



# PCE Industry Report

---

Banking, Finance & Insurance





# Middle Market M&A Summary

2nd Quarter 2015

## Banking, Finance & Insurance

### Key Highlights

- The average value of the top ten transactions was \$481.6mm.
  - The largest transaction was The Huntington National Bank Inc.'s acquisition of Macquarie Equipment Finance, Inc. for \$1,087.8mm.
  - The smallest transaction was Chemical Financial Corporation's acquisition of Lake Michigan Financial Corporation for \$184.0mm.
- The public company industry median P/BV multiple is 1.3x.
- The public company industry median P/TBV multiple is 1.4x.

### Key Trends

- The Diversified and Regional Banks, Credit Agencies and Debt Management Services, and Insurance subsectors' transaction volumes are trending positively. The Insurance Brokers subsector is trending neutrally.
- The Insurance Brokers subsector's transaction volume was the largest at 50% of the industry over the past quarter.
- Challenges remain from the financial crisis, with banks and insurers still facing issues related to capital solvency whilst navigating through a dynamic regulatory environment. Competition remains strong, with new entrants causing some disruption to traditional models and positions.
- The future of banking and insurance is continually shifting online, adding to a dynamic market and increased competition for both retail and institutional offerings.

Sources: S&P Capital IQ, IBIS World, PCE Proprietary Data, EY Global Insurance Outlook 2015, and JPMorgan Chase & Co. - Financial and Strategic Analysis Review April 2015

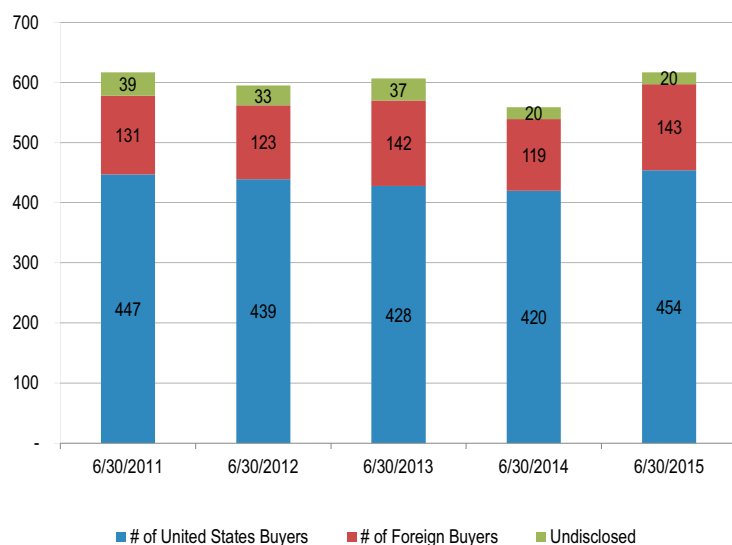
# Banking, Finance & Insurance - For the Quarter Ended 06/30/15

## Industry Trends During Quarter

Sector	Transaction Volume	Implied Equity/Revenue	Implied Equity/Income
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

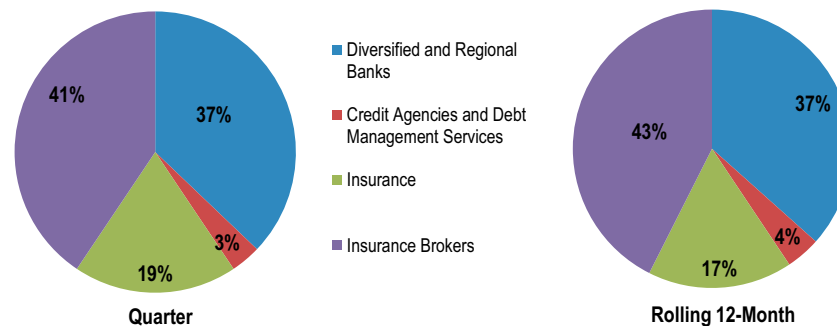
## Rolling 12-Month Transaction Volume Trends by Buyer Origin



\* Results exclude transactions that did not disclose buyer information

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

## Transaction Volume as % of Industry



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

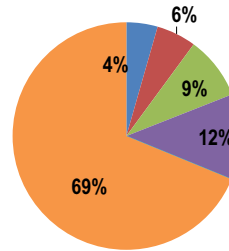
Sector	Target	Buyer	Transaction Value
Credit Agencies & Debt Mgmt	Macquarie Equipment Finance, Inc.	The Huntington National Bank Inc.	\$1,087.8
Insurance	ARX Holding Corp.	Progressive Corp.	\$875.0
Diversified & Reg Banks	Hudson Valley Holding Corp.	Sterling Bancorp.	\$575.8
Diversified & Reg Banks	Mechanics Bank	Ford Financial Fund, L.P.; Ford Financial Fund II, L.P.	\$520.0
Diversified & Reg Banks	Bridge Capital Holdings	Western Alliance Bancorporation	\$396.2
Diversified & Reg Banks	The Bank of Kentucky Financial Corporation	BB&T Corporation	\$370.5
Insurance	Fireman's Fund Insurance Company, Inc., High Net Worth Personal Lines Insurance Business in the US	ACE Limited	\$365.0
Diversified & Reg Banks	Old Florida Bancshares, Inc.	IberiaBank Corp.	\$251.6
Diversified & Reg Banks	Georgia Commerce Bancshares, Inc.	IberiaBank Corp.	\$189.9
Diversified & Reg Banks	Lake Michigan Financial Corporation	Chemical Financial Corporation	\$184.0

# Diversified and Regional Banks - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	75
Number of Transactions with Disclosed Values	20
Transaction Value*	\$3,072.57
Average Transaction Value*	\$153.63
Median Transaction Value*	\$60.68

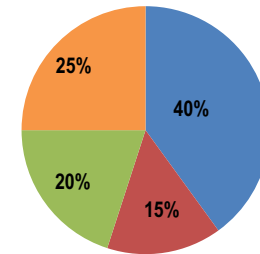
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.



% Transaction Value During Quarter

## Transactions by Value & Volume

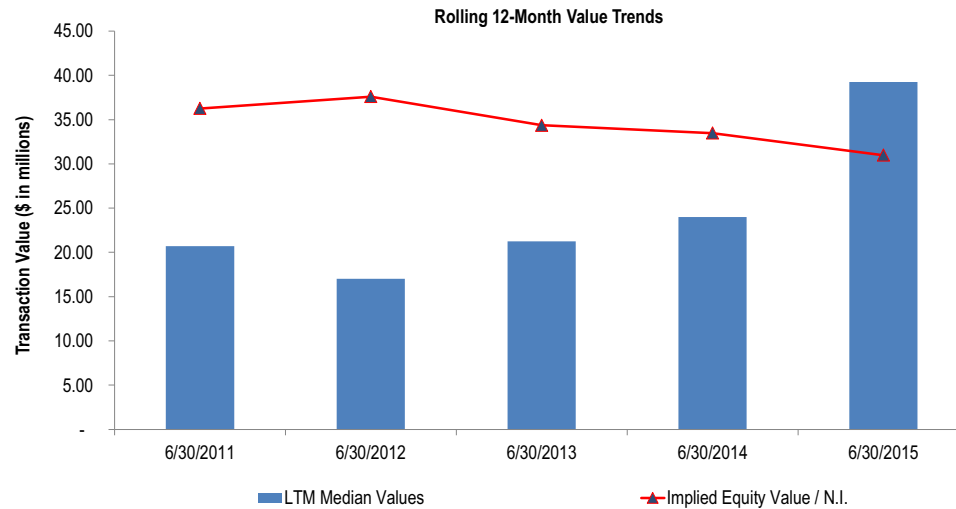
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data



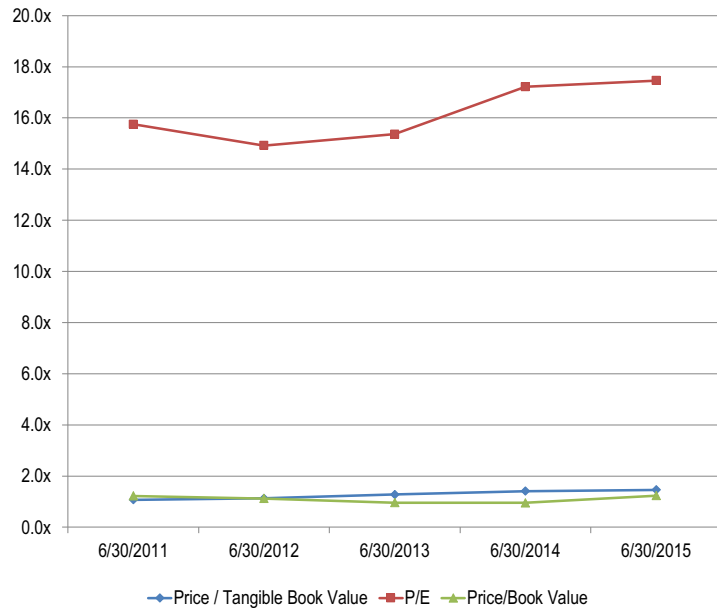
# Diversified and Regional Banks - For the Quarter Ended 06/30/15

## Summary of Public Comparables as of Quarter End (\$ in millions)

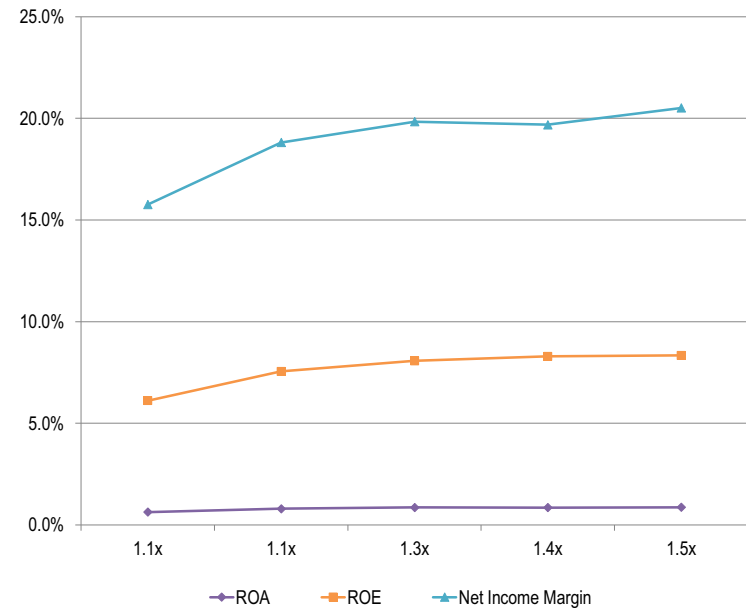
	Multiples				LTM 6/30/2015 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$4,371	1.5x	1.2x	17.5x	P/TBV	↑
Median	\$347	1.1x	1.1x	26.6x	P/BV	↓
					P/E	↑

	Margins			LTM 6/30/2015 Trends	
	ROA	ROE	Net income		
Average	0.88%	8.39%	20%	ROA	↑
Median	0.87%	8.33%	21%	ROE	↑
				Net income	↑

### Valuation Trends



### Margin Trends



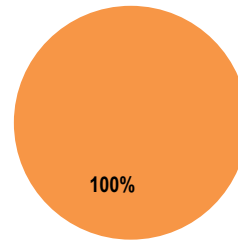
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Credit Agencies and Debt Management Services - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	7
Number of Transactions with Disclosed Values	1
Transaction Value*	\$1,087.80
Average Transaction Value*	\$1,087.80
Median Transaction Value*	\$1,087.80

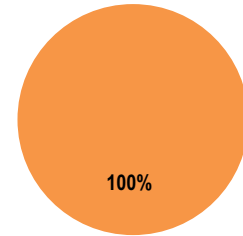
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.



% Transaction Value During Quarter

## Transactions by Value & Volume

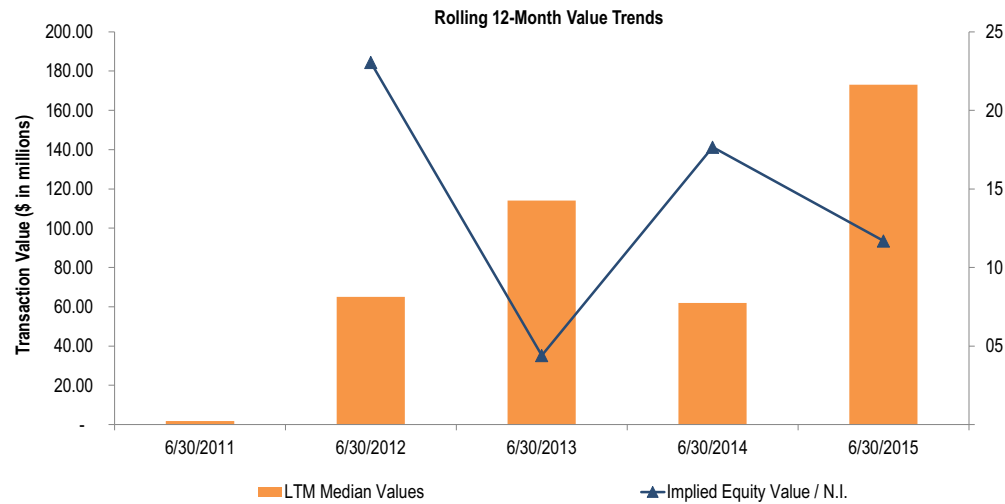
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

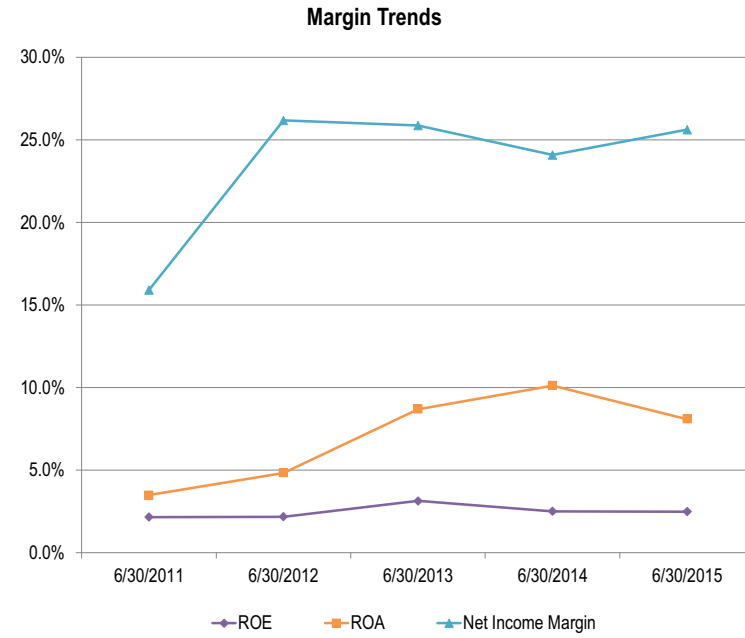
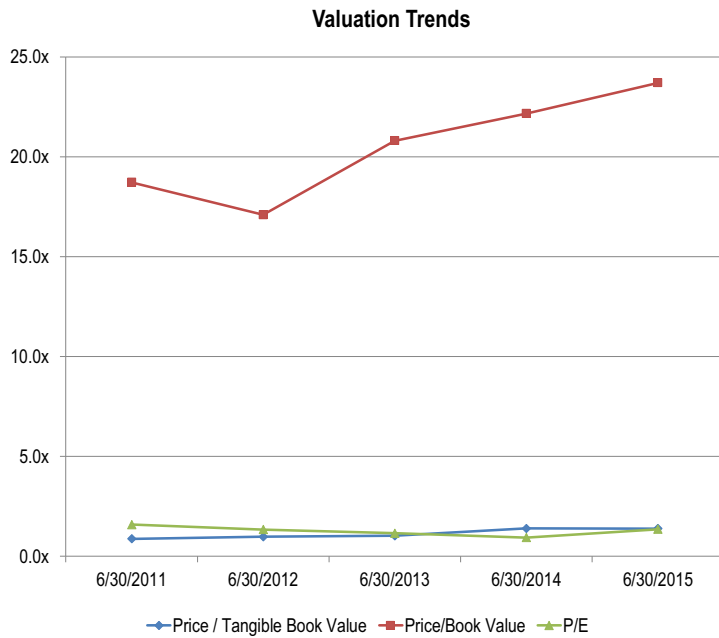
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Credit Agencies and Debt Management Services - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

	Multiples				LTM 4/1/2015 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$6,594	1.5x	8.5x	27.8x	P/TBV	↓
Median	\$374	1.4x	1.4x	23.7x	P/BV	↓
					P/E	↓

	Margins			LTM 4/1/2015 Trends	
	0.0%	ROA	Net income		
Average	7.81%	75.64%	22%	0.0%	↑
Median	2.48%	8.08%	26%	ROA	↑
				Net income	↑



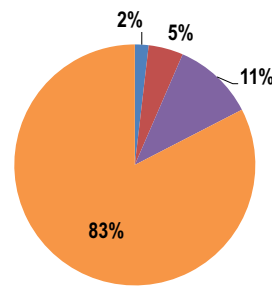
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Insurance - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	38
Number of Transactions with Disclosed Values	6
Transaction Value*	\$1,501.65
Average Transaction Value*	\$250.28
Median Transaction Value*	\$117.00

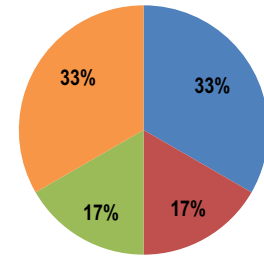
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.



% Transaction Value During Quarter

## Transactions by Value & Volume

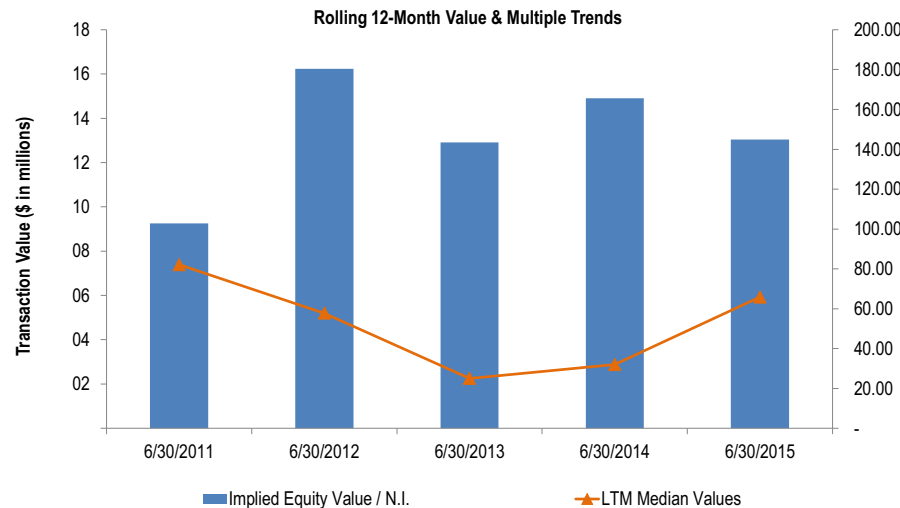
- # Transactions <\$50MM
- # Transactions \$50MM - \$100MM
- # Transactions \$100MM - \$150MM
- # Transactions \$150MM - \$200MM
- # Transactions \$200MM - \$250MM
- # Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data



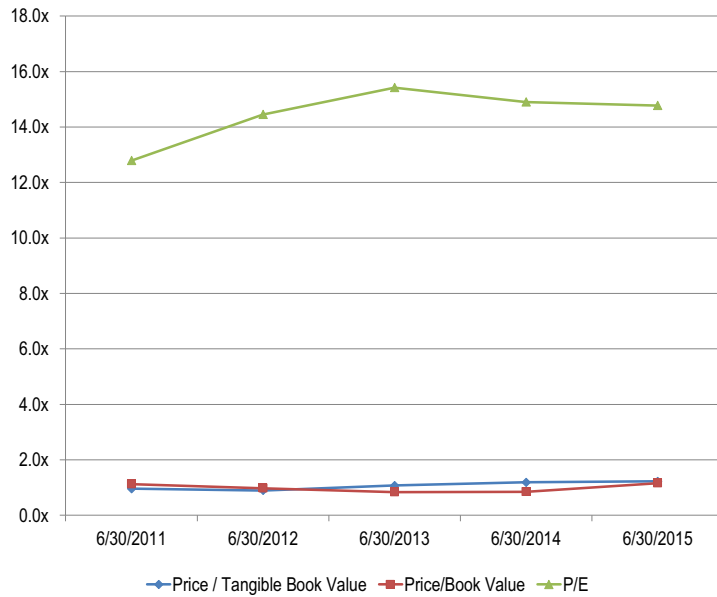
# Insurance - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

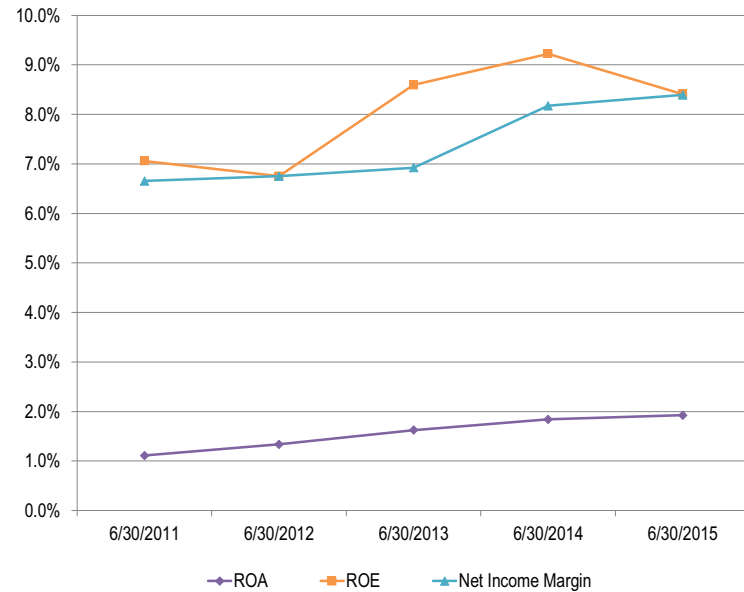
	Multiples				LTM 6/30/2015 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$7,135	1.5x	1.3x	17.1x	P/TBV	↑
Median	\$2,057	1.2x	1.2x	14.8x	P/BV	↓
					P/E	↑

	Margins			LTM 6/30/2015 Trends	
	ROA	ROE	Net income		
Average	2.17%	2.26%	10%	ROA	↑
Median	1.92%	8.41%	8%	ROE	↓
				Net income	↑

Valuation Trends



Margin Trends



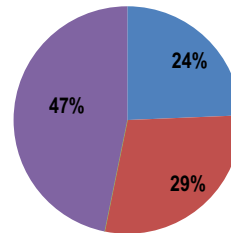
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Insurance Brokers - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	82
Number of Transactions with Disclosed Values	8
Transaction Value*	\$329.13
Average Transaction Value*	\$41.14
Median Transaction Value*	\$9.37

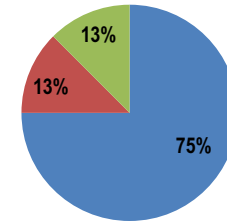
\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.



% Transaction Value During Quarter

## Transactions by Value & Volume

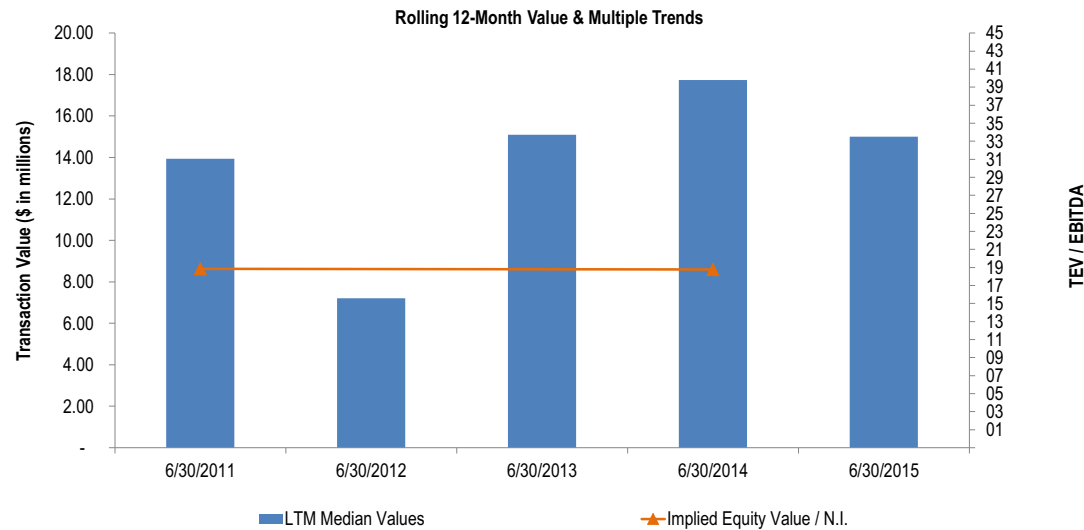
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

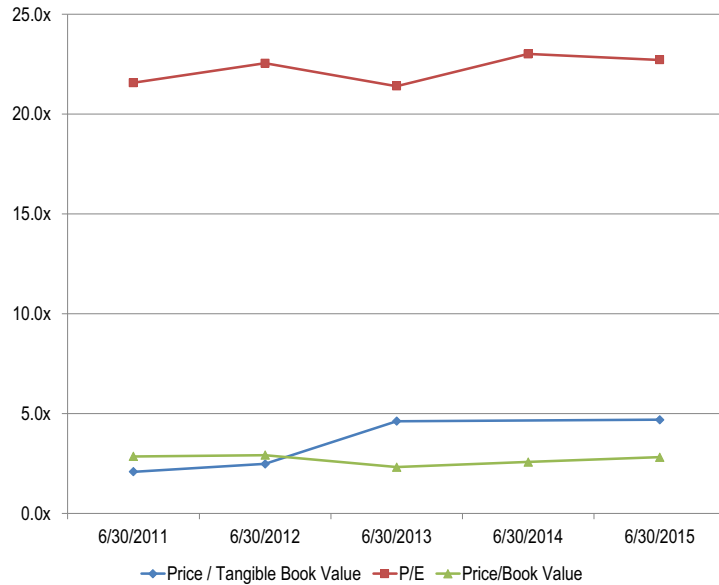
# Insurance Brokers - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

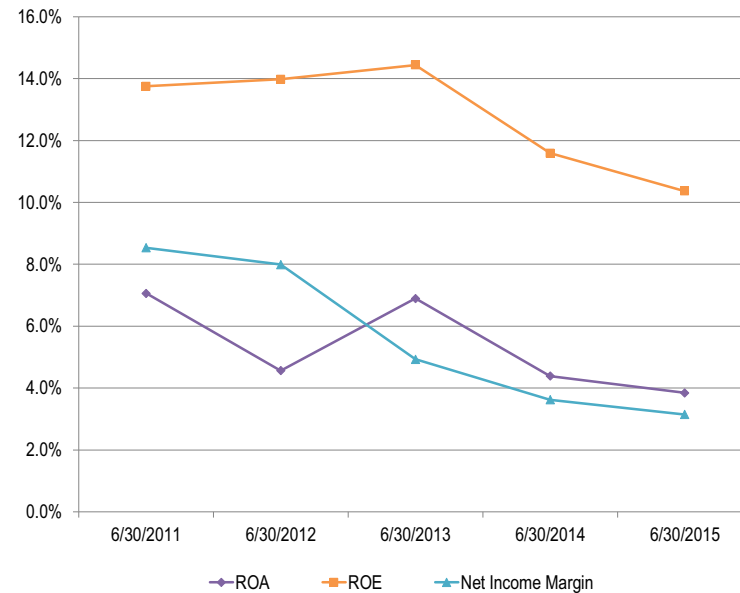
	Multiples			LTM 6/30/2015 Trends	
	Market Cap	P/TBV	P/BV	P/E	
Average	\$6,438	4.7x	3.2x	25.5x	P/TBV N/A
Median	\$473	4.7x	2.8x	22.7x	P/BV ↓
					P/E ↑

	Margins			LTM 6/30/2015 Trends	
	ROA	ROE	Net income		
Average	4.02%	8.97%	4%	ROA	↓
Median	3.84%	10.37%	3%	ROE	↓
				Net income	↓

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

## Data Assumptions

At PCE, we consider 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 announced dates.



David Jasmund

PCE  
200 East New England Ave., Suite 400  
Winter Park, FL 32789  
Direct: 407-621-2111  
Main: 407-621-2100  
Fax: 407-621-2199  
djasmund@pcecompanies.com



Michael Poole

PCE  
200 East New England Ave., Suite 400  
Winter Park, FL 32789  
Direct: 407-621-2112  
Main: 407-621-2100  
Fax: 407-621-2199  
mpoole@pcecompanies.com

[www.pcecompanies.com](http://www.pcecompanies.com)

## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value

## About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

PCE Investment Bankers, Inc. – member FINRA and SIPC; PCE Valuations, LLC; PCE Advisory, LLC