



# PCE Industry Report

---

Banking, Finance & Insurance



# Middle Market M&A Summary

## Banking, Finance & Insurance

---

4th Quarter 2017

### Key Highlights

- The average value of the top ten transactions was \$1.1 billion.
- The largest transaction was the acquisition of Capital Bank Financial Corp. by First Horizon National Corp. for \$2.2 billion.
- The smallest transaction was the acquisition of NewStar Financial Inc. by Arnhold and S. Bleichroeder Holdings Inc. for \$517.3 million.
- The Banking public company industry median P/BV multiple is 1.6x.
- Excluding Banking, public company industry median TEV/Revenue is 2.0x.
- The Banking public company industry median P/E multiple is 19.5x.
- Excluding Banking, public company industry median TEV/EBITDA is 13.2x.

### Key Trends

- Insured catastrophe losses in 2017 reached a record \$136 billion following hurricanes Harvey and Irma. The strain on many firms' balance sheets is expected to catalyze M&A in 2018 as insurers arrange sales or mergers to help absorb these losses.<sup>1</sup>
- Banks are grappling with complex regulations, disruptive technological models, and higher customer expectations. Banks continue to push for partnerships and mergers with Fintech firms as a way to adapt, as noted by the several acquisitions of fintech firms by larger institutions in recent months. This trend will continue as banks continue to evaluate the best way to stay relevant and manage profitability and margins while trying to gain customers with high needs and expectations.<sup>2</sup>
- Insurers can be set to capitalize on connectivity and digitalization with several insurers already experimenting with connectivity and advanced analytics. Insurers should embrace this trend as part of a complex strategy to expand market share and fend off potential competition from nontraditional InsurTech companies, which have been seeking to improve underwriting and customer response times.<sup>3</sup>
- Crypto-assets continue to embed themselves in traditional banks and finance companies, with certain banks allowing customers to purchase digital currencies directly through their cash holdings. Goldman Sachs recently announced a crypto-asset trading desk as a result of increased client interest in digital currencies. This move could lay the groundwork for multiple investment banks to establish trading desks of their own allowing for banks and finance companies to reap the benefits of a new tradable asset.<sup>4</sup>

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

<sup>1</sup> "Natural Disasters Made 2017 a Year of Record Insurance Losses." Economist, 11 Jan. 2018.

<sup>2</sup> Wang, Yizhu. "Banks Face Challenges Acquiring Fintech Firms." Forbes, 5 Jan. 2018.

<sup>3</sup> Souter, Gavin. "Tax Law, Technology Bring Change to Insurance Market" Business Insurance, 16 Jan. 2018.

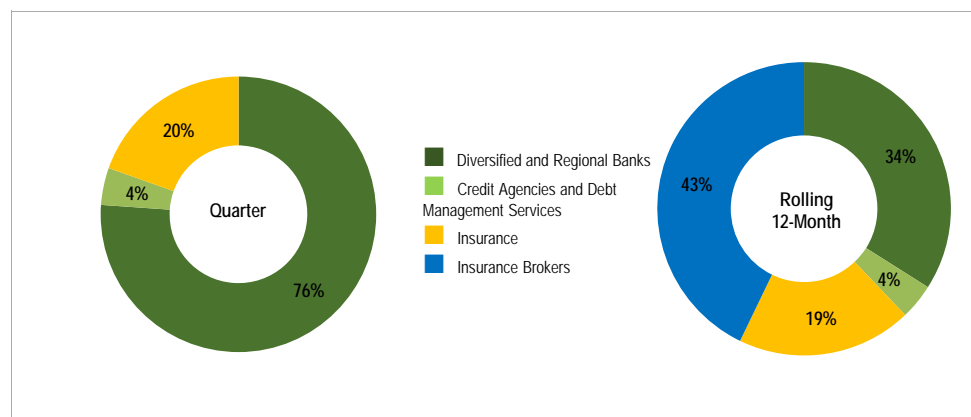
<sup>4</sup> "Goldman Is Setting Up a Cryptocurrency Trading Desk " Bloomberg, 21 Dec. 2017.

## Industry Trends During Quarter

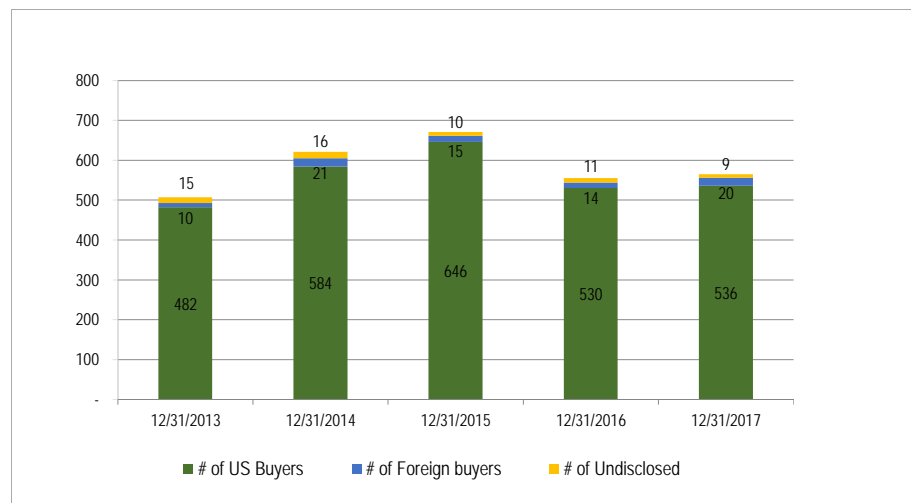
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	TEV/EBITDA (Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↑	↓	↑
Credit Agencies and Debt Managements Services	↓	↓	↑
Insurance	↑	↓	↑
Insurance Brokers	↑	↓	↑

\* 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	Capital Bank Financial Corp.	First Horizon National Corporation	\$2,184.5
Insurance	Fidelity & Guaranty Life	FGL Holdings	\$1,835.2
Insurance	The U.S. Group Life And Disability Business	Hartford Life and Accident Insurance Company, Inc.	\$1,450.0
Insurance	Life Settlements Portfolio	Undisclosed Buyer	\$1,100.0
Insurance	State National Companies, Inc.	Markel Corporation	\$922.6
Diversified & Regional Banks	CU Bancorp	PacWest Bancorp	\$706.4
Diversified & Regional Banks	Park Sterling Corporation	South State Corporation	\$697.7
Diversified & Regional Banks	Pacific Continental Corporation	Columbia Banking System, Inc.	\$671.4
Diversified & Regional Banks	Southwest Bancorp, Inc.	Simmons First National Corporation	\$576.4
Credit Agencies & Debt Management Services	NewStar Financial, Inc.	Arnhold and S. Bleichroeder Holdings, Inc.	\$517.3

Source: S&P Capital IQ as of 1/18/2018 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC



**Michael Poole**

Direct: 407-621-2112

Main: 407-621-2100

[mpoole@pcecompanies.com](mailto:mpoole@pcecompanies.com)



**David Jasmund**

Direct: 407-621-2111

Main: 407-621-2100

[djasmund@pcecompanies.com](mailto:djasmund@pcecompanies.com)

## PCE Locations

Orlando  
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

