



# Canadian Financial Services

**M&A Quarterly Newsletter:  
Q2 – 2020**

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# Canadian Financial Services – Deal Advisory update

## Executive Summary

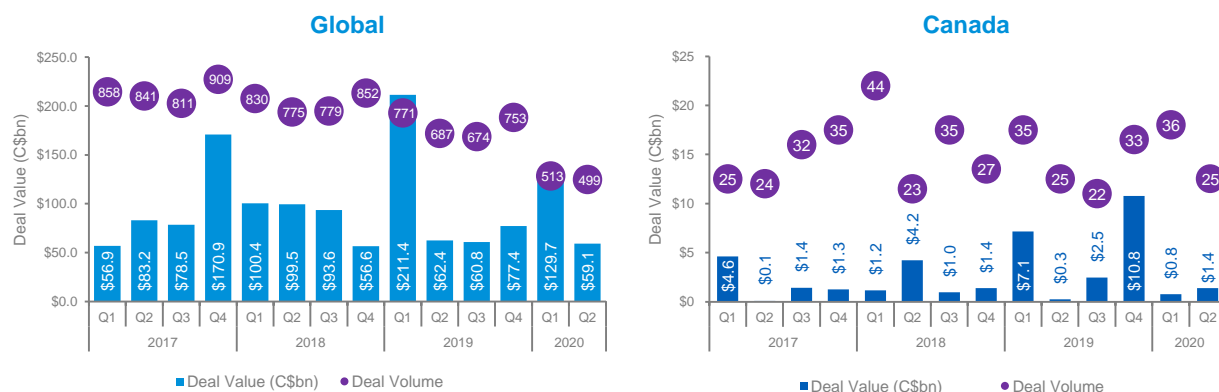
The second quarter of 2020 began in the midst of a global environment unprecedented in modern history, as the COVID-19 pandemic disrupted economic activity across the world. Globally, deal volume and value for Q2-2020 were the lowest in the past decade.<sup>(1)</sup> As a result, global FS M&A volume in April and May 2020 declined by 41% from prior year levels.<sup>(2)</sup> During these months, government fiscal measures and declining interest rates began to take hold and provide incentive for activity. As economies began to emerge from shutdowns and buyers took advantage of low rates and opportunistic transactions, June 2020 deal volume rebounded back to prior year levels.

Canadian Financial Services M&A deal volume, which had held up in Q1 2020, expectedly decreased in Q2 2020. Similar to global trends, as restrictions were rolled back, buyers selectively began to close transactions later in the quarter.

Despite risks of a second wave of COVID-19 and the uncertainty of the US elections, the potential for deal activity remains. There is an abundance of capital remaining within corporate entities and private equity firms. Amongst COVID-19 impacted companies, there may be value transactions available to buyers. These factors create reasons for cautious optimism.

As deal activity resumes, buyers may have an opportunity to earn outsized returns—as was the case on well-timed transactions after the 2008-2009 recession. However, finding value will require differentiated diligence.

## Financial Services Industry M&A Activity: Q1'2017 – Q2'2020<sup>(2)</sup>



Source(s): SNL and KPMG research

Note: (1) Refinitiv, July 2020

(2) Based on transaction values disclosed in SNL database as well as additional transaction volume identified by KPMG research

# Insurance

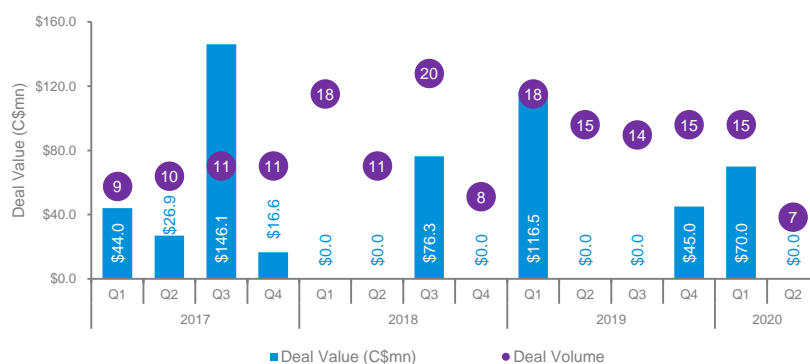
## Distribution and Services

Seven transactions were announced in Q2 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 Q2 2020, included:

- Hub International Ltd. acquired Vestas Financial Services Firm Inc., JM Rose Insurance Agency Limited, and 838517 Alberta Ltd. (d.b.a. HB Consultants LLC);
- ICBA Benefits Services Ltd. acquired Nexgen Advisory Group Inc.;
- Lloyd Sadd Insurance Brokers Ltd. acquired Blanket Insurance Ltd.;
- Leslie Group acquired Marathon Benefits Corporation;<sup>(1)</sup> and
- Andrew Agencies Ltd. acquired Saskatoon Insurance Agencies.<sup>(1)</sup>

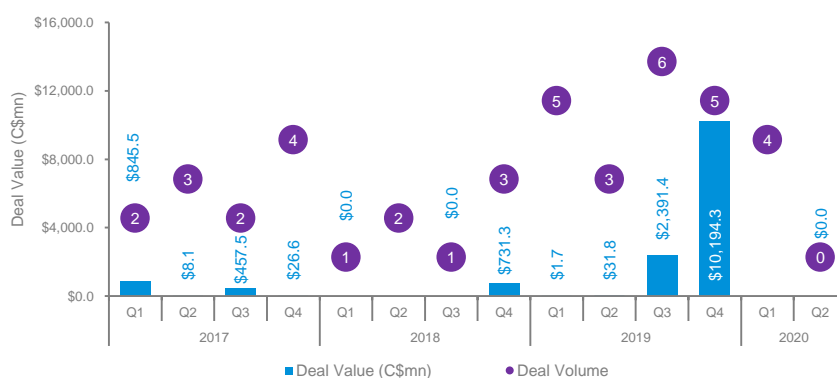
**Insurance Distribution and Services - M&A Activity: Q1'17 – Q2'20 <sup>(2)</sup>**



## Underwriting

The Underwriting sector in Canada experienced no transactions in the second quarter of 2020.

**Insurance Underwriting - M&A Activity: Q1'17 – Q2'20 <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 as well as additional transaction volume identified by KPMG research

# Asset & Wealth Management

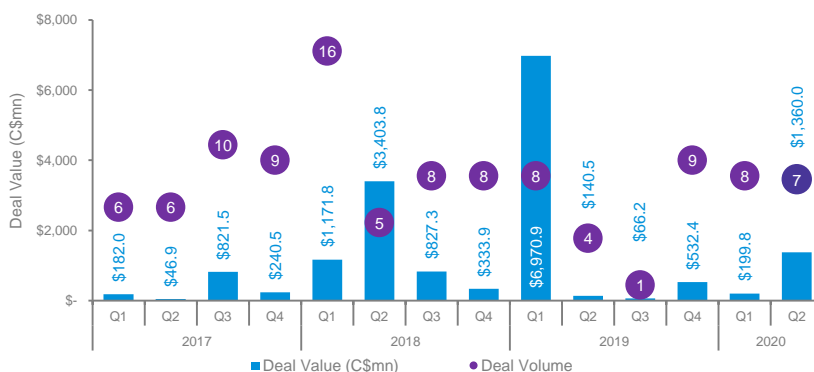
## Asset & Wealth Management

The Canadian Asset & Wealth Management sector had seven transactions in Q2 2020. Transactions continue to primarily focus on product and geographic expansion.

In Q2 2020, Asset & Wealth management transactions included:

- Empower Retirement agreed to acquire wealth manager Personal Capital for up front consideration of US\$825 million, and deferred consideration of up to US\$175 million subject to achievement of target growth objectives;<sup>(1)</sup>
- Raymond James Ltd. has acquired Ontario-based Oak Trust Co. which provides advice in trust administration, estate settlement and wealth management services;
- CI Financial Corp agreed to acquire a strategic interest in Congress Wealth Management, LLC a Boston-based registered investment advisor firm and acquired a majority ownership interest in the Cabana Group, LLC, a registered investment advisory firm;<sup>(1)</sup>
- Canoe Financial acquires Fiera Capital Corporation's retail mutual fund portfolio;<sup>(1)</sup>
- Cboe Global Markets Inc. acquires MatchNow, a Canadian “dark pool” trading platform;<sup>(1)</sup> and
- IG Wealth Management acquired a equity stake in Conquest Planning Inc., a digital planning platform.<sup>(1)</sup>

Asset Management M&A Activity: Q1'17 – Q2'20 <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 as well as additional transaction volume identified by KPMG research

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

# Banking, FinTech and Payments

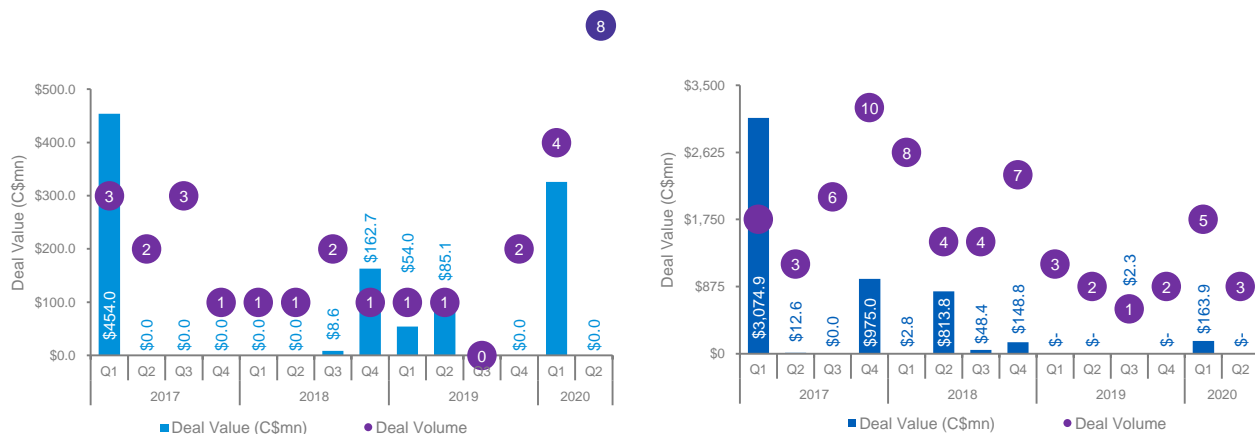
## Banking, FinTech and Payments

The Canadian Banking, FinTech and Payments had a significant increase in activity with eleven deals in Q2 2020 driven by consolidation and expansion.

Canadian Banking, FinTech and Payments sectors transactions in Q2 2020 included:

- Westbridge Mortgage REIT acquired NBM Bank on June 1, 2020;
- Cornerstone Credit Union Financial Group Limited entered into an agreement to acquire Plainsview Credit Unions/Horizon Credit Union;
- Easy Legal Finance, a Toronto, Ontario-based legal financing firm, has acquired Moncton, New Brunswick-based Seahold Investments;<sup>(1)</sup>
- Global Reach acquired the Canadian assets and operations of EncoreFX;<sup>(1)</sup>
- Toronto-based challenger bank Stack was acquired by Credit Sesame;<sup>(1)</sup>
- Bank of Nova Scotia announced the sale its operations in Belize to Caribbean Investment Holdings Ltd. for US\$30.5-million (consideration could increase to US\$35-million if there are certain regulatory changes before the transaction closes);<sup>(1)</sup>
- Pace Savings & Credit Union Limited acquired Continental Currency Exchange Ltd.;<sup>(1)</sup>
- OMERS Ventures has become a shareholder in Flagstone, a UK-based cash deposit platform;<sup>(1)</sup>
- PSP Investment Board invests in SitusAMC, a real estate finance and technology provider;<sup>(1)</sup>
- CI Financial Corp. acquired the remaining 25% minority interest in online wealth manager WealthBar Financial Services Inc. to own 100% of the company; and
- Cann-Is Capital Corp. entered into an engagement agreement to acquire Uptempo Inc. a FinTech platform which provides payment and cash management solutions.

### Banking and Finance M&A Activity: Q1'17 – Q2'20 <sup>(2)</sup> FinTech & Payments M&A Activity: Q1'17 – Q2'20 <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 as well as additional transaction volume identified by KPMG research

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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> (Q2'20)

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	34,775	42,680	74,343	7,237	8.3%	0.6x	5.9x	0.7x	11.1x	0.7x	6.9x
Sun Life Financial Inc.	28,628	29,152	34,757	3,659	10.0%	0.8x	8.0x	1.3x	16.0x	0.9x	10.4x
Great-West Lifeco Inc.	21,597	28,378	38,101	3,085	8.2%	0.7x	9.2x	1.1x	14.8x	0.6x	8.9x
Intact Financial Corporation	18,698	21,641	11,517	4,474	8.5%	1.9x	4.8x	2.5x	26.6x	1.9x	16.1x
Fairfax Financial Holdings Limited	10,700	22,234	26,849	554	(1.4%)	0.8x	40.2x	0.7x	n.m.	0.8x	17.9x
iA Financial Corporation Inc.	4,548	5,986	12,676	994	10.0%	0.5x	6.0x	0.9x	10.1x	n.a.	7.6x
E-L Financial Corporation Limited	2,642	3,653	939	(252)	(3.9%)	3.9x	n.m.	0.5x	n.m.	n.a.	n.a.

## Asset management: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q2'20)

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	66,822	372,291	102,801	25,683	53.2%	9.5%	3.6x	14.5x	1.7x	n.m.	3.6x	25.3x	14.4x
IGM Financial Inc.	166,808	7,678	8,973	3,393	1,274	5.4%	4.6%	2.6x	7.0x	1.7x	13.1x	2.8x	7.5x	10.8x
CI Financial Corp	132,130	3,871	5,235	2,092	826	4.0%	2.9%	2.5x	6.3x	2.5x	9.0x	2.8x	7.2x	8.2x
Sprott Inc.	12,082	1,317	1,213	98	28	10.0%	10.9%	12.4x	44.1x	3.3x	n.m.	7.1x	24.2x	32.5x
Fiera Capital Corporation	169,671	926	1,757	680	162	1.0%	0.5%	2.6x	10.8x	1.7x	n.m.	2.6x	8.8x	7.8x
Guardian Capital Group Limited	31,147	545	570	192	64	1.8%	1.7%	3.0x	8.9x	0.9x	22.3x	n.a.	n.a.	n.m.
AGF Management Limited	36,201	382	560	418	75	1.5%	1.1%	1.3x	7.4x	0.4x	9.8x	1.5x	6.3x	14.2x
The Westaim Corporation	n.a.	296	(173)	(25)	(31)	n.a.	n.a.	6.9x	5.5x	0.6x	n.m.	n.a.	n.a.	n.m.
Dundee Corporation	n.a.	138	312	30	(35)	n.a.	n.a.	10.5x	n.m.	0.5x	n.m.	n.a.	n.a.	n.a.
Crown Capital Partners Inc.	267	30	169	36	22	63.2%	11.3%	4.7x	7.6x	0.3x	n.m.	3.7x	11.8x	5.3x

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> (Q2'20)

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	129,887	85,040	11,452	13.7%	1.7x	15.0x	11.7x
The Toronto-Dominion Bank	105,932	93,334	10,608	11.9%	1.2x	13.4x	12.2x
The Bank of Nova Scotia	65,571	70,335	7,661	11.3%	1.0x	11.5x	10.2x
Bank of Montreal	45,575	55,234	5,032	9.6%	0.9x	11.7x	9.6x
Canadian Imperial Bank of Commerce	40,124	40,253	4,182	10.8%	1.1x	11.2x	10.1x
National Bank of Canada	20,155	15,814	2,143	14.4%	1.6x	12.9x	11.1x
Canadian Western Bank	1,989	3,112	283	9.5%	0.8x	8.6x	9.9x
Laurentian Bank of Canada	1,181	2,575	130	5.1%	0.5x	13.1x	12.7x

## FinTech and Payments: Selected public comps <sup>(1)</sup> <sup>(2)</sup> (Q2'20)

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.	176	162	463	(0)	0.4x	n.m.	1.2x	n.m.
Mogo Inc.	37	n.a.	20	n.a.	n.a.	n.a.	n.m.	n.m.
NamSys Inc.	25	19	4	2	4.3x	11.8x	4.8x	22.9x
Perk Labs Inc.	11	8	0	(6)	n.a.	n.m.	3.3x	n.m.
Mobi724 Global Solutions Inc.	7	7	2	(3)	4.3x	n.m.	n.m.	n.m.
First Global Data Limited	0	n.a.	2	(14)	n.a.	n.a.	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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