



# PCE Industry Report

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Banking, Finance & Insurance



# Middle Market M&A Summary

## Banking, Finance & Insurance

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4th Quarter 2015

### Key Highlights

- The average value of the top ten transactions was \$2.6 billion.
  - The largest transaction was the acquisition of GE HFS Holdings, Inc. by Capital One Financial Corporation for \$9 billion.
  - The smallest transaction was the acquisition of Patriot Bancshares, Inc. by Green Bancorp, Inc. for \$139.4 million.
- The Banking public company industry median P/BV multiple is 1.2x.
- The Banking public company industry median P/E multiple is 15.7x.
- Excluding Banking, public company industry median TEV/Revenue is 1.5x.
- Excluding Banking, public company industry median TEV/EBITDA is 11.61x.

### Key Trends

- The Diversified & Regional Banks subsectors' transaction volume is trending negatively, while the Insurance and Credit Agencies & Debt Management Services subsector are trending positively.
- The Insurance Brokers subsectors' transaction volume also trended down compared to last quarter. However it experienced peaks of significant transaction volume growth during all 2015 representing 43% of the industries activities compared to just 36% in 2014.
- The Diversified and Regional Banks subsector's transaction volume was the largest at 42% of the industry over the past quarter.
- After nine years the Fed raised rates at the end of 2015 and it is anticipated they will continue rate increases. Despite the rate increase, M&A activity is expected to follow the record pace seen 2015.<sup>1</sup>

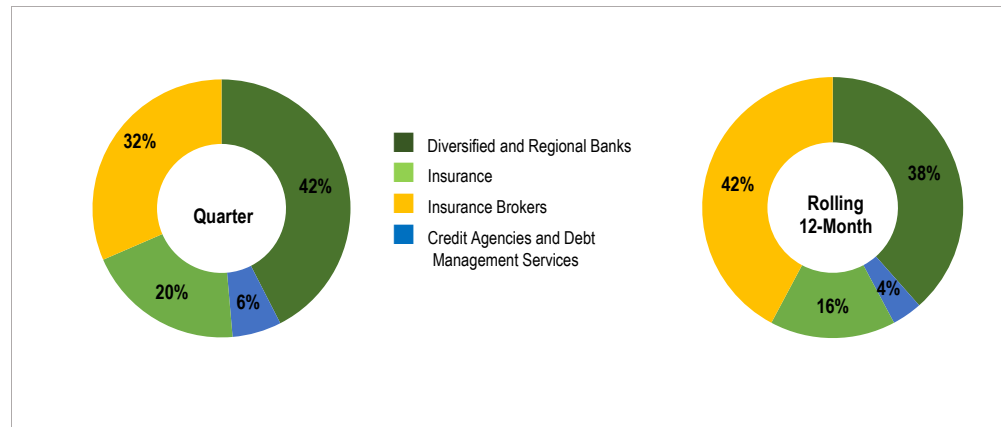
Source: <sup>1</sup> *Most M&A Professionals Don't Care About The Federal Interest Rate hike. (2015, December), Forbes*

## 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 Management Services	↑	↑	↑
Insurance	→	↓	↑
Insurance Brokers	↓	↑	↓

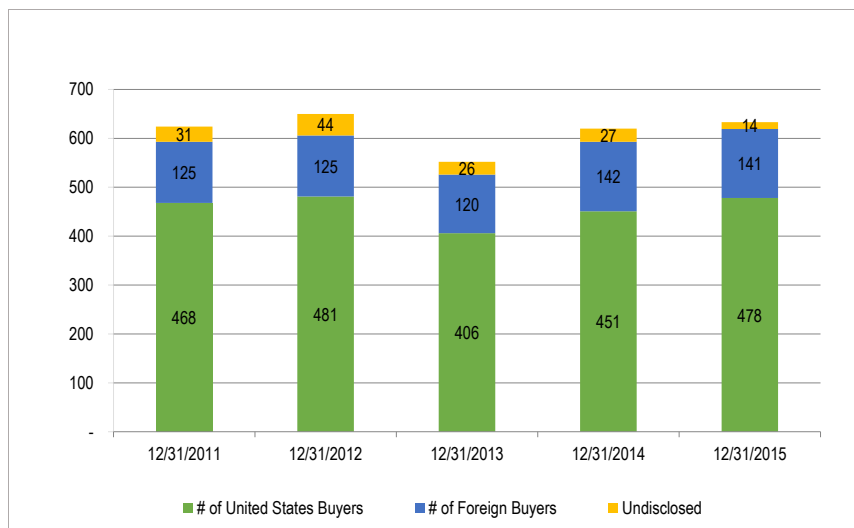
\* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

## Transaction Volume as % of Industry



## Rolling 12-Month

### 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 1/25/2016 and PCE Proprietary Data

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

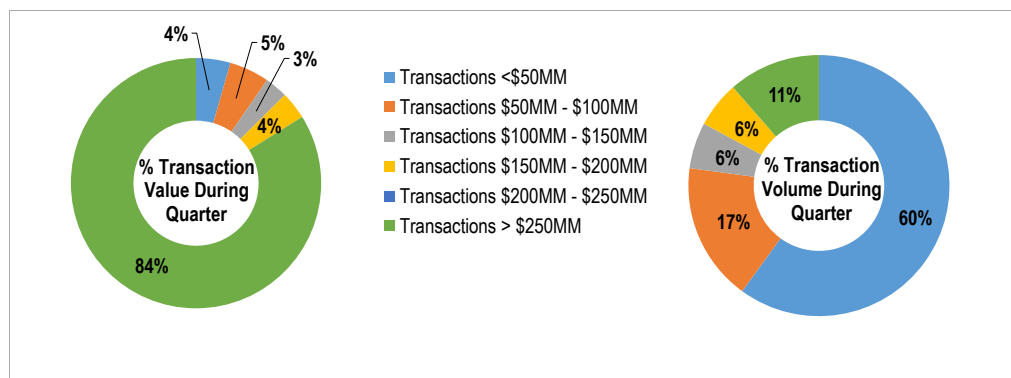
Sector	Target	Buyer	Transaction Value
Credit Agencies & Debt Mgmt	GE HFS Holdings, Inc.	Capital One Financial Corporation	\$9,000.0
Insurance	HCC Insurance Holdings Inc.	Tokio Marine & Nichido Fire Insurance Co., Ltd.	\$8,386.4
Diversified & Reg Banks	City National Corporation	Royal Bank of Canada	\$5,199.7
Diversified & Reg Banks	City National Bank of Florida Inc.	Banco de Credito e Inversiones	\$946.9
Diversified & Reg Banks	Square 1 Financial, Inc.	PacWest Bancorp	\$849.3
Diversified & Reg Banks	Starbuck Bancshares, Inc.	Banner Corporation	\$701.5
Insurance	Lifestyle Protection Insurance Business	AXA Group	\$517.6
Diversified & Reg Banks	CNLBancshares, Inc.	Valley National Bancorp	\$165.9
Diversified & Reg Banks	First Security Group, Inc.	Atlantic Capital Bancshares, Inc.	\$160.5
Diversified & Reg Banks	Patriot Bancshares, Inc.	Green Bancorp, Inc.	\$139.4

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

Transaction Volume	62
Number of Transactions with Disclosed Values	35
Transaction Value*	\$9,176.47
Average Transaction Value*	\$292.31
Median Transaction Value*	\$34.43

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

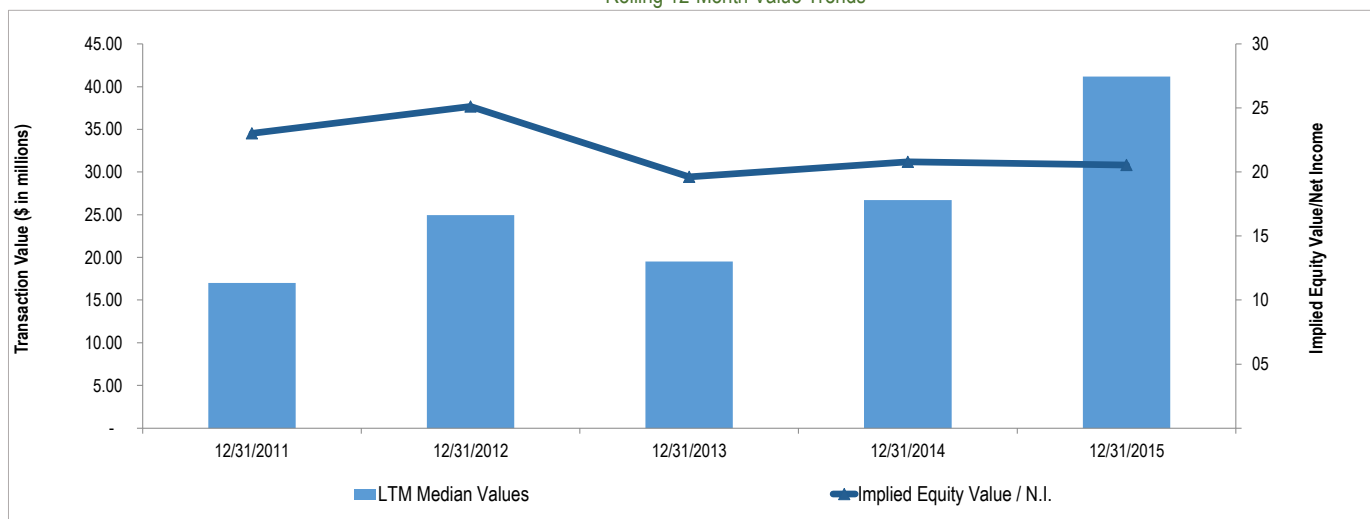
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value Trends

Rolling 12-Month 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 1/25/2016 and PCE Proprietary Data

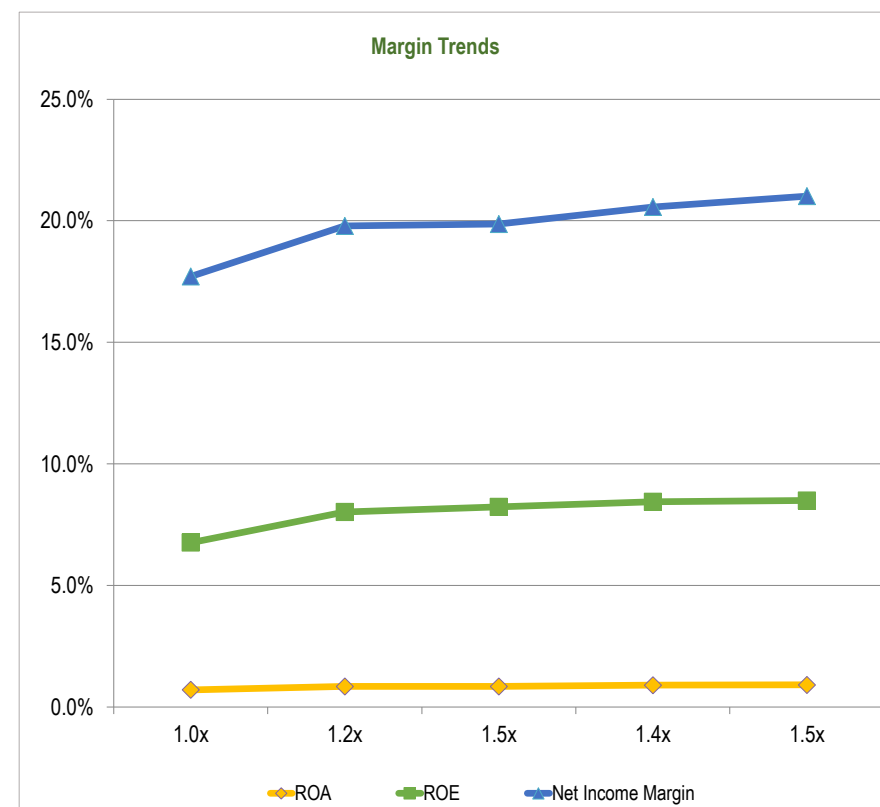
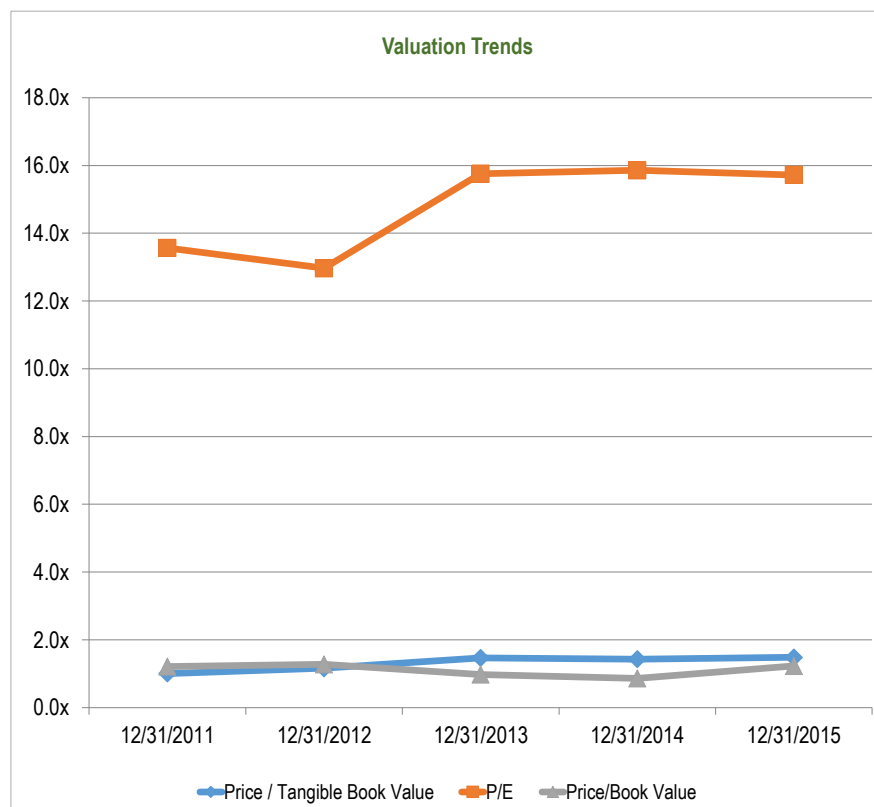
# Diversified and Regional Banks

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$3,617	1.5x	1.3x	18.1x	P/TBV	↑
Median	\$327	1.5x	1.2x	15.7x	P/BV	↓
					P/E	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	ROA	ROE	Net income		
Average	0.91%	8.42%	21.57%	ROA	↑
Median	0.91%	8.49%	21.01%	ROE	↑
				Net Income Margin	↑



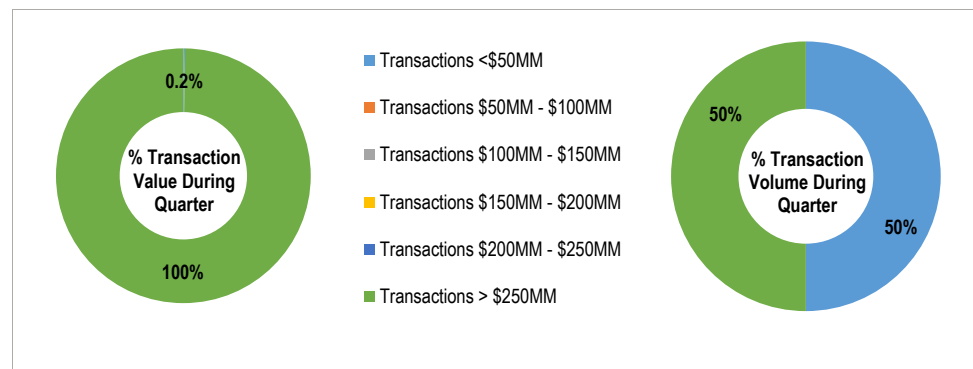
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	9
Number of Transactions with Disclosed Values	2
Transaction Value*	\$9,018.00
Average Transaction Value*	\$4,509.00
Median Transaction Value*	\$4,509.00

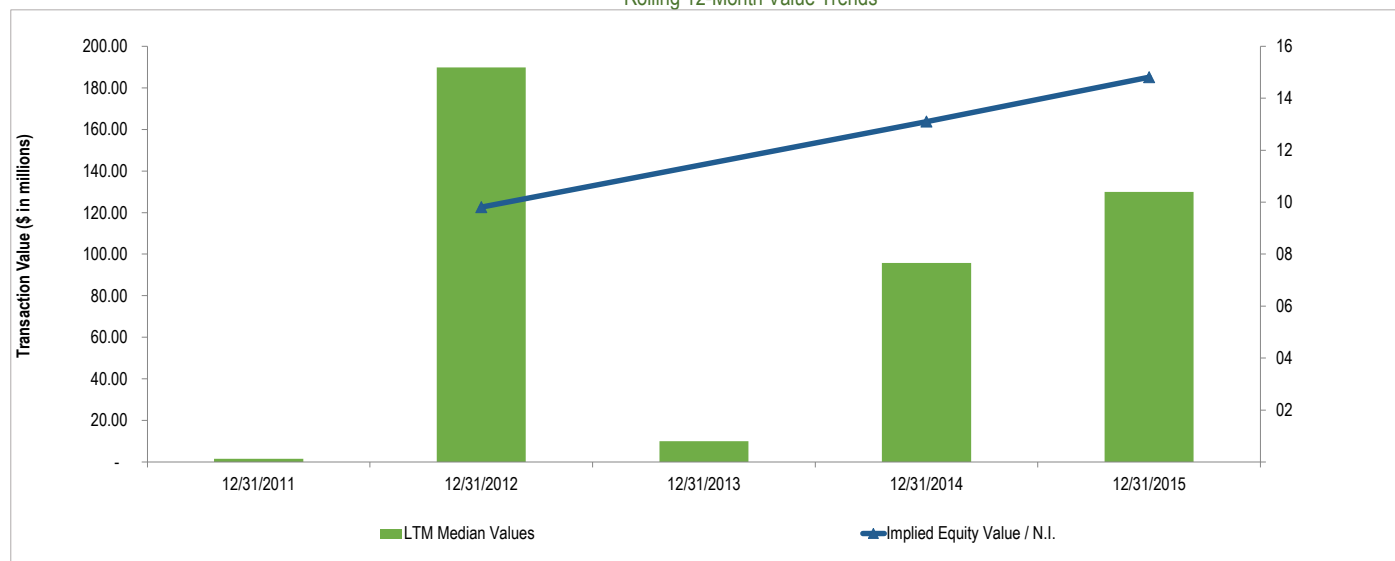
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## Transaction by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value Trends



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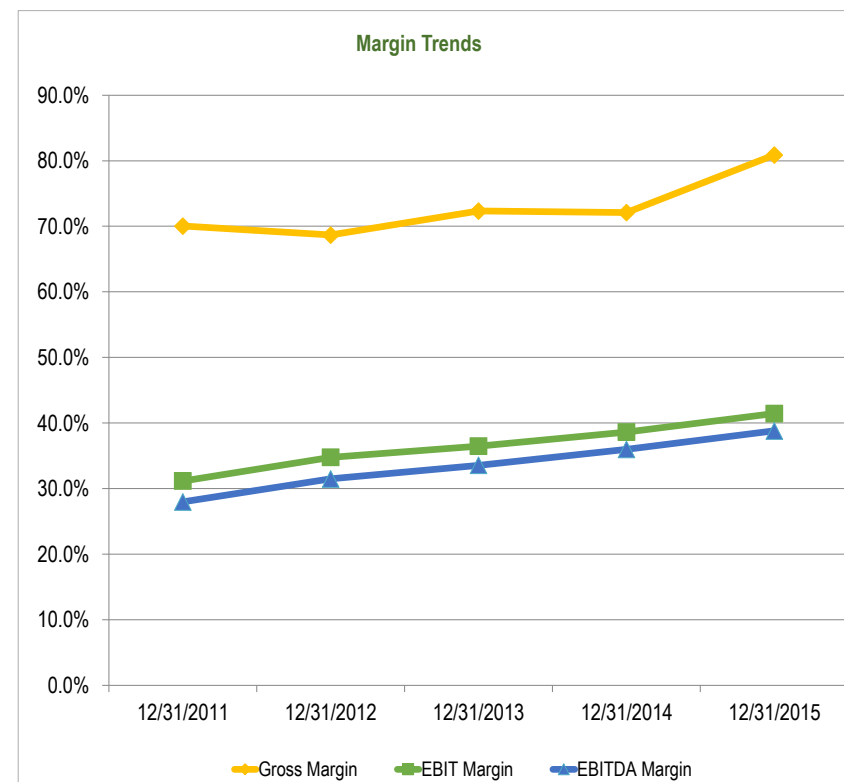
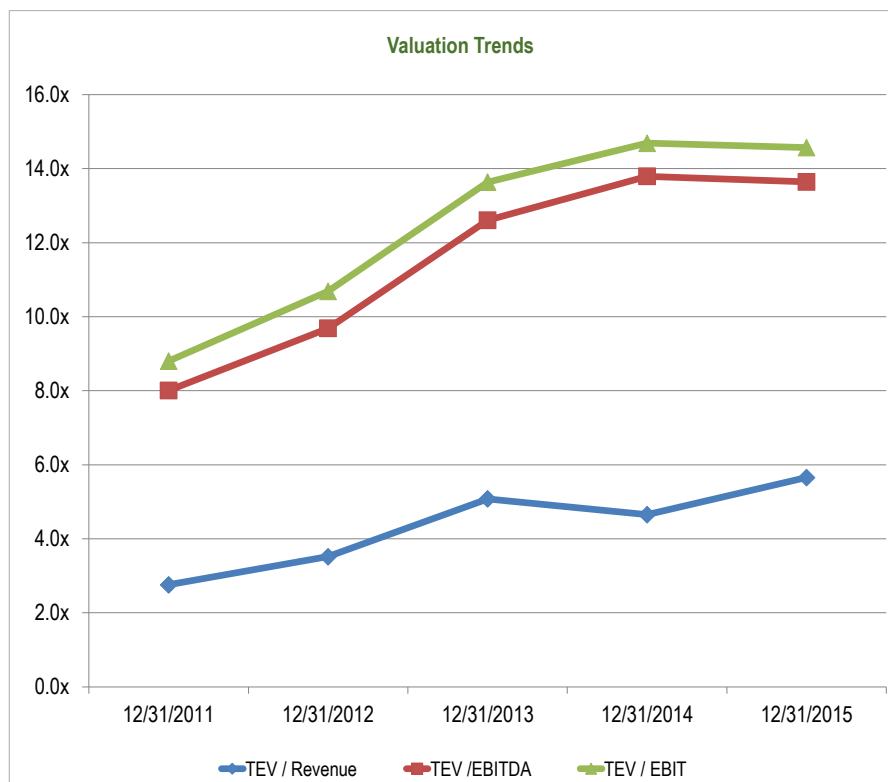
# Credit Agencies and Debt Management Services

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	P/E		
Average	\$5,237	3.9x	3.9x	18.2x	TEV / Revenue	↑
Median	\$271	5.7x	13.6x	14.6x	TEV / EBITDA	↓
					TEV / EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	72.6%	29.2%	27.2%	Gross Margin	↑
Median	80.9%	41.4%	38.8%	EBIT Margin	↑
				EBITDA Margin	↑



Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

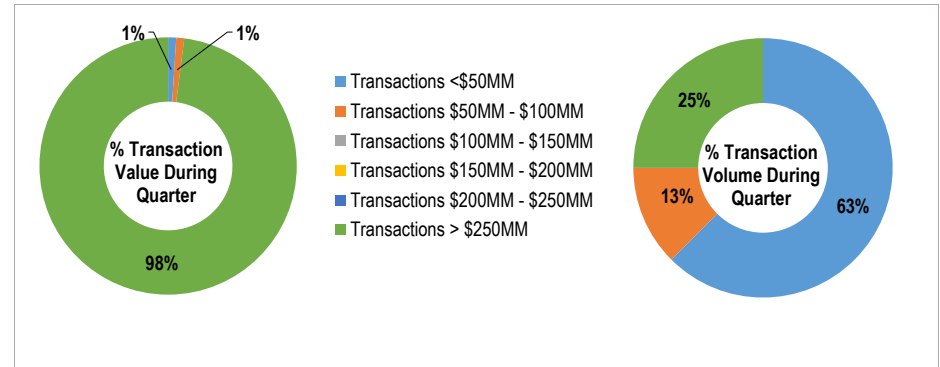


## Summary of Sector Transactions During Quarter (\$ in millions)

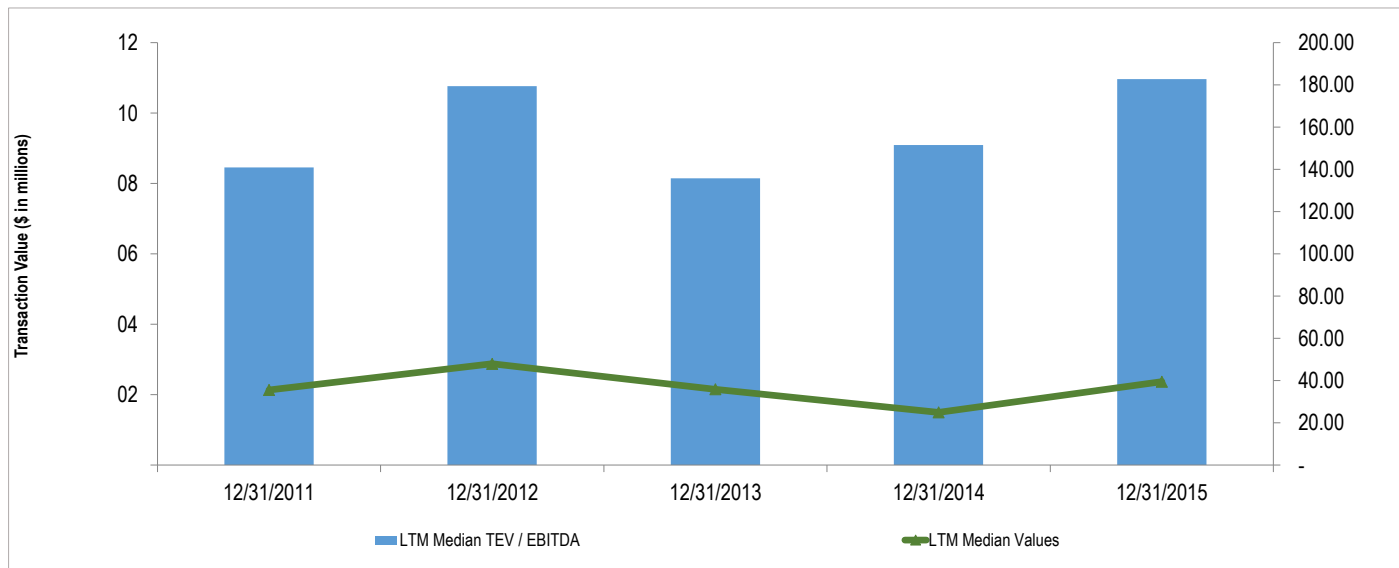
Transaction Volume	29
Number of Transactions with Disclosed Values	8
Transaction Value*	\$9,043.13
Average Transaction Value*	\$1,130.39
Median Transaction Value*	\$31.62

*\*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



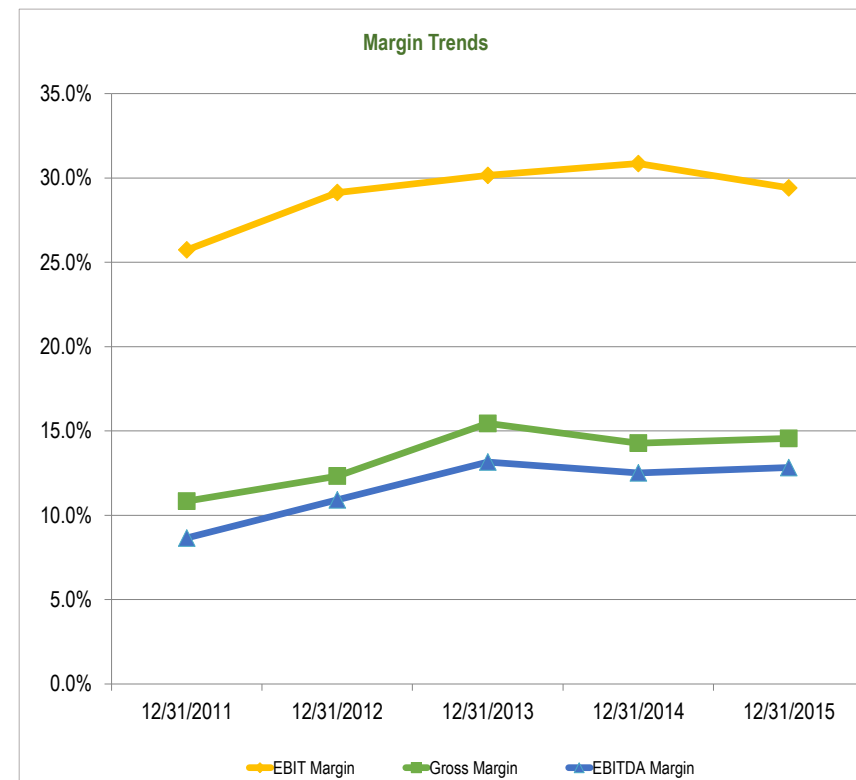
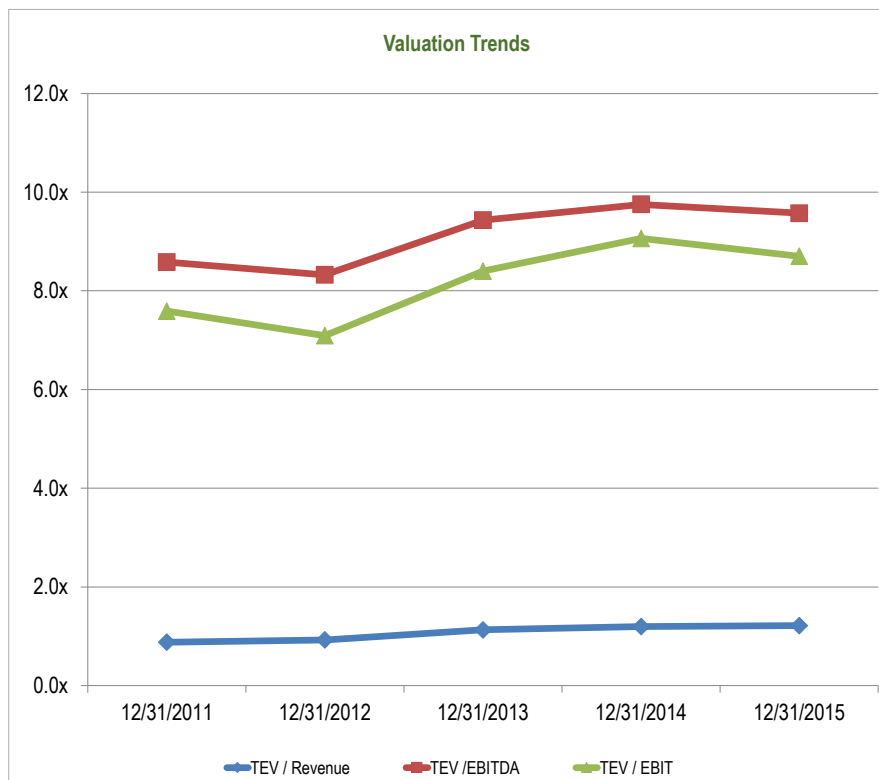
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### Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,366	1.7x	11.8x	13.6x	TEV / Revenue	↑
Median	\$1,448	1.2x	8.7x	9.6x	TEV / EBITDA	→
					TEV / EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	33.0%	17.7%	16.4%	EBIT Margin	↓
Median	29.4%	14.6%	12.8%	Gross Margin	↑
				EBITDA Margin	↑



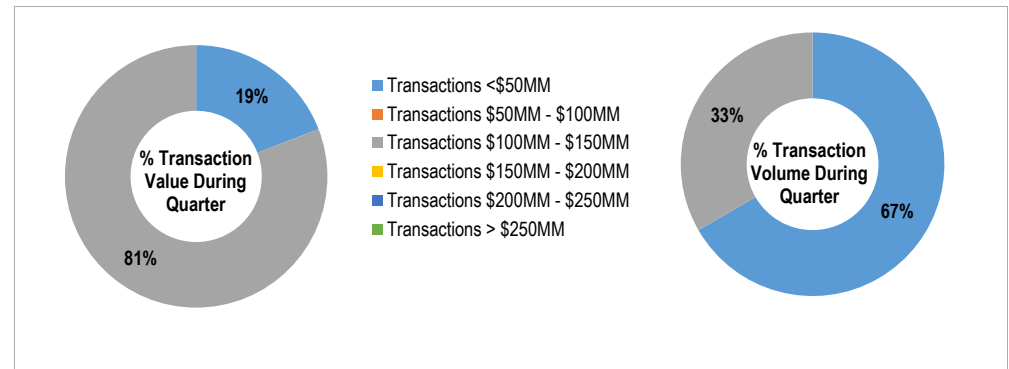
Source: S&P Capital IQ as of 1/25/2016 and PCE Proprietary Data

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

Transaction Volume	46
Number of Transactions with Disclosed Values	3
Transaction Value*	\$160.75
Average Transaction Value*	\$15.37
Median Transaction Value*	\$15.37

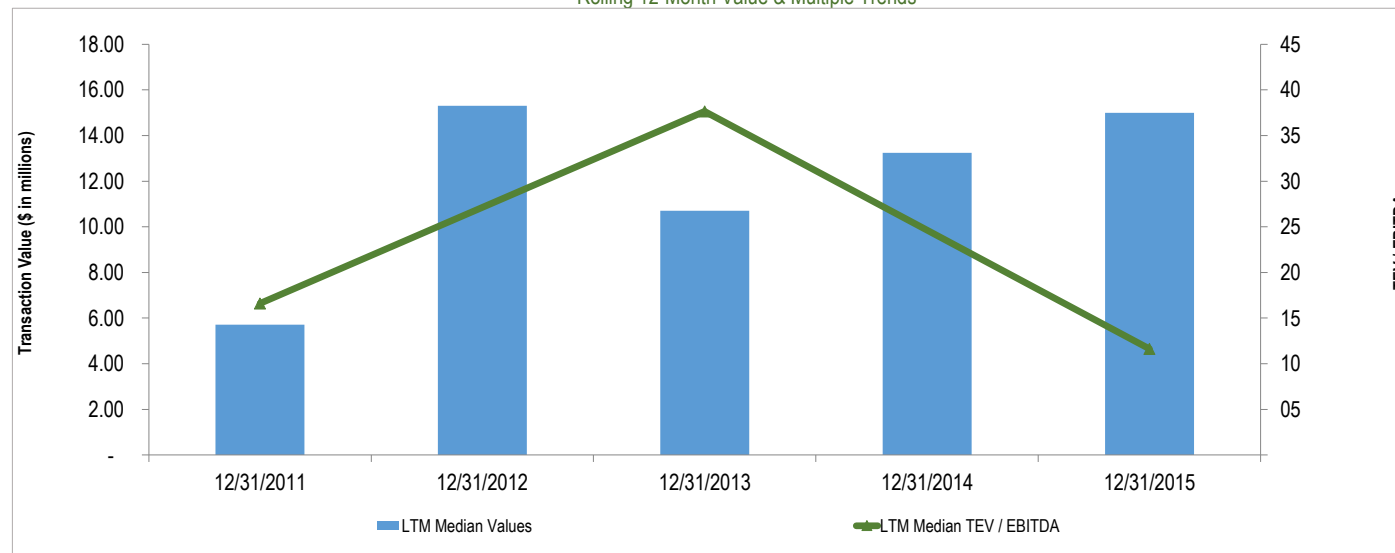
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## Transactions by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends



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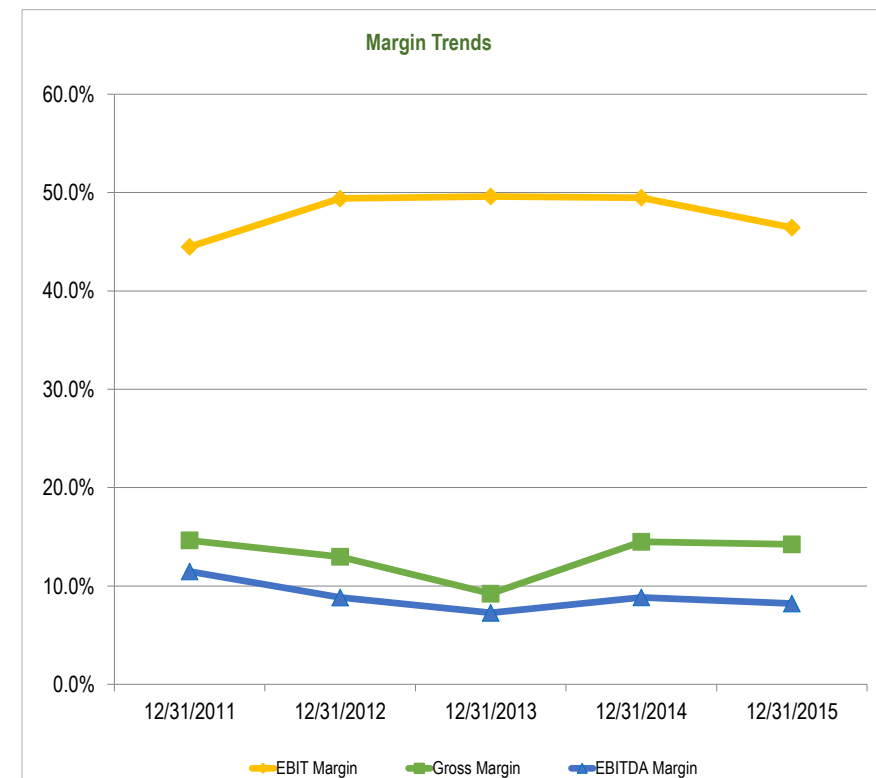
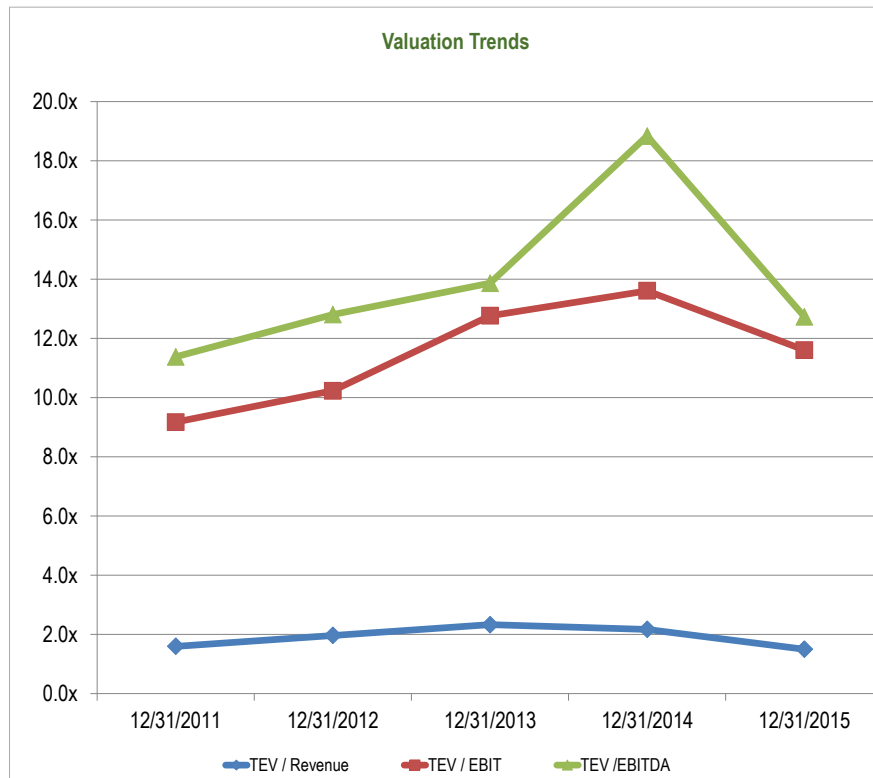
# Insurance Brokers

4th Quarter 2015

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

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,532	1.5x	12.3x	16.9x	TEV / Revenue	↓
Median	\$240	1.5x	11.6x	12.7x	TEV / EBIT	↓
					TEV / EBITDA	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.5%	14.8%	10.4%	EBIT Margin	↓
Median	46.4%	14.2%	8.2%	Gross Margin	↓
				EBITDA Margin	↓



Source: S&P Capital IQ as of 1/25/2016 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/dounded dates only.

### Glossary

EBIT - Earnings Before Interest and Taxes  
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization  
LTM - Last Twelve Months