



# Canadian Financial Services

**M&A Quarterly Newsletter:  
Q4 – 2019**



# Canadian Financial Services – Deal Advisory Update

## Executive Summary

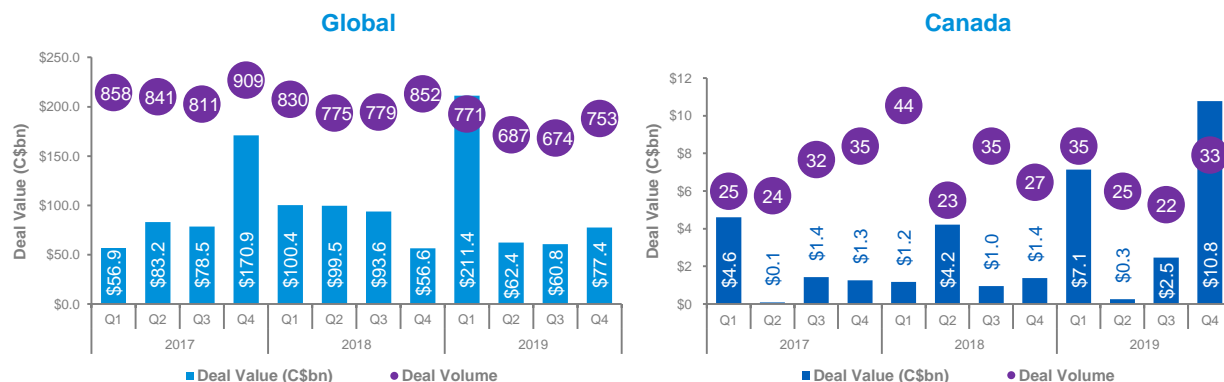
Global M&A activity in 2019 was robust and surpassed many historical benchmarks with the year capping out at US\$3.9 trillion – the fourth biggest year for M&A deal value since records began in 1980. The year was bolstered by a strong Q4 2019 which saw a 30% increase compared to Q3 2019 making it the strongest final quarter in the last four years. Mega deals (greater than US\$10 billion) were a significant driver of activity as deal value increased by 28% compared to 2018 and accounted for the largest percentage (31%) of total deals since 2015. <sup>(1)</sup>

The financial services sector has continued to experience its share of activity with 753 transactions globally. Though global deal volume declined by 10.8 percent compared to 2018, deal value was up C\$62 billion in 2019 compared to the prior year. The payments sector had the largest transaction of the year and comprised three of the top five deals in 2019 including Fidelity National Information System’s acquisition of Worldpay Inc. (C\$47.2 billion), the merger of Global Payment Inc. and Total System Services, Inc. (C\$29.8 billion), and Fiserv’s Inc.’s acquisition of First Data Corporation (C\$29.0 billion). Focusing specifically on Q4 2019, global deal value increased by approximately 27 percent compared to Q3 2019.

Canadian financial services deal activity in Q4 2019 increased over the prior year with 32 transactions across the sector. Activity was concentrated within the insurance sectors which comprised 19 transactions and C\$10.2 billion of deal value in the quarter. Asset & Wealth Management and the Banking sector also exhibited an increased number of transactions. Notable Canadian transactions included Power Corporation of Canada’s consolidation of Power Financial Corporation (C\$8.0 billion), OMERS Administration Corporation’s acquisition of a minority stake in RiverStone Insurance (UK) Limited (C\$735.1 million), and Sun Life Financial Inc.’s acquisition of majority equity share of InfraRed Capital Partners (C\$518.3 million).

The outlook for 2020 is uncertain due to the unknown short- and long-term impact of the COVID-19 virus. Our experience on the ground is that M&A transactions that are well progressed, appear to be moving forward. Though there are likely potential risks to the downside.

## Financial Services Industry M&A Activity: Q1’2017 – Q4’2019 <sup>(2) (3)</sup>



Source(s): SNL and KPMG research

Note: (1) Refinitiv FY2019 global mergers and acquisitions data

(2) Q4 2019 includes deals from Oct 01, 2019 to Dec 31, 2019

(3) Based on transaction values disclosed in SNL database only

# Insurance

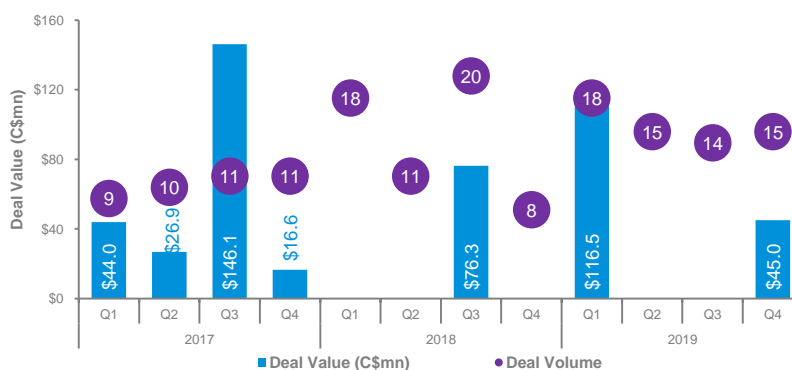
## Distribution and Services

The Canadian Insurance Brokerage space has experienced more activity in Q4 2019 than any of two previous years. Deal volume exceeded Q4 2018 by 75 percent. Transactions continued to be led by serial acquires with a small number of buyers featuring in multiple transaction during the year. Consistent with previous quarters, buyers are focusing acquisitions to build scale and specialization. Group benefits continued to be an active niche for transactions.

M&A activity in Q4 2019, included:

- Hub International Ltd. acquired PDF Financial Group Inc., ProCorp Financial Inc., R Bruce Inc., Regency Advisory Corporation and W.R. Carey Corporation;
- The employee ownership group of the Storm Group of Companies acquired Axxium Assurance Inc.;
- FFI Holdings PLC (through its subsidiary Reel Media LLC) acquired the remaining 50% stake in Reel Media Canada Inc., a provider of insurance products and services to the entertainment sector;
- Arthur J. Gallagher & Co. acquired Sinclair Billard and Weld Ltd. and CJM Solutions + Inc.;
- Brown & Brown Programs (CA), Inc. agreed to acquire Special Risk Insurance Manager Ltd.;
- Archway Insurance Inc. acquired Groom Insurance Limited, a provider of general and commercial insurance brokerage services;
- Navacord Corp. acquired SmartChoice Benefits Inc.;
- People Corporation acquired the Apri Group of Companies, an Ontario, Canada-based group benefits consulting firm for C\$ 45million;
- Rogers Insurance received an equity investment from CapriCMW Insurance Services, the Vernon, British Columbia-based insurance company;
- Jones DesLauriers Insurance Management Inc. (as part of Navacord Corp.) acquired Waypoint Insurance Services Inc.; and
- BrokerLink has acquired Buckley Insurance Brokers, a Newmarket, Ontario-based insurer focused on the home, auto and commercial segments. <sup>(1)</sup>

**Insurance Distribution and Services - M&A Activity: Q1'17 – Q4'19 <sup>(2)</sup>**



Source(s): SNL and KPMG research

Note: (1) Transaction was not included in the SNL database, information sourced from acquirer press release

(2) Based on transaction values disclosed in SNL database only

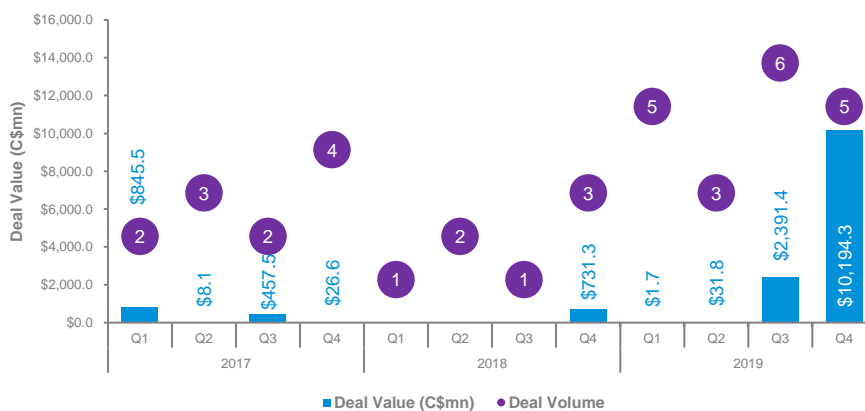
# Insurance (cont.)

## Underwriting

Deal value significantly increased for the second consecutive quarter to C\$10.2B in Q4 2020. The increase was led primarily by the internal reorganization of Power Corporation:

- Power Corporation of Canada agreed to acquire remaining 35.9 percent stake in Power Financial Corporation from Power Financial Corporation’s minority shareholders for C\$8.0 billion;
- FFHL Group Limited acquired 49.6 percent stake in Public Joint Stock Company Insurance Company Universalna, a provider of insurance products to individual and corporate clients in Ukraine and internationally;
- OMERS Administration Corporation agreed to acquire 40 percent stake in RiverStone Insurance (UK) Limited, from Fairfax Financial Holdings Ltd. for C\$735.1 million;
- Canadian pension funds Caisse de dépôt et placement du Québec (“CDPQ”) and Ontario Teachers’ Pension Plan (“OTPP”) have invested C\$500 million in Constellation Insurance Holdings. The Constellation platform aims to invest in North American based P&C and life insurance companies<sup>(1)</sup>; and
- iA Financial Group agreed to acquire Austin, Texas-based IAS Parent Holdings, Inc. (IAS) and its subsidiaries for approximately C\$960 million. IAS is an independent provider of vehicle warranty solutions. <sup>(1)</sup>

Insurance Underwriting - M&A Activity: Q1'17 – Q4'19 <sup>(2)</sup>



Source(s): SNL and KPMG research

Note: (1) Transaction was not included in the SNL database, information sourced from acquirer press release  
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# Asset & Wealth Management

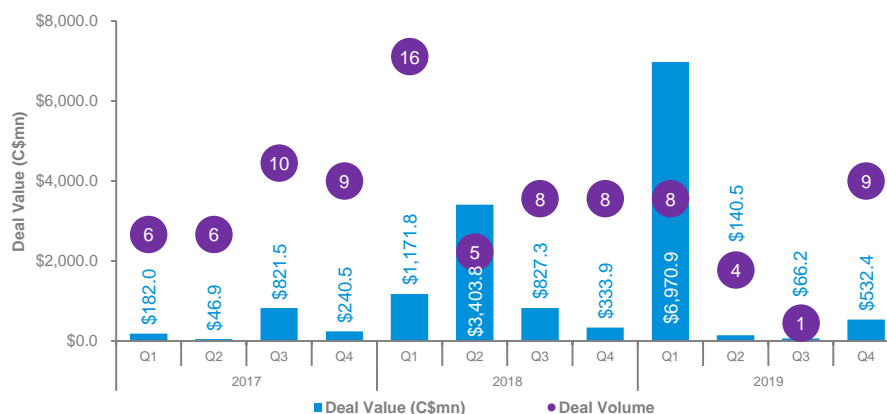
## Asset & Wealth Management

The Canadian Asset & Wealth Management sector experienced an increase in M&A activity after lows in the last two quarters with deal volume surpassing at its highest level since Q1 2018. Four of the transactions were undertaken by CI Financial Corp..

In Q4 2019, Asset & Wealth management transactions included:

- CI Financial Corp. acquired a majority stake in Surevest Inc., a Phoenix-based registered investment advisory firm. CI Financial also agreed to acquire One Capital Management, LLC, WisdomTree Asset Management Canada, Inc and an Undisclosed U.S. based registered investment advisor;
- Focus Financial Partners Inc. agreed to acquire Nexus Investment Management Inc., a provider of investment and wealth management services to high-net-worth individuals and families;
- An undisclosed buyer acquired 13.8 percent stake in Itasca Capital Ltd. from Kingsway Financial Services Inc. for C\$1.1 million;
- Sun Life Financial Inc. agreed to acquire 80 percent stake in infrastructure and real estate investment manager InfraRed Capital Partners for C\$518.3 million.;
- Wellington-Altus Private Counsel Inc. agreed to acquire TriVest Wealth Counsel Ltd., a firm of portfolio managers (PMs) focused on high-net-worth families; and
- Walter Global Asset Management has purchased a minority stake in London-based alternative investments manager Quadra Capital Partners, as part of its European expansion effort. <sup>(1)</sup>

Asset Management M&A Activity: Q1'17 – Q4'19 <sup>(2)(3)</sup>



Source(s): SNL and KPMG research

Note: (1) Transaction was not included in the SNL database, information sourced from acquirer press release

(2) Based on transaction values disclosed in SNL database only

(3) Excludes Q3 2019 transactions of SPVs not related to the Asset or Wealth Management industry

# Banking, FinTech and Payments

## Banking

The Banking sector experienced two transactions in the fourth quarter of 2019:

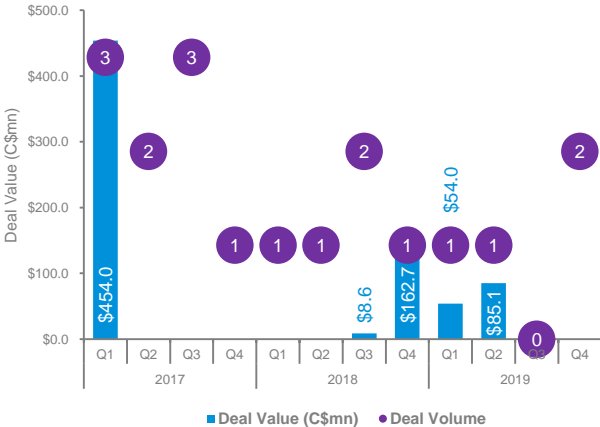
- A consortium of indigenous banks agreed to acquire Eastern Caribbean banking business of Royal Bank of Canada. The group of buyers consists of 1st National Bank of St. Lucia, Antigua Commercial Bank Ltd, National Bank of Dominica Ltd, the Bank of Montserrat and Bank of Nevis Ltd.; and
- Alterna Savings and Credit Union Ltd. agreed to merge with Quinte First Credit Union, a full service co-operative financial institution with three branches and six ATMs in the Quinte Area. The transaction will potentially add C\$230 million to Alterna’s AUM.

## FinTech and Payments

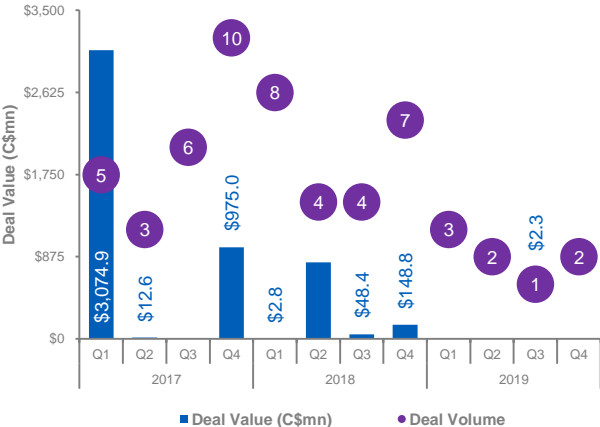
The Canadian FinTech and Payments sector had a slight increase in deal volume in Q4 2019. Canadian FinTech and Payments sectors transactions in Q4 2019 included:

- Global Payments Inc. agreed to acquire the merchant acquiring business and portfolio of approximately 40,000 merchants from Desjardins Group. Desjardins’ merchant acquiring business provides payment solutions to businesses across a wide range of verticals in Quebec. The transaction is expected to close by April 2020; and
- ATB Financial, the Edmonton, Alberta-based financial services firm, has acquired the technology assets of Grow Technologies Inc., in order to bring a new, enhanced digital experience to its customers.<sup>(1)</sup>

Banking M&A Activity: Q1’17 – Q4’19 <sup>(2)</sup>



FinTech & Payments M&A Activity: Q1’17 – Q4’19 <sup>(2)</sup>



Source(s): SNL and KPMG research  
 Note: (1) Transaction was not included in the SNL database, information sourced from acquirer press release  
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*Disclaimer: Please note the immediately preceding quarter's deal count and value may differ from our previous publication due to the delayed posting of data or transactions into the source SNL database.*

## Insurance underwriters: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q4'19)

Name (All in Canada)	Capitalization		LTM Financials		LTM Multiples					NTM Multiples	
	Market Cap.	Enterprise Value	Revenue	EBITDA	ROE	EV / Revenue	EV / EBITDA	P / BV	P / E	EV / Revenue	P / E
Manulife Financial Corporation	52,949	61,869	75,383	7,285	9.7%	0.8x	8.5x	1.1x	16.4x	1.0x	8.5x
Sun Life Financial Inc.	36,505	35,455	39,334	3,282	10.4%	0.9x	10.8x	1.6x	19.5x	1.0x	11.1x
Great-West Lifeco Inc.	31,498	38,961	45,756	3,594	10.5%	0.9x	10.8x	1.6x	17.3x	0.7x	10.4x
iA Financial Corporation Inc.	7,729	9,797	15,308	1,125	11.7%	0.6x	8.7x	1.4x	13.6x	n.a.	10.7x
Fairfax Financial Holdings Limited	16,322	28,027	26,715	2,866	5.7%	1.0x	9.8x	1.0x	20.4x	1.0x	13.2x
Intact Financial Corporation	20,599	23,215	11,123	1,067	9.5%	2.1x	21.8x	2.7x	n.m.	2.1x	17.9x
E-L Financial Corporation Limited	3,165	4,377	2,362	332	3.7%	1.9x	13.2x	0.5x	22.5x	n.a.	n.a.

## Asset management: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q4'19)

Name (All in Canada)	Capitalization			LTM Financials		AUM Multiples		LTM Multiples				NTM Multiples		
	AUM	Market Cap.	Enterprise Value	Revenue	EBITDA	EV / AUM	Market Cap / AUM	EV / Revenue	EV / EBITDA	P / BV	P / E	EV / Revenue	EV / EBITDA	P / E
Brookfield Asset Management Inc.	484,051	75,996	341,424	91,774	22,945	70.5%	15.7%	3.7x	14.9x	1.9x	n.m.	4.6x	23.1x	25.6x
IGM Financial Inc.	149,066	8,991	10,317	3,374	1,257	6.9%	6.0%	3.1x	8.2x	2.0x	15.2x	3.1x	8.3x	10.8x
Fiera Capital Corporation	136,675	1,233	1,906	612	136	1.4%	0.9%	3.1x	14.0x	2.1x	n.m.	2.7x	9.1x	8.1x
CI Financial Corp	124,360	5,097	6,272	2,114	794	5.0%	4.1%	3.0x	7.9x	3.3x	11.6x	3.0x	7.4x	8.5x
AGF Management Limited	36,701	503	617	431	80	1.7%	1.4%	1.4x	7.7x	0.6x	11.7x	1.5x	6.0x	12.5x
Guardian Capital Group Limited	26,962	678	757	181	63	2.8%	2.5%	4.2x	11.9x	1.1x	26.7x	3.9x	13.6x	19.6x
Sprott Inc.	10,578	727	645	101	34	6.1%	6.9%	6.4x	18.8x	2.0x	n.m.	5.6x	12.9x	22.6x
Crown Capital Partners Inc.	262	71	158	25	15	60.4%	27.1%	6.2x	10.6x	0.7x	n.m.	3.6x	6.8x	20.8x
Dundee Corporation	54	116	302	138	(30)	556.9%	214.8%	2.2x	n.m.	0.3x	n.m.	n.a.	n.a.	n.a.
The Westaim Corporation	n.a.	369	(109)	43	36	n.a.	n.a.	n.a.	n.m.	0.8x	16.6x	n.a.	n.a.	9.8x

Source(s): SNL and Capital IQ

Note: 1) P / BV and P / E multiples greater than 10.0x and 30.0x, respectively, were considered not meaningful  
2) "-", "n.a." and "n.m." represents not applicable for industry, not available and not meaningful respectively



## Banking: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q4'19)

Name (All in Canada)	Capitalization		LTM Financials	LTM Multiples			NTM Multiples
	Market Cap.	Book value	Earnings after tax	ROE	P / BV	P / E	P / E
Royal Bank of Canada	148,841	83,625	12,860	15.7%	1.9x	14.9x	11.1x
Bank of Montreal	64,614	51,076	5,758	11.9%	1.4x	14.2x	10.3x
The Toronto-Dominion Bank	133,838	87,701	11,668	13.9%	1.6x	14.6x	10.6x
The Bank of Nova Scotia	88,036	70,192	8,390	12.8%	1.4x	13.8x	10.0x
Canadian Imperial Bank of Commerce	48,094	38,580	5,096	13.9%	1.4x	11.7x	9.0x
National Bank of Canada	24,042	15,136	2,256	15.7%	2.0x	14.2x	10.8x
Laurentian Bank of Canada	1,884	2,568	173	6.8%	0.8x	14.4x	9.8x
Canadian Western Bank	2,863	2,948	287	10.4%	1.1x	11.3x	9.7x

## FinTech and Payments: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q4'19)

Name (All in Canada)	Capitalization		LTM Financials		LTM Multiples			
	Market Cap.	Enterprise Value	Revenue	EBITDA	EV / Revenue	EV / EBITDA	P / BV	P / E
Goldmoney Inc.	153	99	337	(6)	0.3x	n.m.	0.8x	n.m.
Mogo Inc.	100	n.a.	29	n.a.	n.a.	n.a.	n.m.	n.m.
VersaPay Corporation	117	124	8	(11)	16.0x	n.m.	n.m.	n.m.
NamSys Inc.	29	19	4	2	5.0x	11.0x	5.6x	21.0x
Interbit Ltd.	5	(3)	n.a.	n.a.	n.a.	n.a.	0.6x	n.m.
Mobi724 Global Solutions Inc.	8	9	3	(4)	3.1x	n.m.	3.5x	n.m.
Glance Technologies Inc.	7	2	0	(8)	9.7x	n.m.	0.9x	n.m.
First Global Data Limited	0	20	2	(14)	12.3x	n.m.	n.m.	n.m.

Source(s): SNL and Capital IQ

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2) "-", "n.a." and "n.m." represents not applicable for industry, not available and not meaningful respectively

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