

FINANCIAL SERVICES

FIRST QUARTER

2019

The Financial Services Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Financial Services category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Financial Services M&A

M&A activity for North American based target companies in the Financial Services sector for Q4 2018 included 208 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was closed in December when Stone Point Capital, LLC acquired Rialto Capital Management, LLC from Lennar Corp for US\$340 million. The acquisition enables Stone Point Capital to further expand its business portfolio. Rialto Capital Management is located in Miami, Florida and acts as an alternative investment manager. Stone Point Capital is a global private equity firm located in Greenwich, Connecticut that manages the Trident Funds.

Financial institutions continue to rely more and more on digital marketing to generate customers. By 2019, eMarketer estimates that the US financial industry will spend over \$10 billion annually on digital advertising.

Transactional Overview

Notable closed lower middle market transactions for the period in the Financial Services sector include:

December 2018 - Wintrust Financial Corp acquired Chicago Deferred Exchange Co LLC, a portfolio company of Prairie Capital LP, for US\$51.9 million in cash. The acquisition enhances Wintrust Financial's service offerings. Wintrust Financial operates as a bank holding company that engages in the provision of banking and financial services. Chicago Deferred Exchange Co. provides intermediary and trust services. The firm provides qualified intermediary and exchange accommodation titleholder services to investors. The company was founded in 1989 and is headquartered in Chicago, IL.

December 2018 - NCR Corp acquired JetPay Corp for US\$79.5 million in cash, via tender offer. Under the terms of the agreement, NCR Corp would pay US\$5.05 in cash for each share of JetPay Corp. NCR Corp. engages in the development and sale of consumer transaction solutions.



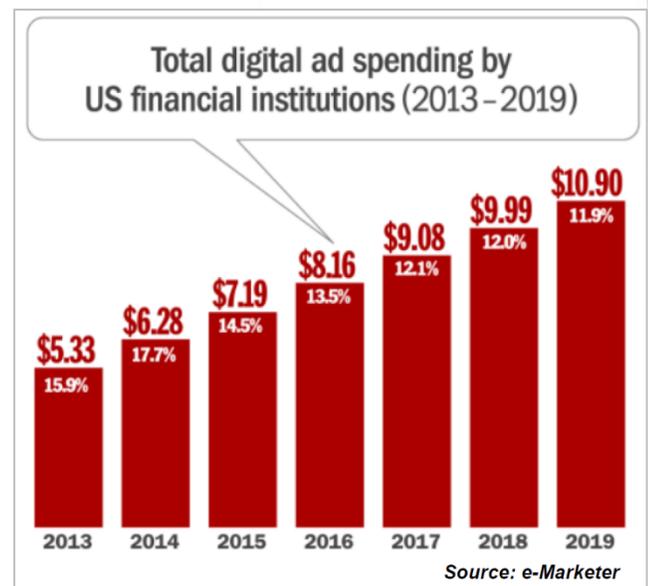
MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

Corporate Finance Associates
24461 Ridge Route, Suite A200
Laguna Hills, CA 92653

For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

info@cfaw.com
www.cfaw.com



JetPay Corp. engages in the provision of payment services, which includes debit and credit card processing, payroll, and human capital management services, and card services to businesses and their employees throughout the United States. The company was founded in 2010 and is headquartered in Center Valley, PA.

November 2018 - TP ICAP Plc acquired Atlas Commodity Markets LLC from CME Group Inc for US\$29.1 million in cash, contingent payout and future payout. TP ICAP Plc operates as an intermediary in wholesale financial markets facilitating the trading activities of its clients, in particular commercial and investment banks. Atlas Commodity Markets LLC provides wholesale and financial brokerage services. It offers natural gas, petroleum, power, biofuels, and grains. The company was founded in 2006 and is headquartered Houston, TX.

| Selected Q1 Closed Transactions | |
|---------------------------------|---------------------------------------|
| Target/Issuer | Buyers/Investors |
| Douglas Elliman Realty LLC | New Valley LLC |
| Avon-Dixon Agency, Inc. | Avon-Dixon, an Alera Group Agency LLC |
| Leerink Holdings LLC | Silicon Valley Bank |
| Kohlberg & Co LLC | LibreMax Capital LLC |
| Apollo Aviation Group LLC | The Carlyle Group LP |
| Veneto Holdings LLC | Nugenerex Distribution Solutions LLC |
| QuoteWizard.com LLC | LendingTree, Inc. |
| 19th Capital Group LLC | Element Fleet Management Corp. |

Industry Update

Robo advisers, new digital tools, and a generational shift are factors driving down the price investors are willing to pay humans for financial advice, according to The Wall Street Journal. The investment advisory industry so far has largely escaped the "race to zero" fees that mutual funds, index funds, and other financial services have been facing, but that is beginning to change. For example, major player Morgan Stanley has lowered the maximum fee its human advisers can charge clients from 2.5% to 2% of assets annually, while fees for advice at other companies are falling to less than 1%. That's a big drop from existing fees; currently, the bulk of investors with \$1.5 million or less pay human advisers between 1% and 1.5% of their assets annually, according to Boston-based research firm Cerulli Associates. Meanwhile, Vanguard Group charges 0.3% for its robo adviser service. Lack of disclosure and the fragmented nature of the investment advisory business have helped to prop up fees until now. However, as tech-savvy millennials begin to inherit their parents' assets, they're questioning the traditional relationship-based nature of the investment advisory industry and exerting pressure on it to lower fees.

Industry Indicators

- US corporate profits, an indicator of corporate demand for financial planning and investment advising, rose 10.3% in the third quarter of 2018 compared to the same period in 2017.
- The bank prime loan rate, a tool for financial planners and investment advisers was 5.25% as of the week of December 12, 2018, up from a rate of 4.5% the same week in 2017.
- US personal income, which is a driver for financial planning and investment services, rose 4.3% in October 2018 compared to the same month in 2017.
- Total US revenue for other financial investment activities, which includes financial planners and investment advisors, rose 4.9% in the third quarter of 2018 compared to the previous year.

The Financial Services Industry Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Financial Services Practice Group provides M&A advice to independent and integrated financial companies in all sectors of the financial services industries, including property and casualty insurance services, life and health insurance services, third party administrators, commercial real estate and project financing. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, please call your local Corporate Finance Associates office.

