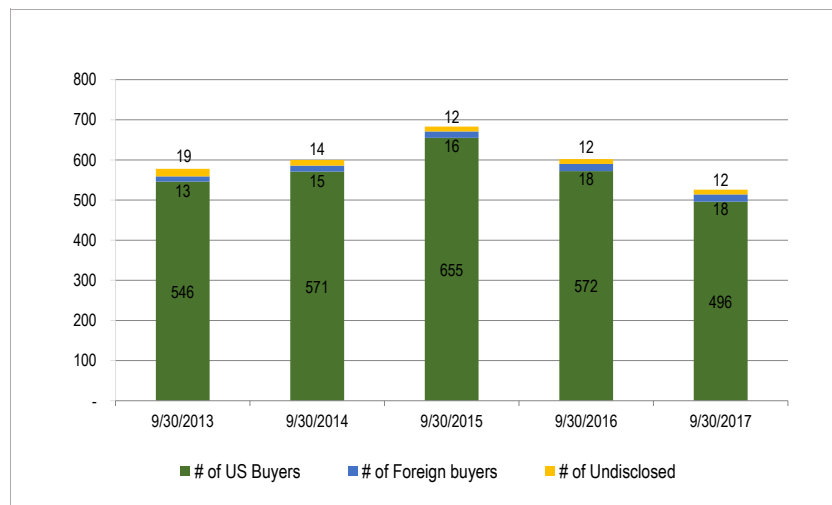
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	(Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↑	↓	↑
Credit Agencies and Debt Managements Services	↑	↑	↑
Insurance	↑	↓	↑
Insurance Brokers	↑	↓	↑

* 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	Scottrade Bank	TD Bank, N.A.	\$1,374.6
Credit Agencies & Debt Management Services	World's Foremost Bank	Synovus Bank	\$1,200.0
Diversified & Regional Banks	Sabadell United Bank, N.A.	IBERIABANK	\$1,028.0
Diversified & Regional Banks	Stonegate Bank	Centennial Bank	\$900.2
Credit Agencies & Debt Management Services	Northpoint Commercial Finance LLC	LBC Capital Inc.	\$865.6
Diversified & Regional Banks	SinoPac Bancorp	Cathay General Bancorp	\$351.6
Credit Agencies & Debt Management Services	Service Finance Company, LLC	ECN Capital Corp.	\$304.0
Diversified & Regional Banks	Independent Alliance Banks, Inc.	First Merchants Corporation	\$249.7
Diversified & Regional Banks	American City Bank And Clayton Bank and Trust	FirstBank, Inc.	\$241.0
Diversified & Regional Banks	First Community Financial Partners, Inc.	First Busey Corporation	\$235.4

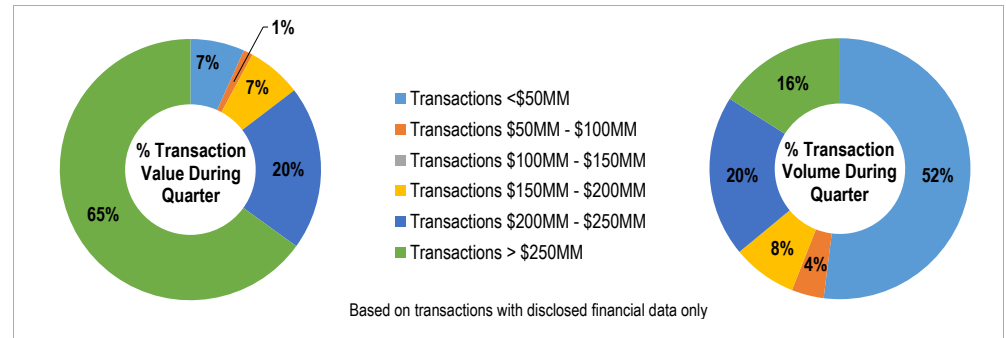
Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

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

Transaction Volume	44
Number of Transactions with Disclosed Values	25
Transaction Value*	\$5,618.90
Average Transaction Value*	\$224.76
Median Transaction Value*	\$42.10

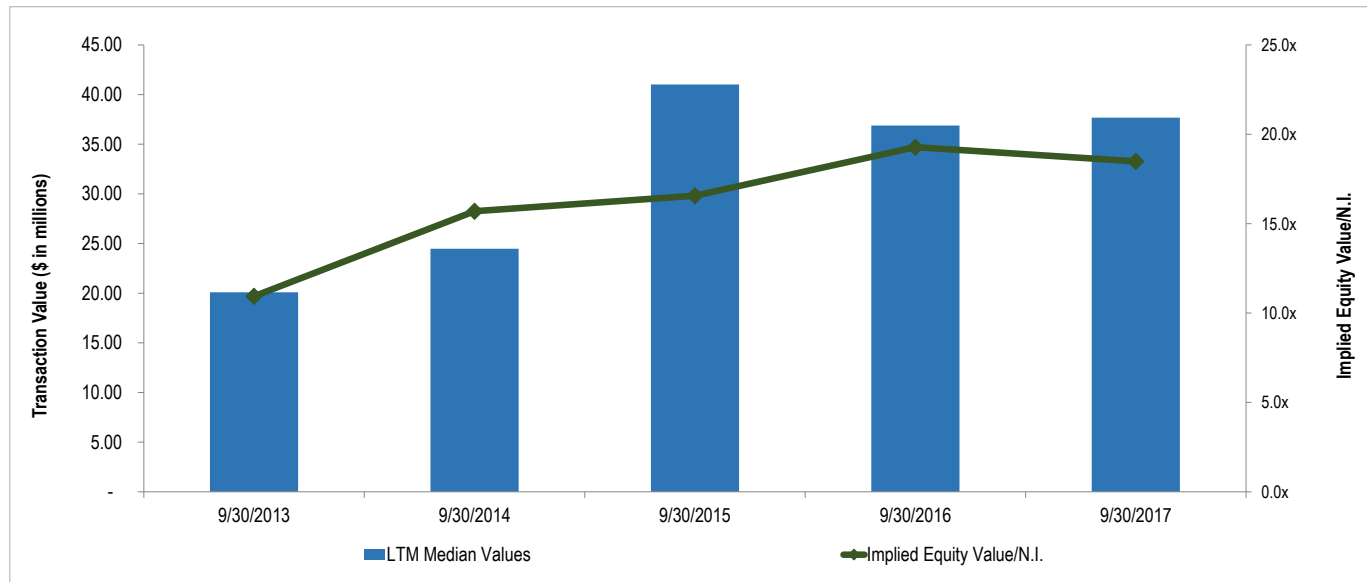
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

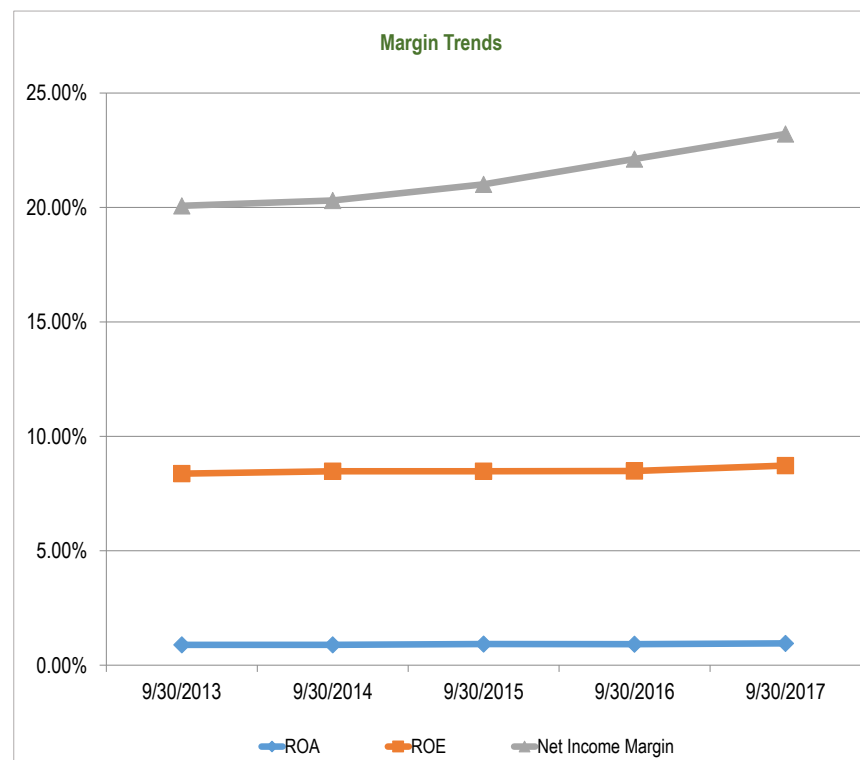
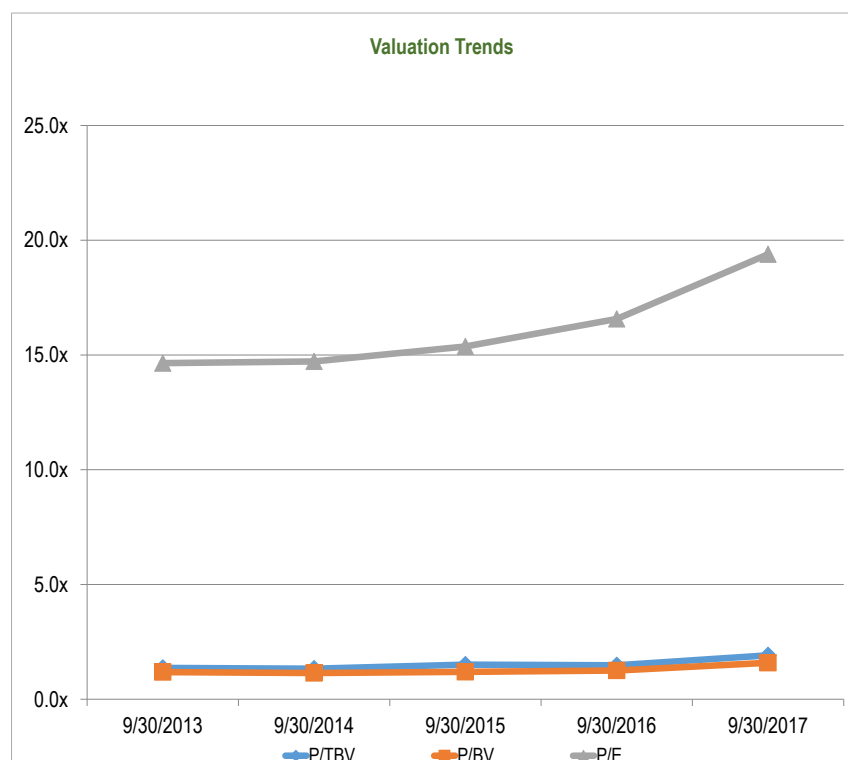
Diversified and Regional Banks

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$5,853	2.0x	1.6x	22.0x	P/TBV	↑
Median	\$604	1.9x	1.6x	19.4x	P/BV	↑
					P/E	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	ROA	ROE	Net Income		
Average	0.9%	8.5%	22.9%	ROA	↑
Median	1.0%	8.7%	23.2%	ROE	↑
				Net Income Margin	↑



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

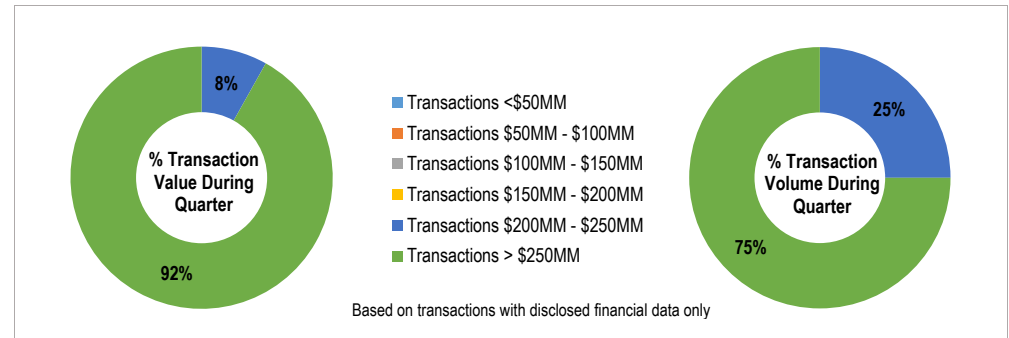


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	8
Number of Transactions with Disclosed Values	4
Transaction Value*	\$2,579.60
Average Transaction Value*	\$644.90
Median Transaction Value*	\$584.80

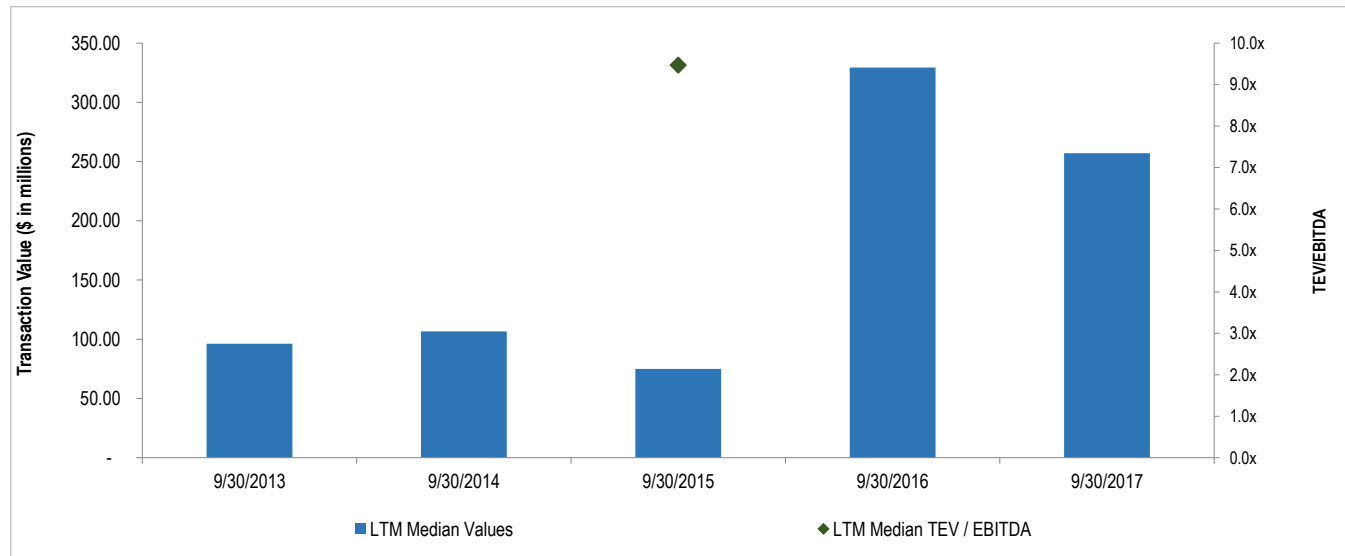
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

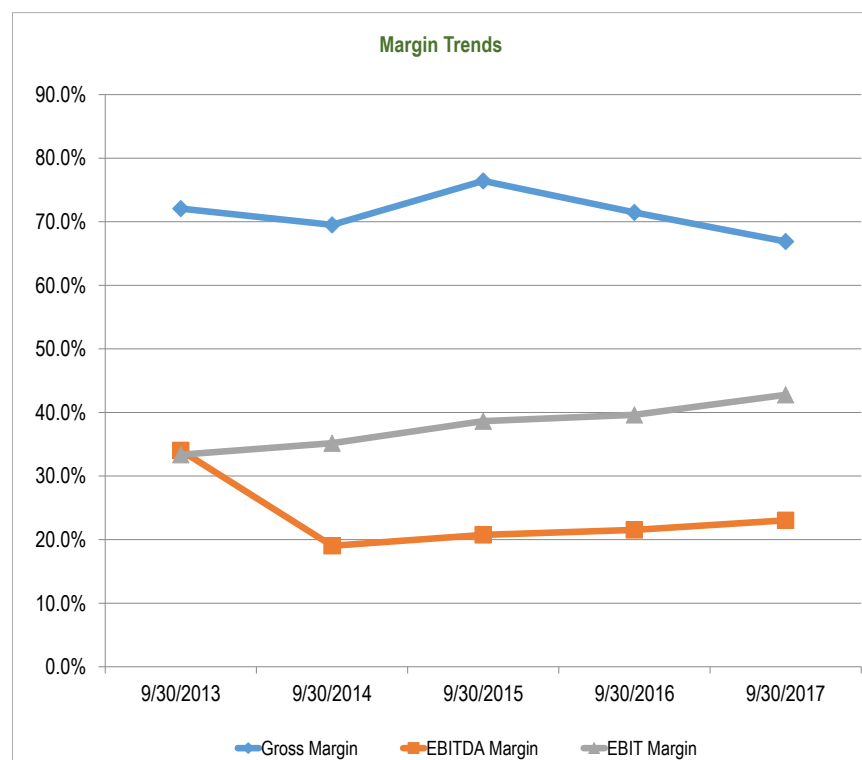
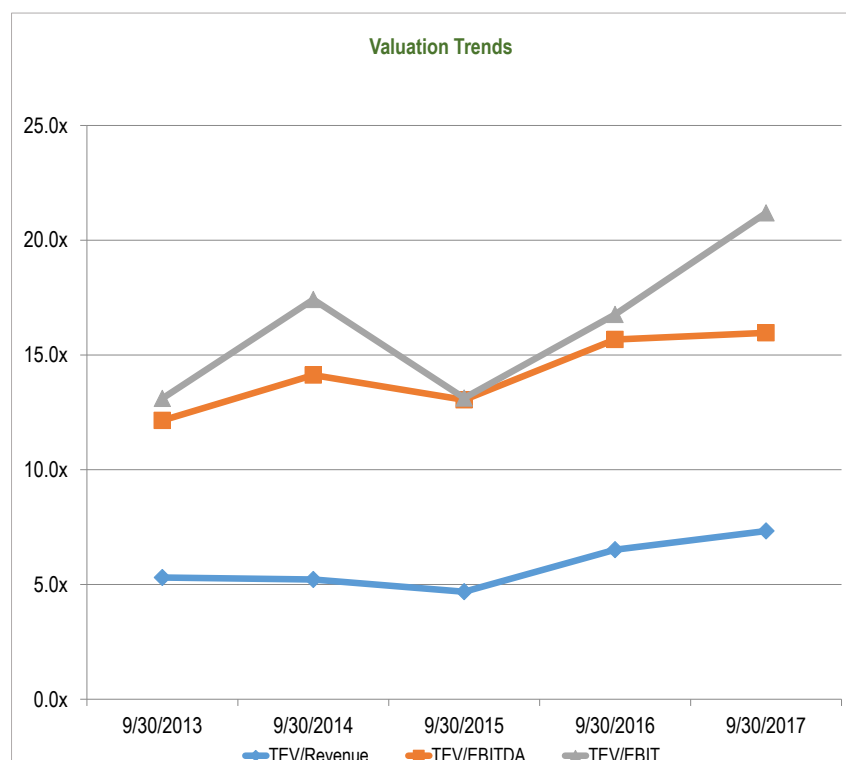
Credit Agencies and Debt Management Services

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	P/E		
Average	\$7,713	5.4x	24.0x	27.1x	TEV/Revenue	↑
Median	\$343	7.3x	16.0x	21.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	61.2%	21.3%	25.9%	Gross Margin	↓
Median	66.9%	23.0%	42.8%	EBITDA Margin	↑
				EBIT Margin	↑



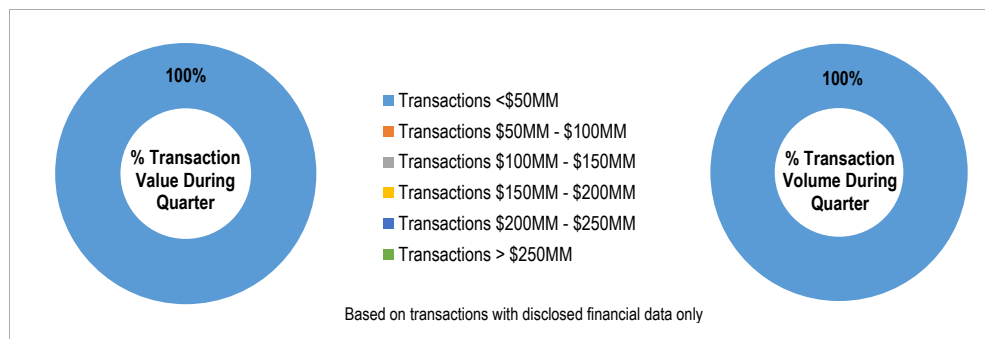
Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



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

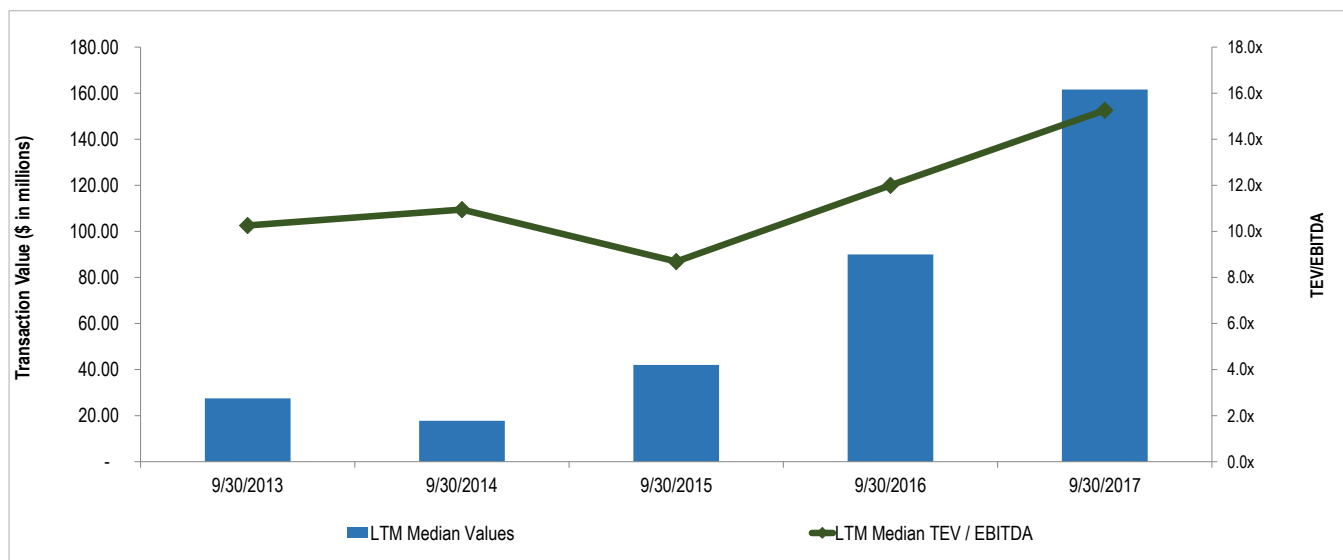
Transaction Volume	21
Number of Transactions with Disclosed Values	1
Transaction Value*	\$9.30
Average Transaction Value*	\$9.30
Median Transaction Value*	\$9.30
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



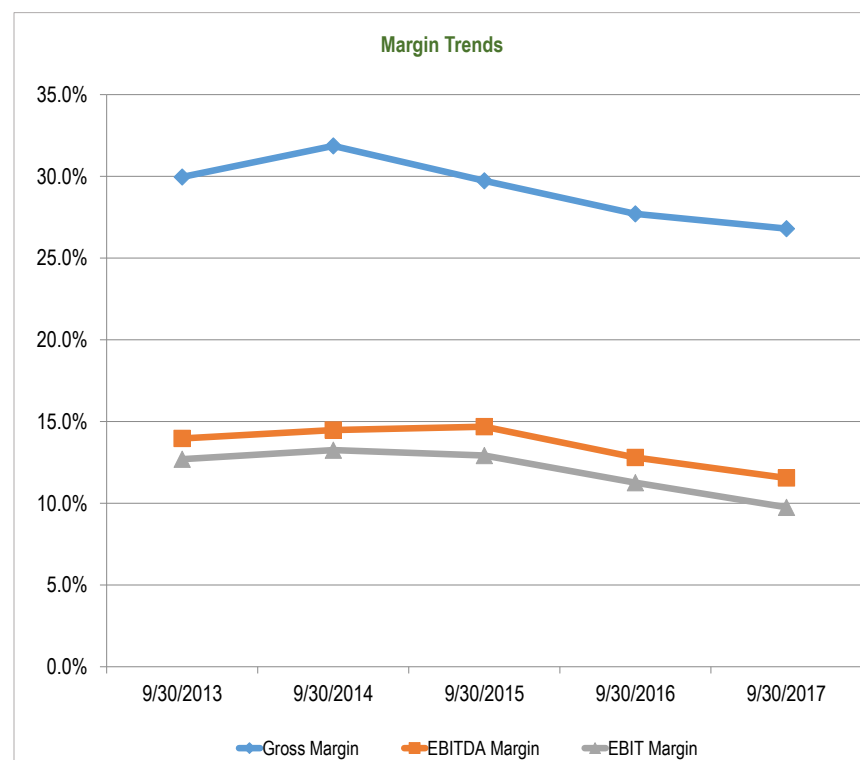
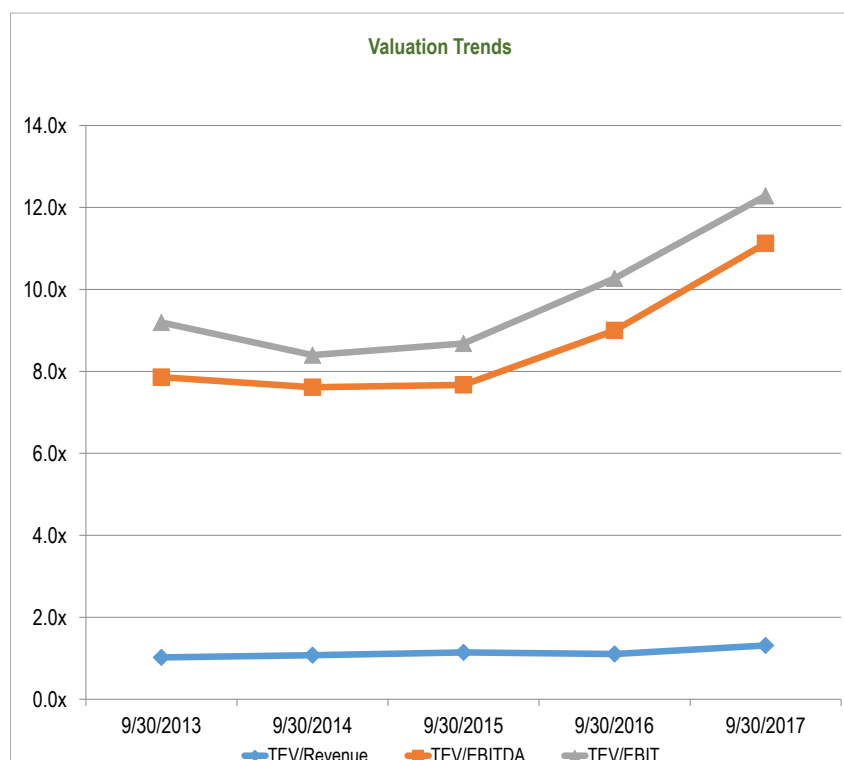
Source: S&P Capital IQ as of 10/16/2017 and PCE Proprietary Data



Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,170	2.2x	19.6x	21.7x	TEV/Revenue	↑
Median	\$1,833	1.3x	11.1x	12.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.6%	11.2%	7.3%	Gross Margin	↓
Median	26.8%	11.5%	9.8%	EBITDA Margin	↓
				EBIT Margin	↓



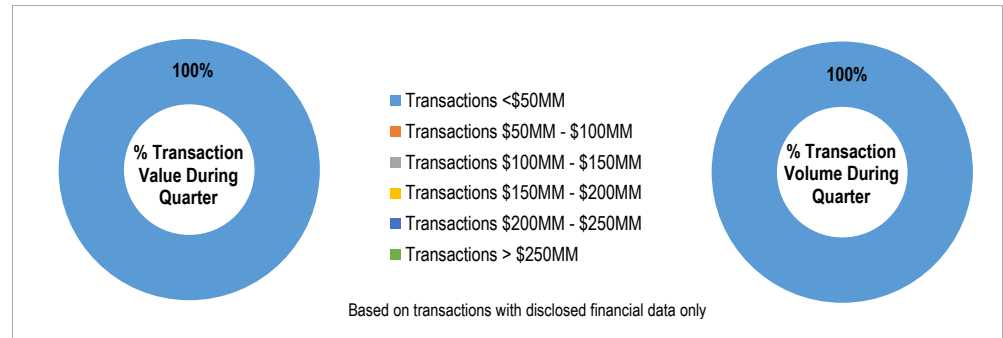
Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

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

Transaction Volume	56
Number of Transactions with Disclosed Values	1
Transaction Value*	\$0.05
Average Transaction Value*	\$0.05
Median Transaction Value*	\$0.05

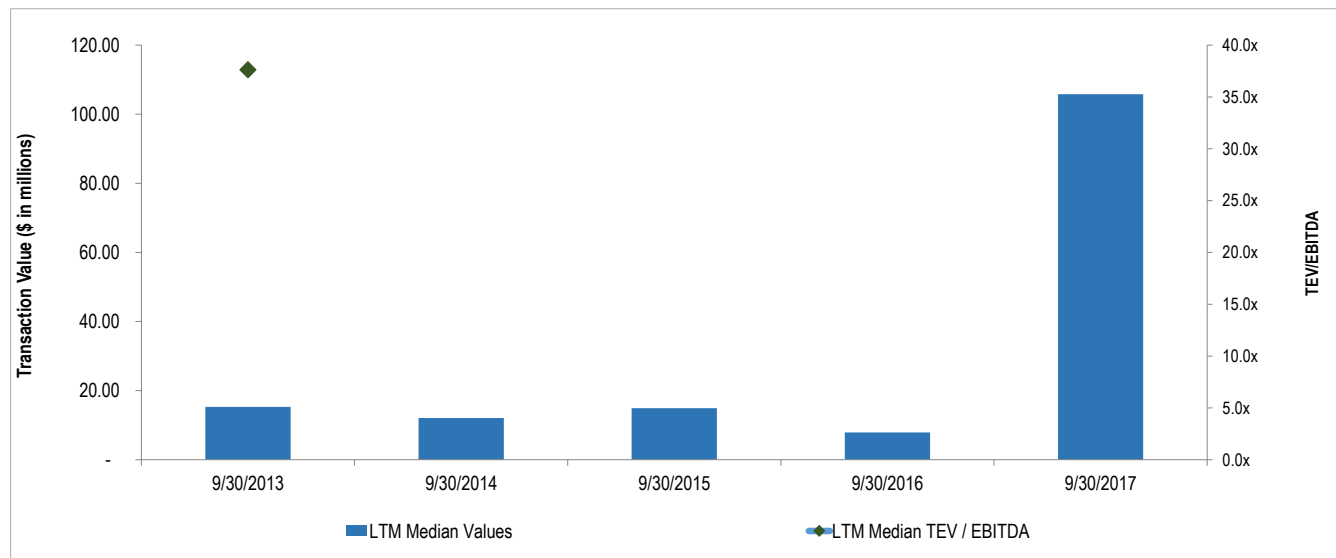
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

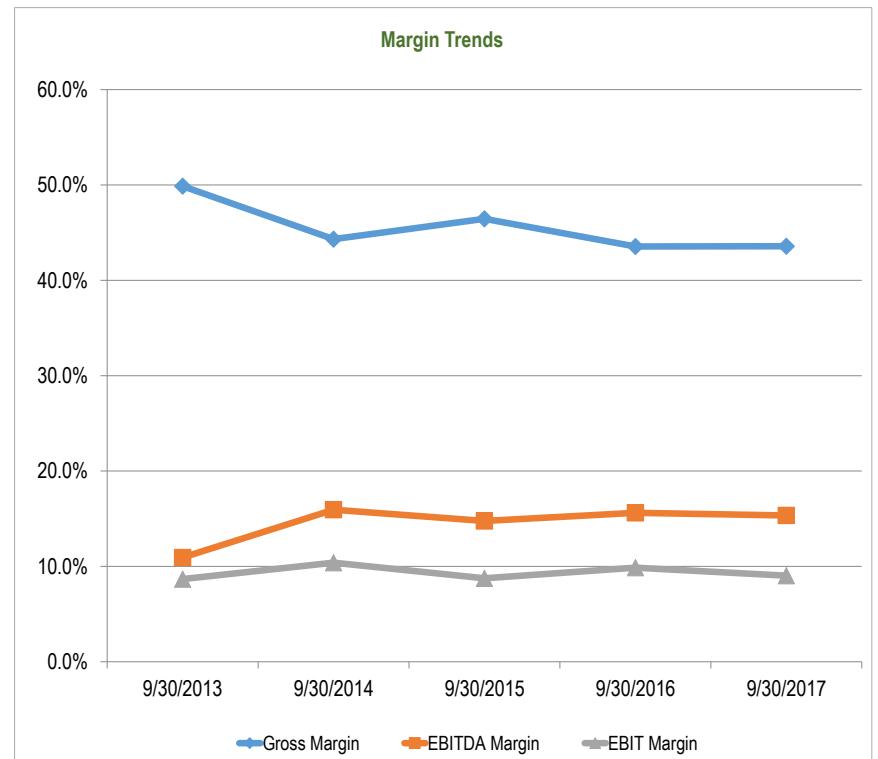
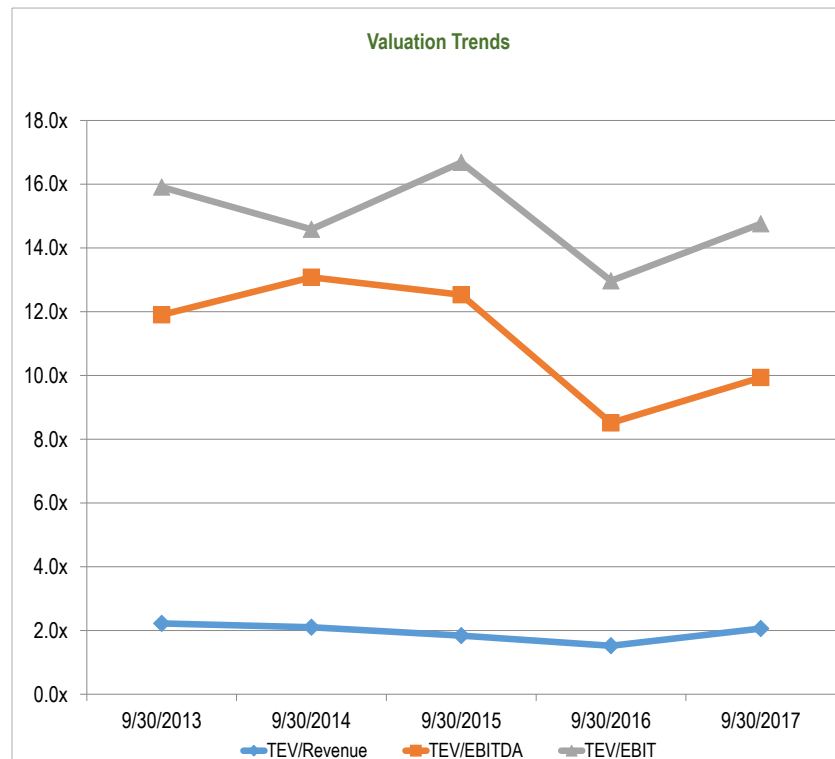


Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,849	2.0x	10.2x	14.7x	TEV/Revenue	↑
Median	\$587	2.1x	9.9x	14.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.3%	15.4%	11.1%	Gross Margin	↑
Median	43.6%	15.3%	9.0%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2017 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

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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