



# Canadian Financial Services

**M&A Quarterly Newsletter:  
Q1 – 2020**

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# Canadian Financial Services – Deal Advisory update

## Executive Summary

The first quarter of 2020 has been an extraordinary period with the onset of the COVID-19 pandemic, disrupting economic activity across the world. M&A activity across North America, including Canada, has all but halted during March. Exceptions are only for transactions that were well progressed, where diligence was already substantially completed and negotiations of legal contracts already close to final. The COVID-19 pandemic was certainly a key driver to the 32 percent decline observed in Global deal volume in Q1 2020.

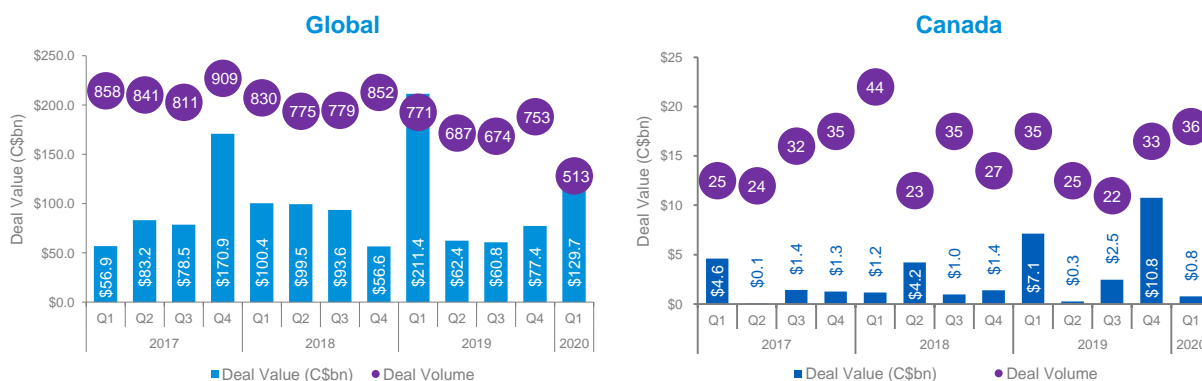
Canadian Financial Services M&A deal volume increased in Q1 2020 to the highest level since Q1 2018. Consistent with previous quarters, transaction activity was led by the insurance brokerage sub-sector which comprised 15 of the 36 transactions. The impact of COVID-19 in the period was limited by the fact that public health measures were not fully rolled out until mid-March and well progressed transactions continued to close in late March. Our expectation is that the full impact of the lockdown will be seen in Q2 2020 as very few transactions proceed to closing and for a time thereafter as sale processes are being delayed.

Strategic buyers are pausing on acquisitions and taking time to reflect on their growth strategies, of which M&A is often a lever. Amidst the disruption and volatile prices in the public markets, price discovery is front of mind for all buyers in transactions. Discussions at private equity investment committees are focused on safeguarding portfolios rather than new opportunities over the next few weeks. In addition banks are increasingly selective and tightening lending criteria for leveraged debt, notwithstanding recent federal initiatives to increase liquidity.

The medium term impact for financial services depends on the duration of this recession. Undoubtedly, there are challenges ahead: lenders are bracing themselves for increases in delinquency and pressure on capital ratios; asset managers are seeing pressure on redemptions and challenges in asset allocation, negatively impacting profitability; life insurers face low interest rates (US Treasury yields dropped below 1% in March, the lowest level in 150 years) which will have an impact on investment returns and solvency ratios; and general insurers will be challenged by heightened business interruption claims, while currently-observed reductions in home and auto claims appear to be a benefit which could be reduced as carriers are reducing premiums on certain personal lines to reduce the financial pressures felt by individuals who in many cases are exposed to fragile employment / unemployment. Across the whole sector, maintaining relationships with customers has challenges in a remote or restricted travel working environment.

The timing of any rebound is currently highly uncertain. Early signs from Asia that a V-shaped recovery may emerge are encouraging. As the world economy recovers from this global pandemic, we anticipate a return to deal making. For the moment, we are optimistic that our government policy responses can help to flatten the curve quickly and we can resume our normalized business activities, all the while prioritizing the health and safety of our communities (particularly the most vulnerable), our clients and their employees, and our colleagues.

Financial Services Industry M&A Activity: Q1'2017 – Q1'2020 <sup>(1)</sup> <sup>(2)</sup>



Source(s): SNL and KPMG research

Note: (1) Q1 2020 includes deals from Jan 01, 2020 to Mar 31, 2020

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

# Insurance

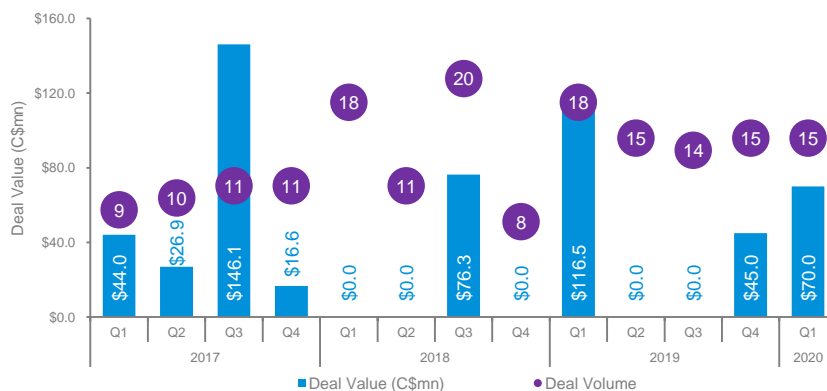
## Distribution and Services

Fifteen transactions were announced in Q1 2020. A majority of these transactions have been undertaken by serial acquirers with an emphasis on specialty lines and employee benefits.

M&A activity in Q1 2020, included:

- Hub International Ltd. acquired Benefex Consulting Inc., RHC Insurance Brokers Ltd., LSM Insurance Services, and the benefits consulting practice of Morneau Shepell Inc.. The Morneau Shepell deal was valued at approximately CAD 70m<sup>(1)</sup>;
- Navacord Corp. acquired Brookstone Insurance Group Inc., a provider of insurance brokerage and risk management services and Benemax Financial Group Inc., a provider of group benefits;
- Westland Insurance Group Ltd. acquired Forestburg Agencies Ltd., a full-service insurance brokerage company providing personal and commercial insurance services;
- Brokerlink Inc. acquired Impact Insurance Brokers Inc. and Major Brothers Limited<sup>(1)</sup>;
- ArchWay Insurance acquired Groom Insurance Limited<sup>(1)</sup>;
- McDougall Insurance and Financial merged with Asselin Insurance Brokers Ltd.;
- CapriCMW Insurance Services Ltd. expanded into Yukon with the acquisition of an office from Aon Reed Stenhouse Inc.<sup>(1)</sup>;
- Western Financial Group Inc. acquired Orr & Associates Insurance Brokers Ltd., an independent broker network offering personal, commercial and life insurance;
- Acrisure LLC (through its subsidiary Beach & Associates Ltd.) acquired Risk & Insurance Consulting Services, LLC, a provider of reinsurance placement and administration services; and
- People Corporation acquired Robin Veilleux Assurances et Rentes Collectives Inc. and Integrated Benefits Consultants Ltd. providers of group benefits consulting services<sup>(1)</sup>.<sup>1</sup>

### Insurance Distribution and Services – M&A Activity: Q1'17 – Q1'20 <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

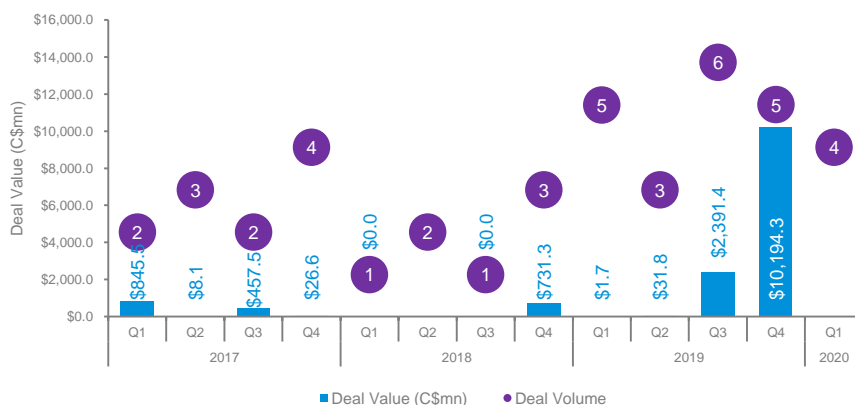
# Insurance (cont.)

## Underwriting

The Underwriting sector in Canada experienced four transactions in the first quarter of 2020:

- SSQ, Life Insurance Company Inc. agreed to merge with La Capitale Insurance and Financial Services Inc., a property and casualty insurer with a strong presence across Quebec. Combined AUM will total more than C\$20 billion and consolidated premiums will be worth C\$5 billion;
- Canadian Premier Life Insurance Company, a Canadian subsidiary of Securian Financial Group, Inc., agreed to purchase the Canadian block of business from Gerber Life Insurance Company;
- iA Financial Group announced the acquisition of three companies specializing in vehicle warranties in Canada: WGI Service Plan Division Inc. and WGI Manufacturing Inc., two subsidiaries of C. Walker Group Inc. located in Vancouver and Scarborough, as well as Lubrico Warranty Inc. based in London; and
- AccèsConseil Assurances et services financiers acquired Assurances C. Martel Inc. from Cathia Tremblay and Nadie Tremblay.

Insurance Underwriting - M&A Activity: Q1'17 – Q1'20 <sup>(1)</sup>



Source(s): SNL and KPMG research

Note: (1) Based on transaction values disclosed in SNL database only

# Asset & Wealth Management

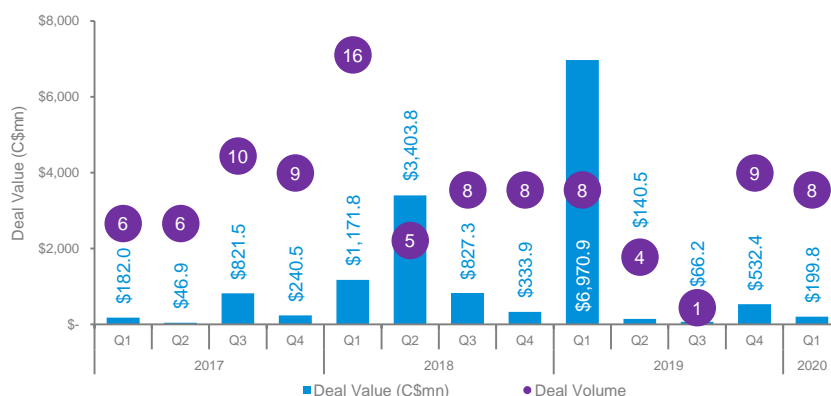
## Asset & Wealth Management

The Canadian Asset & Wealth Management sector was active with eight transactions announced in Q1 2020. These deals were announced prior to March 5<sup>th</sup> when capital markets began to decline. Transactions continue to primarily focus on product and geographic expansion.

In Q1 2020, Asset & Wealth management transactions included:

- GMP Capital Inc. agreed to acquire remaining stake in Richardson GMP Limited for approximately C\$200 million. The parties have indicated that completion of negotiations and closing is now delayed due to COVID-19 restrictions;
- Glynn Fisher acquired additional 9.7 percent stake in Torrent Capital Ltd., a publicly traded investment company and merchant bank focused on Canadian small cap equities;
- Purpose Advisor Solutions Inc. acquired Wealthsimple for Advisors, a subsidiary of Wealthsimple and a provider of technology-based client relationship management tools;
- Cardinal Point Wealth Management, Inc. agreed to acquire Keats, Connelly and Associates, LLC, a wealth management firm focused on cross-border financial planning for high-net-worth individuals. The transaction will potentially add US\$400 million to Cardinal Point's assets under management;
- Walter Global Asset Management entered into a partnership with Toronto, Ontario-based Kilgour Williams Capital by acquiring a minority stake;
- Canadian Western Bank acquires TE Wealth and Leon Frazer & Associates from iA Financial Group;
- Guardian Capital Group Limited (through its subsidiary Guardian Innovations Inc.) agreed to acquire a majority stake in Modern Advisor Canada Inc., a digital investment management company; and
- Brookfield Asset Management Inc. (through its fund Brookfield Strategic Real Estate Partners III) created a JV with the founders of Temprano Capital Partners to enter the Iberian student residence market.

**Asset Management M&A Activity: Q1'17 – Q1'20 <sup>(1)(2)</sup>**



Source(s): SNL and KPMG research

Note: (1) Based on transaction values disclosed in SNL database only

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

# Banking, FinTech and Payments

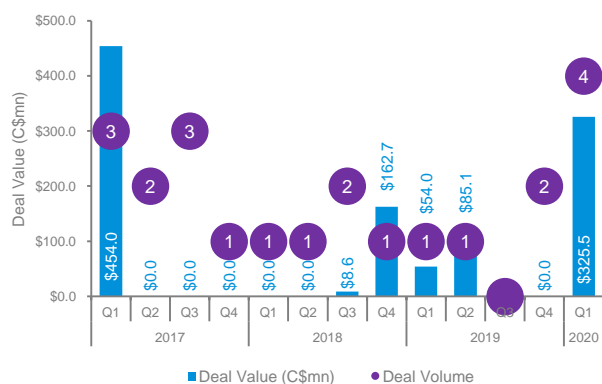
## Banking, FinTech and Payments

The Canadian Banking, FinTech and Payments sector experienced an increase in M&A activity with the highest level of activity since Q1-18.

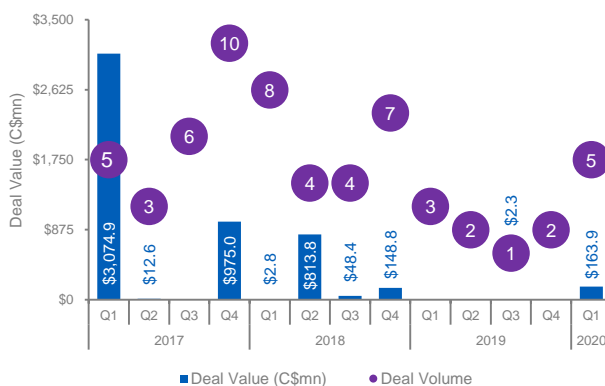
Canadian Banking, FinTech and Payments sectors transactions in Q1 2020 included:

- CanCap, a subsidiary of AutoCapital Canada Inc. to acquire Rifco, an alternative auto finance provider, for CAD \$25.5m;
- CDPQ and Piramal partner to deploy USD 300m in joint platform for private credit financing in India<sup>(1)</sup>;
- BMO Financial Group acquired Clearpool Group Inc., a New York-based provider of holistic electronic trading solutions and independent agency broker-dealer execution services;
- NorthOne, a Toronto-based challenger bank, raised CAD29m from investors<sup>(1)</sup>;
- Premium finance companies Imperial PFS and SNAP Premium Finance have merged<sup>(1)</sup>;
- CenterBridge Partners and Ontario Teachers Pension Plan, in partnership with Duo Bank of Canada, acquired Fairstone Financial, a provider of credit solutions through direct lending services and financing for consumer retail and vehicle purchases<sup>(1)</sup>;
- Desjardins Group acquired the mortgage loan portfolio of La Capitale<sup>(1)</sup>;
- Lightspeed POS Inc. acquired a cloud-based hospitality POS solutions provider in Germany, Gastrofix GmbH, for CAD 163.9m; and
- Aon plc acquired Cytelligence Inc., a Toronto-based cyber security firm with expertise in cyber breach response, cyber breach investigations and digital forensic<sup>(1)</sup>.

Banking M&A Activity: Q1'17 – Q1'20 <sup>(2)</sup>



FinTech & Payments M&A Activity: Q1'17 – Q1'20 <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

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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> (Q1'20)

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	32,350	39,437	77,822	7,997	11.3%	0.5x	4.9x	0.8x	9.5x	0.7x	5.9x
Sun Life Financial Inc.	26,915	33,388	39,679	3,656	11.1%	0.8x	9.1x	1.2x	14.4x	1.0x	8.6x
Great-West Lifeco Inc.	21,624	31,035	44,711	3,529	9.5%	0.7x	8.8x	1.1x	12.8x	0.7x	8.4x
Intact Financial Corporation	19,593	20,330	11,308	1,228	9.1%	1.8x	16.6x	2.3x	27.4x	1.8x	14.9x
Fairfax Financial Holdings Limited	10,592	24,434	27,929	3,952	11.2%	0.9x	6.2x	0.7x	6.3x	0.8x	9.3x
iA Financial Corporation Inc.	4,641	7,035	15,265	1,118	12.0%	0.5x	6.3x	0.8x	8.4x	n.a.	6.8x
E-L Financial Corporation Limited	2,489	3,877	2,930	1,055	12.4%	1.3x	3.7x	0.4x	4.9x	n.a.	n.a.

## Asset management: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q1'20)

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.	700,399	67,318	361,681	92,765	23,653	51.6%	9.6%	3.9x	15.3x	1.6x	n.m.	3.3x	24.9x	14.1x
IGM Financial Inc.	166,808	5,588	6,680	3,405	1,282	4.0%	3.4%	2.0x	5.2x	1.2x	9.2x	2.2x	5.8x	7.8x
CI Financial Corp	132,130	2,848	4,510	2,119	849	3.4%	2.2%	2.1x	5.3x	2.1x	7.2x	2.2x	5.8x	5.8x
Fiera Capital Corporation	169,671	615	1,333	655	147	0.8%	0.4%	2.0x	9.1x	1.2x	21.6x	2.1x	7.8x	5.6x
Sprott Inc.	12,082	584	493	97	32	4.1%	4.8%	5.1x	15.6x	1.6x	n.m.	3.7x	10.0x	19.2x
Guardian Capital Group Limited	31,147	474	468	186	64	1.5%	1.5%	2.5x	7.3x	0.7x	17.4x	2.5x	10.9x	19.1x
The Westaim Corporation	n.a.	246	(213)	25	16	n.a.	n.a.	n.a.	n.m.	0.5x	n.m.	n.a.	n.a.	27.4x
AGF Management Limited	36,201	241	420	438	82	1.2%	0.7%	1.0x	5.1x	0.3x	5.3x	1.2x	4.9x	9.8x
Dundee Corporation	n.a.	84	249	29	(36)	n.a.	n.a.	8.5x	n.m.	0.2x	n.m.	n.a.	n.a.	n.a.
Crown Capital Partners Inc.	267	47	139	25	12	52.0%	17.6%	5.5x	11.9x	0.4x	n.m.	3.5x	5.6x	7.9x

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> (Q1'20)

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	121,881	84,061	13,194	16.0%	1.6x	12.2x	9.8x
The Toronto-Dominion Bank	108,189	88,802	12,265	14.4%	1.3x	11.4x	9.5x
The Bank of Nova Scotia	67,271	69,861	8,541	12.8%	1.1x	10.6x	8.6x
Bank of Montreal	46,072	52,176	5,840	11.7%	1.0x	9.9x	8.0x
Canadian Imperial Bank of Commerce	37,003	39,230	5,123	13.7%	1.0x	8.8x	7.3x
National Bank of Canada	17,895	15,421	2,314	15.9%	1.4x	10.4x	8.7x
Canadian Western Bank	1,653	2,993	294	10.2%	0.6x	6.8x	n.a.
Laurentian Bank of Canada	1,307	2,573	165	6.5%	0.6x	10.5x	8.2x

## FinTech and Payments: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q1'20)

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.	192	171	361	(5)	0.5x	n.m.	1.2x	n.m.
Mogo Inc.	42	n.a.	22	n.a.	n.a.	n.a.	n.m.	n.m.
NamSys Inc.	18	14	4	2	3.3x	9.1x	4.1x	18.8x
Perk Labs Inc.	14	10	0	(7)	n.a.	n.m.	3.1x	n.m.
Mobi724 Global Solutions Inc.	8	7	3	(4)	2.3x	n.m.	2.6x	n.m.
Interbit Ltd.	7	0	n.a.	n.a.	n.a.	n.a.	0.7x	n.m.
First Global Data Limited	0	22	2	(14)	13.5x	n.m.	n.m.	n.m.

Source(s): SNL and Capital IQ

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