



# PCE Industry Report

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Banking, Finance & Insurance



## Banking, Finance & Insurance

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### Key Highlights

- The average value of the top ten transactions was \$760.8 mm
  - The largest transaction was the acquisition of IMB Hold Co, LLC by CIT Group Inc. for \$3,375.6 mm.
  - The smallest transaction was the acquisition of Valley Financial Corporation by BNC Bancorp for \$103.7 mm.
- The Banking public company industry median P/BV multiple is 1.2x.
- Excluding Banking, public company industry median TEV/Revenue is 1.84x.
- The Banking public company industry median P/E multiple is 15.7x.
- Excluding Banking, public company industry median TEV/EBITDA is 8.3x.

### Key Trends

- The Diversified & Regional Banks and Credit Agencies & Debt Management Services subsectors' transaction volume are trending positively, while the Insurance and the Insurance Brokers subsector are trending negatively.
- The Insurance Brokers subsector's transaction volume was the largest at 43% of the industry over the past quarter.
- The U.S. dollar is at its strongest level in 2 years and has provided CEO's with a huge strategic advantage when considering potential targets and expansion opportunities abroad.<sup>1</sup>
- Global Banking is increasing as firm are adapting to a global market where the only room for expansion is through M&A into emerging markets especially those with weaker currencies.

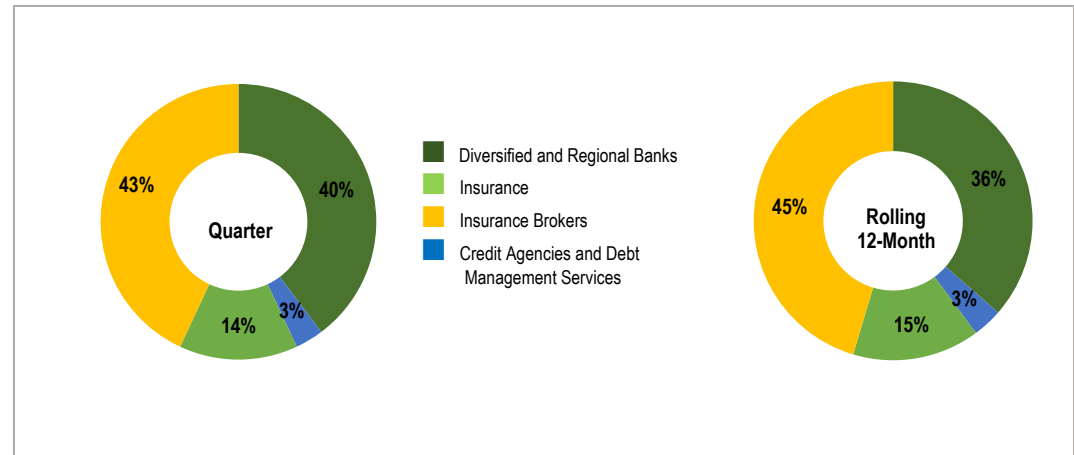
Source: <sup>1</sup> *Investment Banking: 'mega deals' put M&A on brink of record year* . (2015, August), The Australian, Retrieved: October 14, 2015. From: <http://www.theaustralian.com.au/business/mergers-acquisitions/investment-banking-mega-deals-put-ma-on-brink-of-record-year/story-fn91vdzj-1227561099016>

## Industry Trends During Quarter

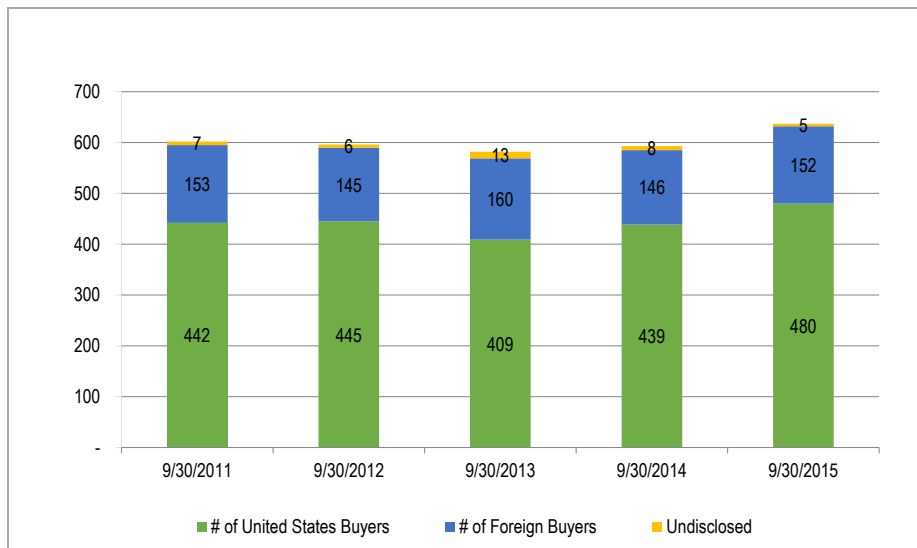
Sector	Transaction Volume	Implied Eq/Rev (P/BV for Banks)	TEV/EBITDA (Implied Equity/N.I. for Banks)
Diversified and Regional Banks	↑	↓	↑
Credit Agencies and Debt Management Services	↑	↓	↑
Insurance	↓	↓	↑
Insurance Brokers	↓	↑	↓

\* 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

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

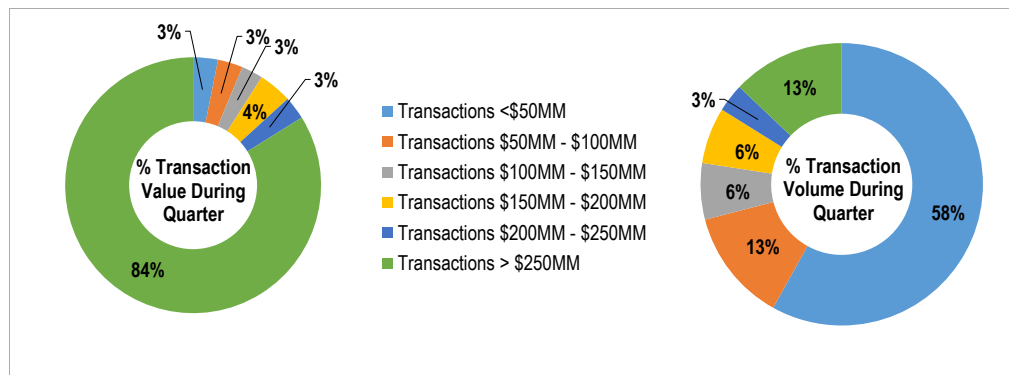
Sector	Target	Buyer	Transaction Value
Diversified & Reg Banks	IMB HoldCo LLC	CIT Group Inc.	\$3,375.6
Diversified & Reg Banks	Susquehanna Bancshares, Inc.	BB&T Corporation	\$2,492.1
Insurance	Meadowbrook Insurance Group, Inc.	Fosun International Limited	\$669.3
Diversified & Reg Banks	Palmetto Bancshares Inc.	United Community Banks, Inc.	\$237.9
Diversified & Reg Banks	LNB Bancorp Inc.	Northwest Bancshares, Inc.	\$180.7
Diversified & Reg Banks	CapitalMark Bank & Trust	Pinnacle Bank (Nashville TN)	\$163.3
Insurance	Warranty Solutions Business	AmTrust Financial Services, Inc.	\$158.0
Diversified & Reg Banks	Asia Bancshares, Inc.	Cathay General Bancorp	\$117.3
Credit Agencies & Debt Mgmt	Oak Street Funding LLC	First Financial Bank, National Association	\$110.0
Diversified & Reg Banks	Valley Financial Corporation	BNC Bancorp	\$103.7

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

Transaction Volume	60
Number of Transactions with Disclosed Values	31
Transaction Value*	\$8,155.74
Average Transaction Value*	\$255.52
Median Transaction Value*	\$19.09

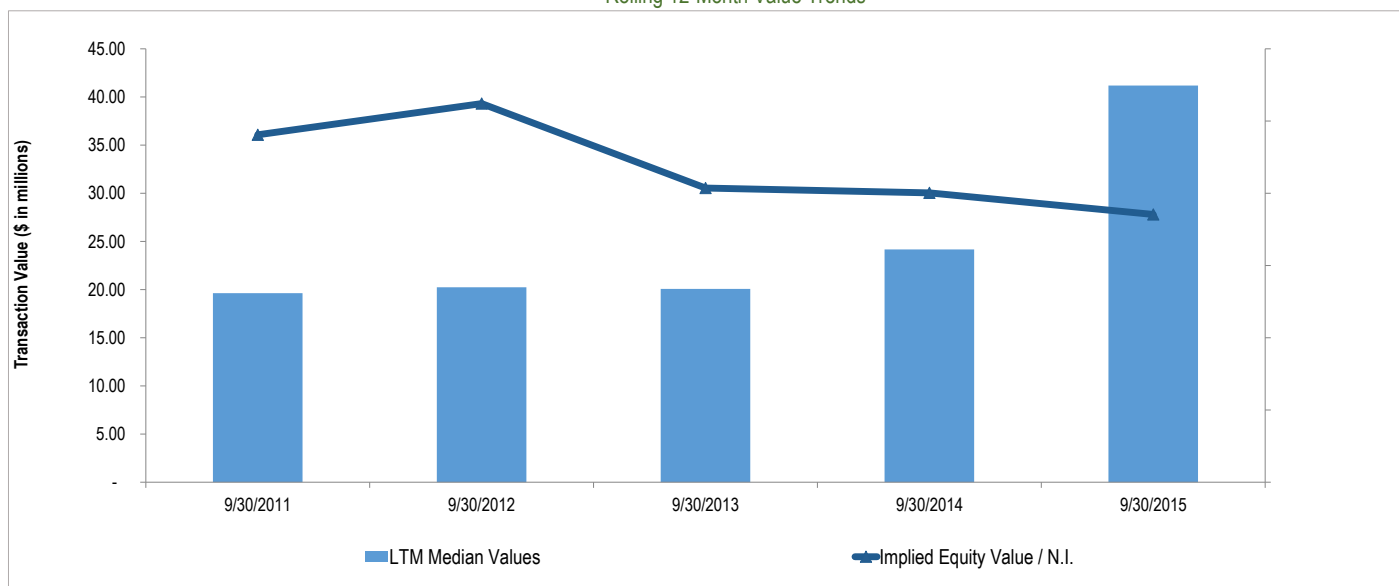
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## Transactions by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value Trends



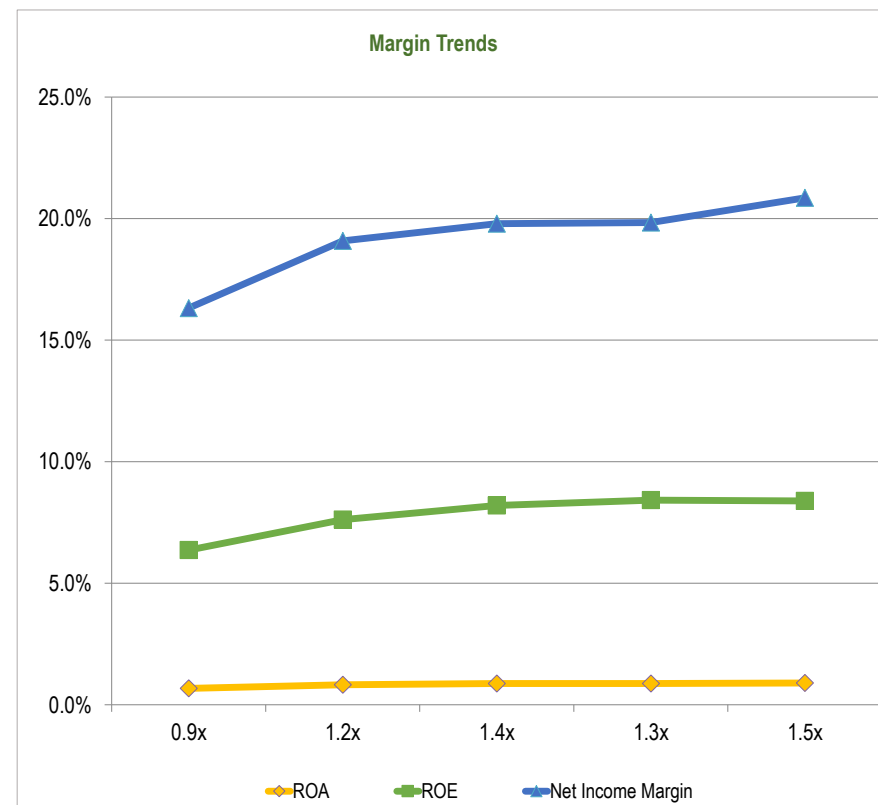
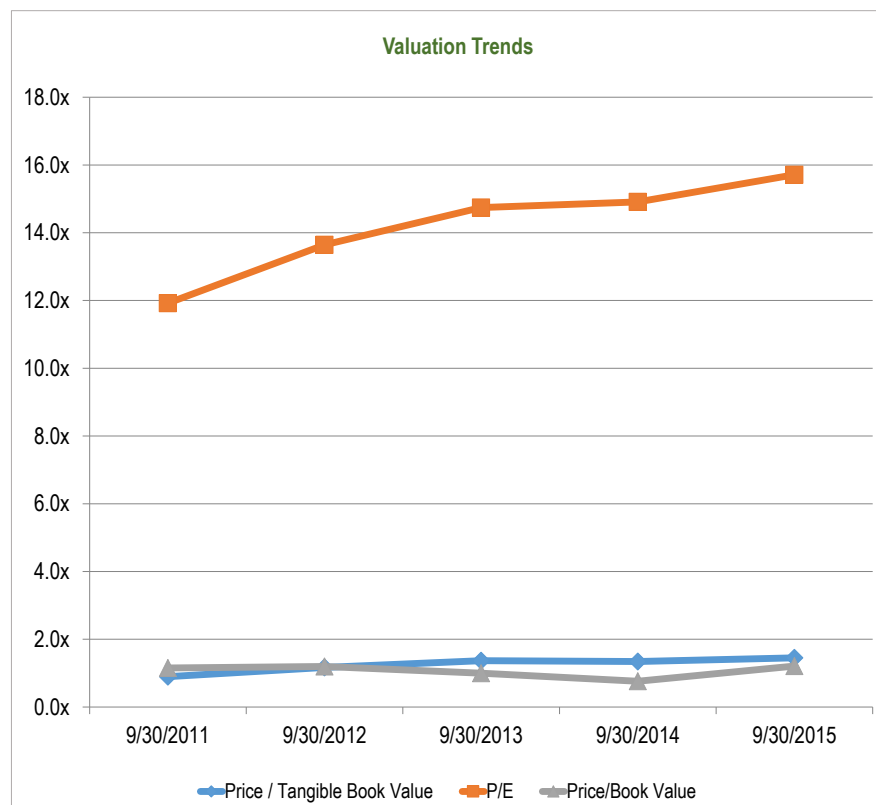
\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	P/TBV	P/BV	P/E		
Average	\$4,083	1.5x	1.3x	18.8x	P/TBV	↑
Median	\$352	1.5x	1.2x	15.7x	P/BV	↑
					P/E	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	ROA	ROE	Net income		
Average	0.90%	8.35%	21.19%	ROA	↑
Median	0.90%	8.39%	20.85%	ROE	↓
				Net Income Margin	↑



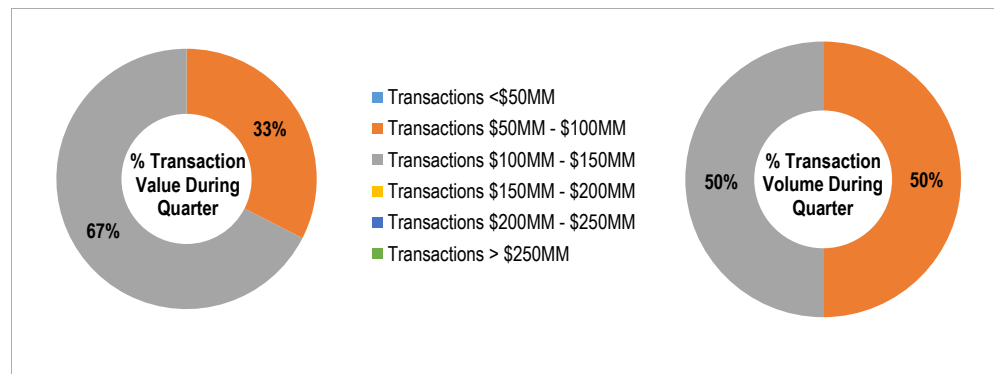
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	5
Number of Transactions with Disclosed Values	2
Transaction Value*	\$163.00
Average Transaction Value*	\$81.50
Median Transaction Value*	\$81.50

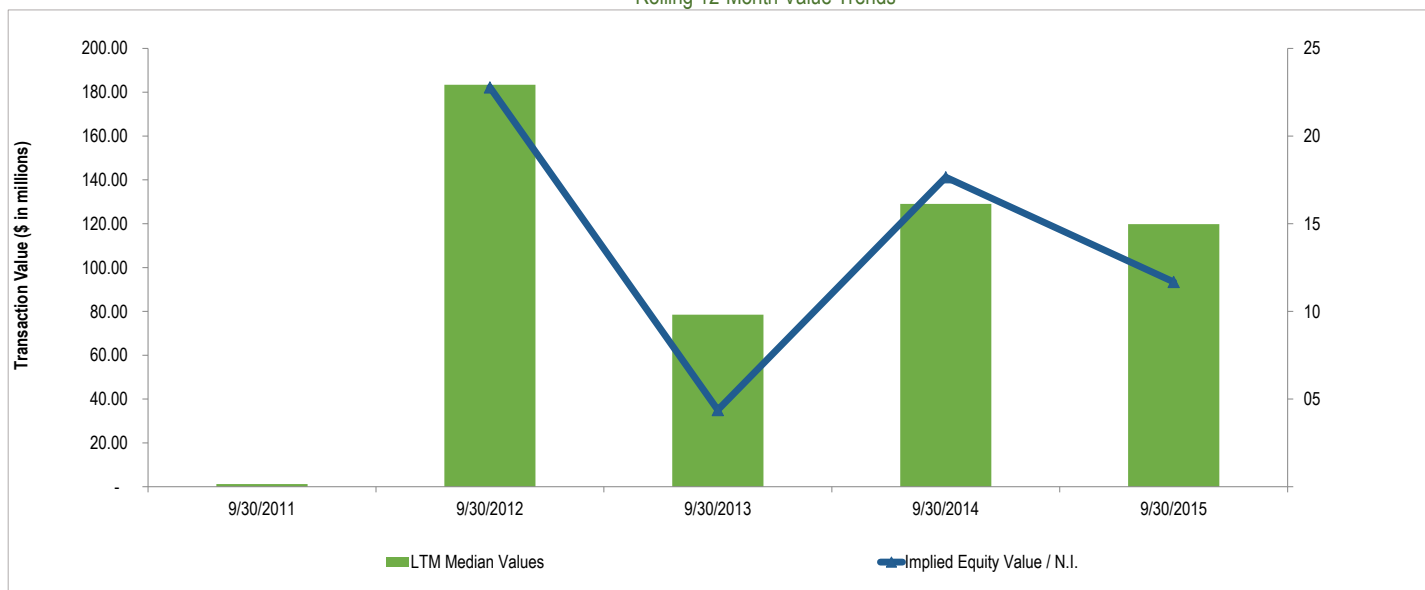
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## Transaction by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value Trends



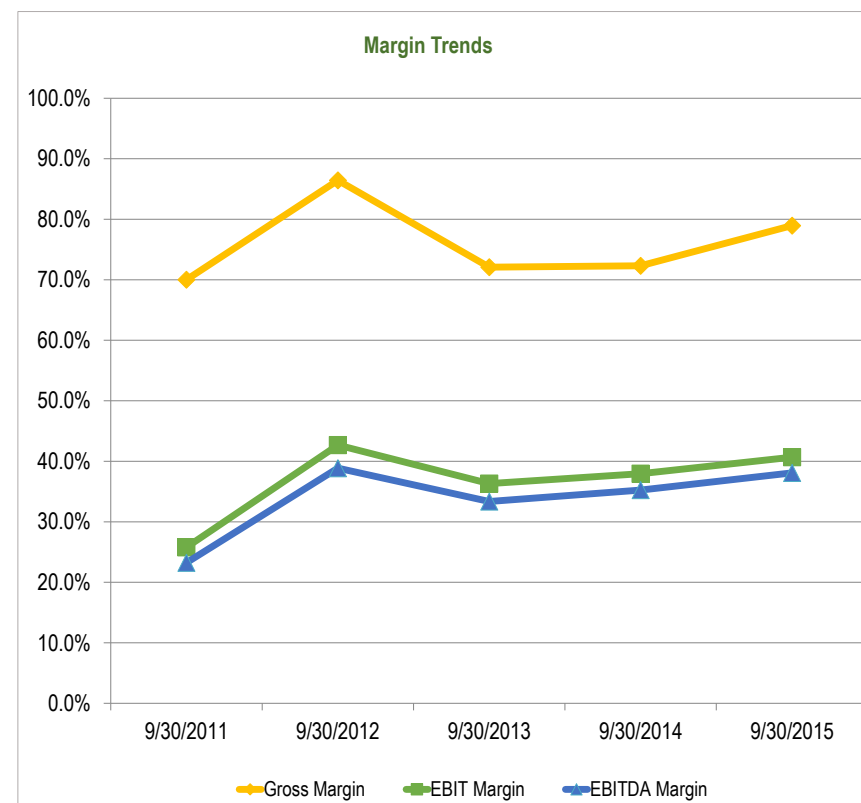
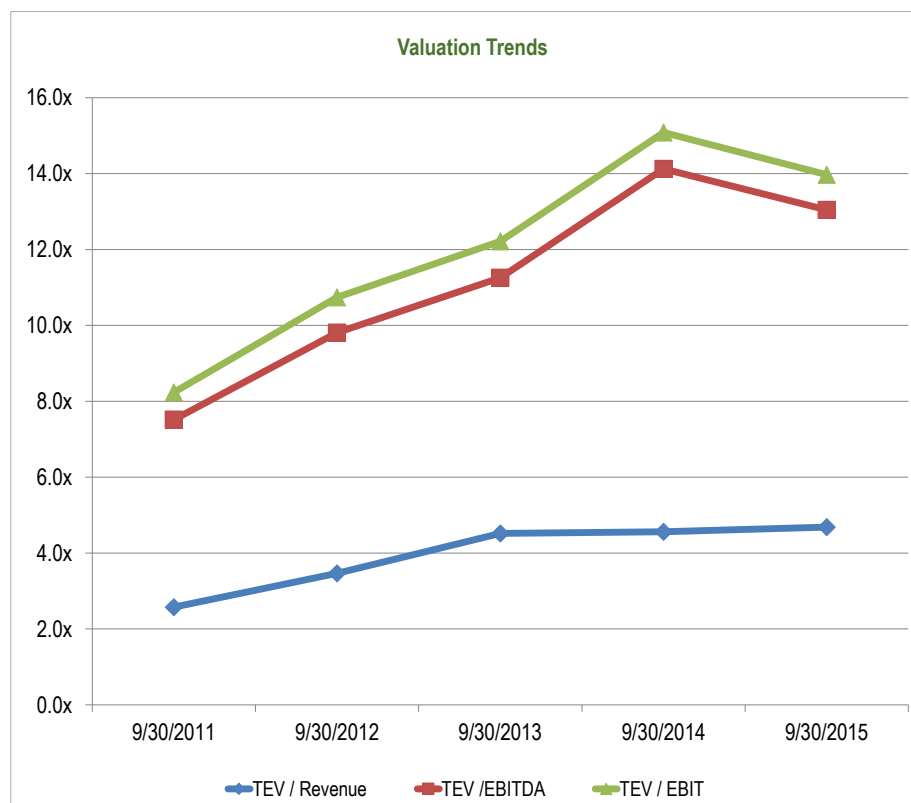
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## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	P/E		
Average	\$5,871	3.6x	3.6x	20.3x	TEV / Revenue	↑
Median	\$321	4.7x	4.7x	14.0x	TEV / EBITDA	↓
					TEV / EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	74.2%	28.9%	27.0%	Gross Margin	↑
Median	79.0%	40.7%	38.1%	EBIT Margin	↑
				EBITDA Margin	↑



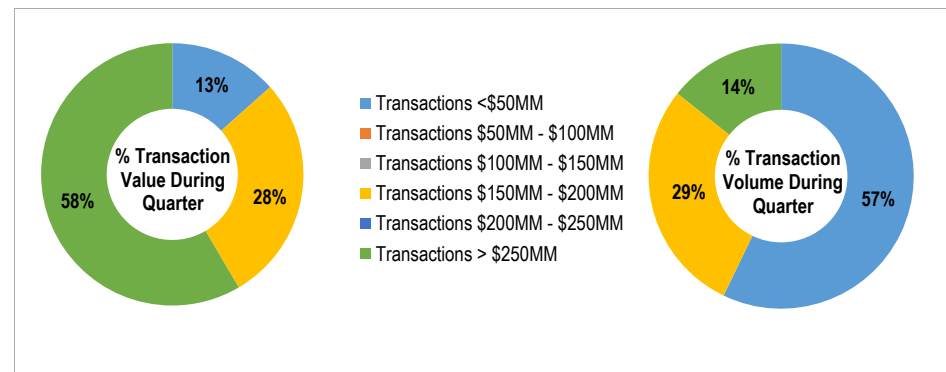
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	21
Number of Transactions with Disclosed Values	7
Transaction Value*	\$1,144.76
Average Transaction Value*	\$163.46
Median Transaction Value*	\$42.00

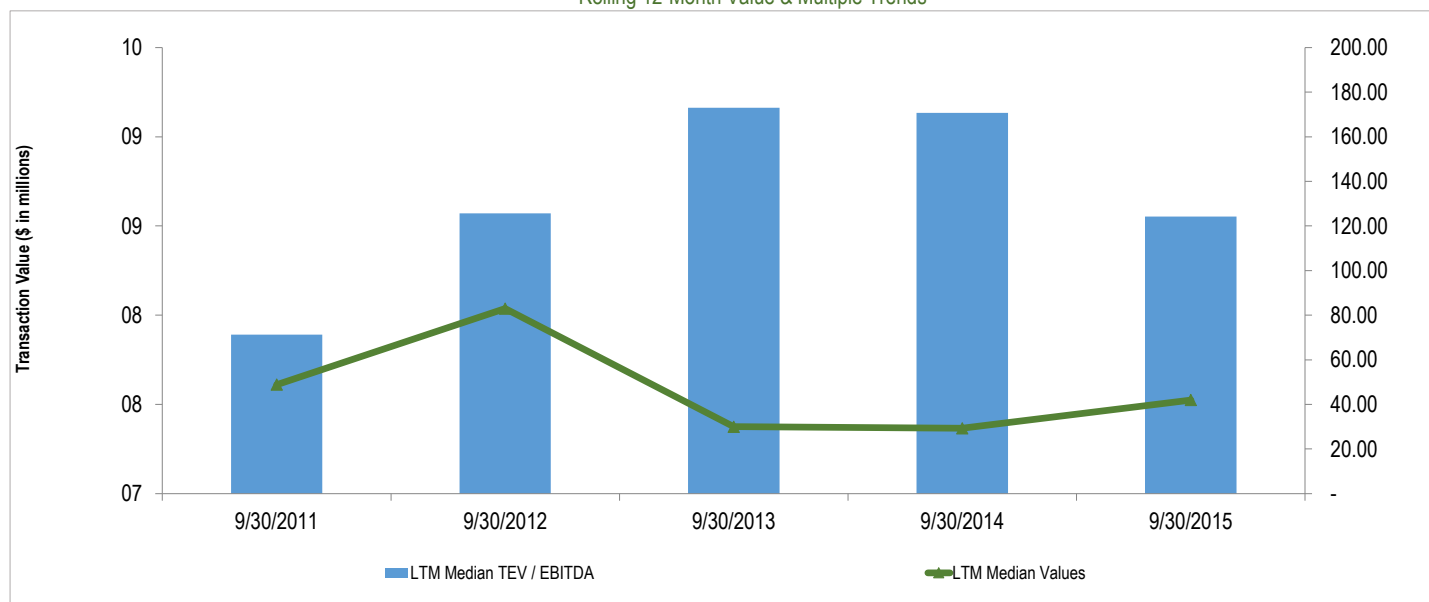
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### Transactions by Value & Volume



### Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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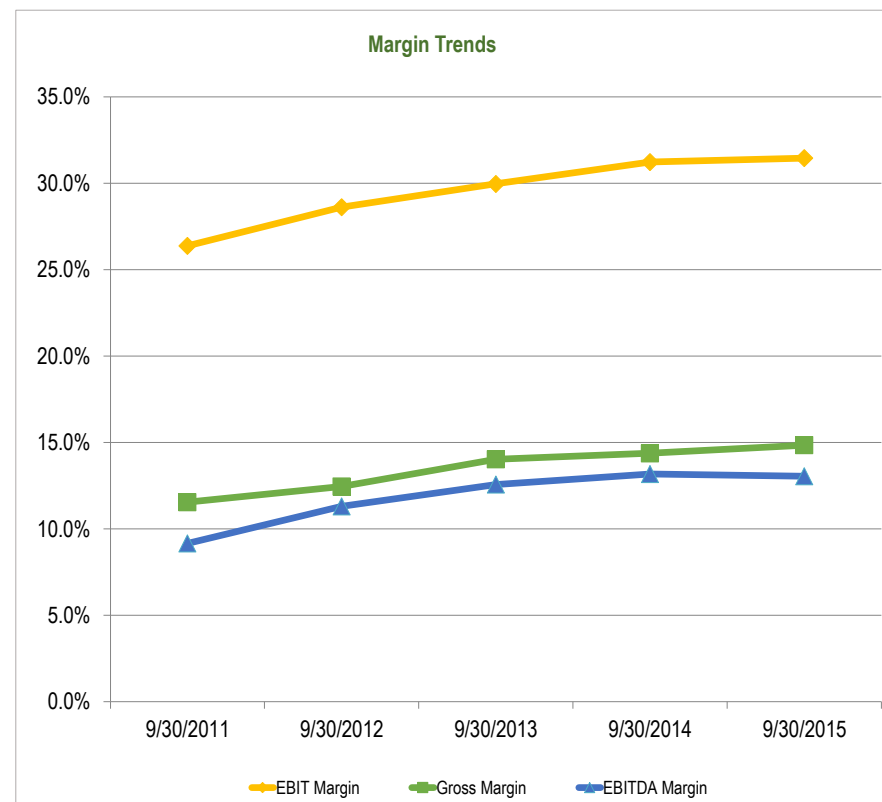
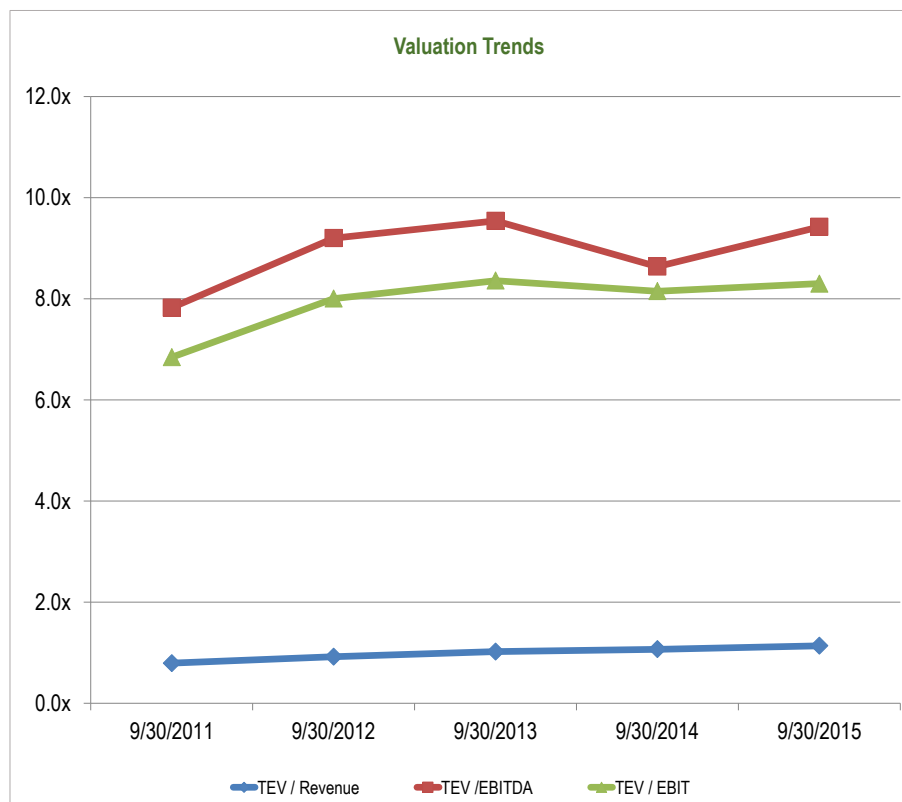
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data



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

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,598	1.7x	8.9x	10.4x	TEV / Revenue	↑
Median	\$1,877	1.1x	8.3x	9.4x	TEV / EBITDA	↑
					TEV / EBIT	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	33.0%	17.4%	16.2%	EBIT Margin	↑
Median	31.5%	14.8%	13.0%	Gross Margin	↑
				EBITDA Margin	↓



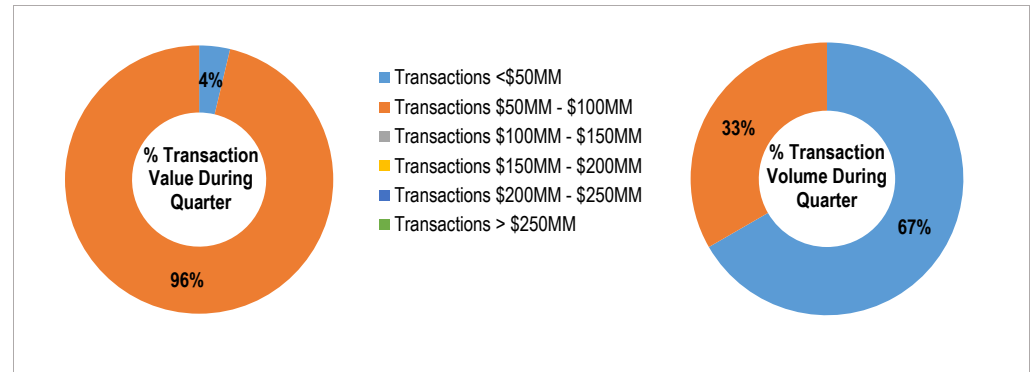
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	65
Number of Transactions with Disclosed Values	3
Transaction Value*	\$98.67
Average Transaction Value*	\$1.83
Median Transaction Value*	\$1.83

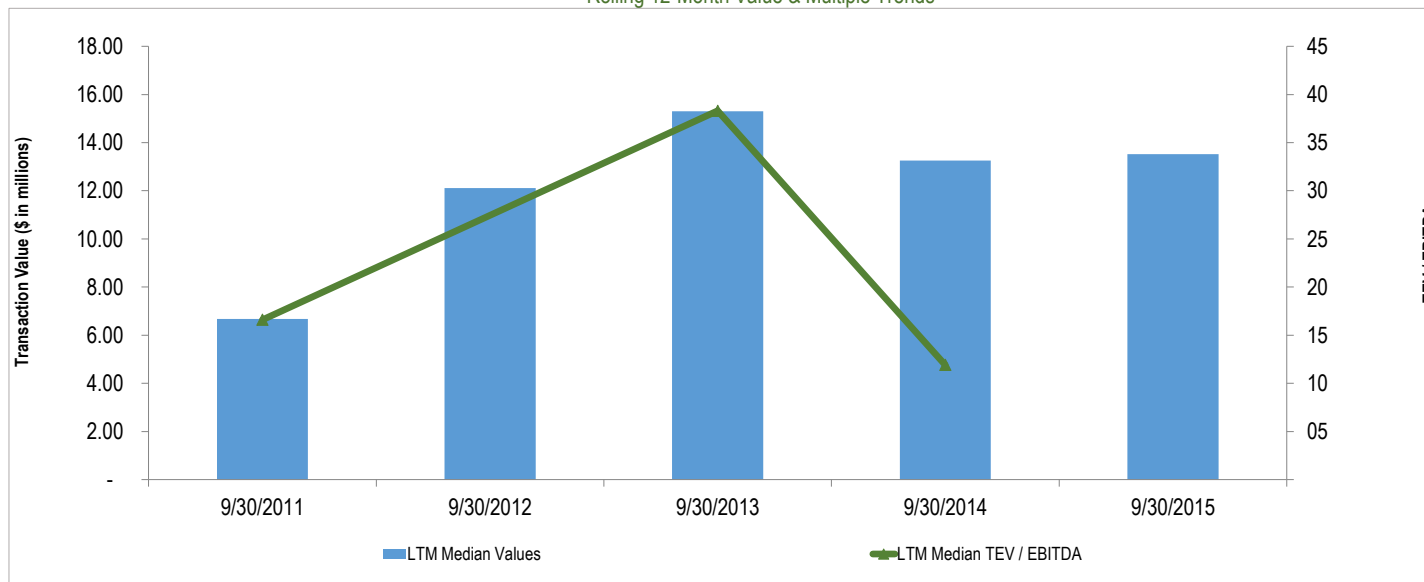
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## Transactions by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value & Multiple Trends



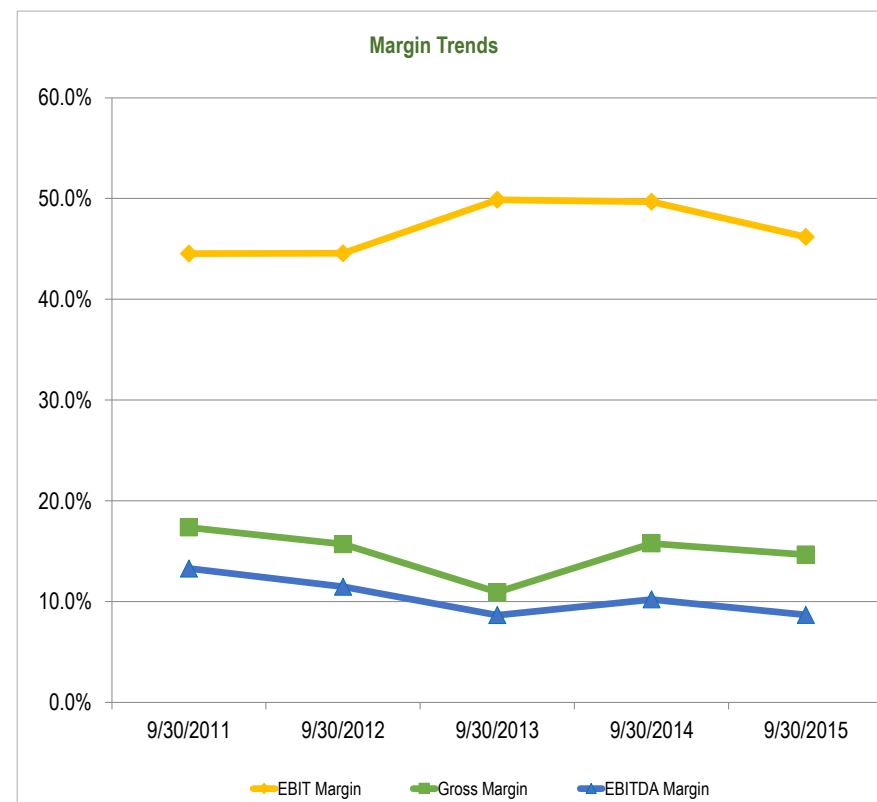
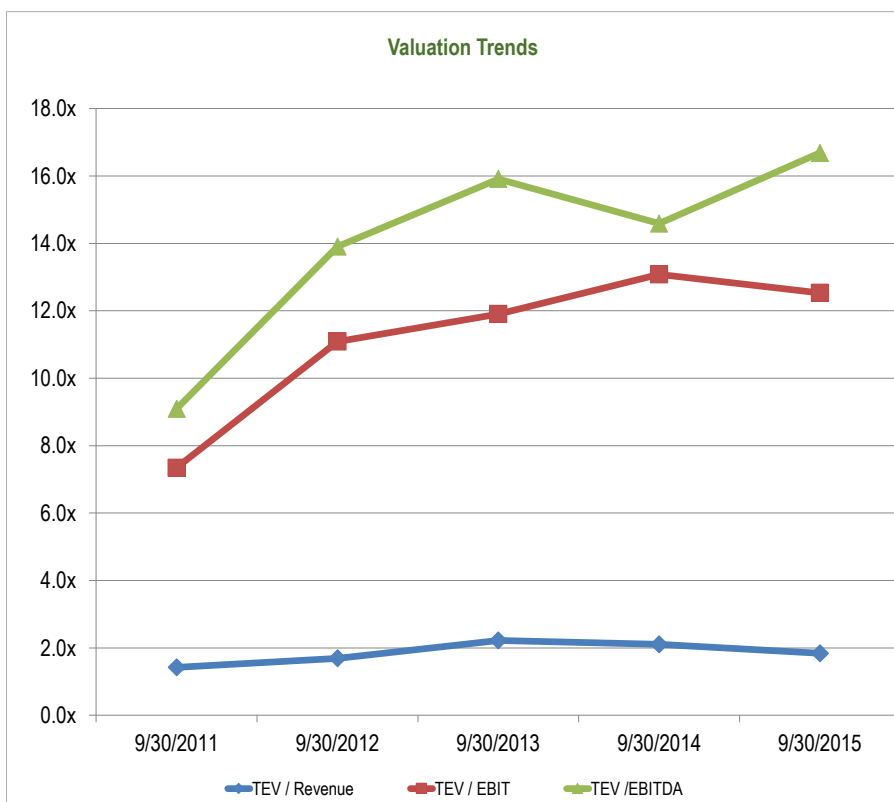
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## Summary of Public Comparables as of Quarter End (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,882	1.8x	14.0x	23.2x	TEV / Revenue	↓
Median	\$371	1.8x	12.5x	16.7x	TEV / EBIT	↓
					TEV / EBITDA	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.5%	14.9%	10.5%	EBIT Margin	↓
Median	46.2%	14.7%	8.7%	Gross Margin	↓
				EBITDA Margin	↓



Source: S&P Capital IQ as of 11/3/2015 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:

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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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### PCE Locations

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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/done dates only.

### Glossary

EBIT - Earnings Before Interest and Taxes  
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization  
LTM - Last Twelve Months  
TEV - Total Enterprise Value