

FINANCIAL SERVICES

SECOND QUARTER

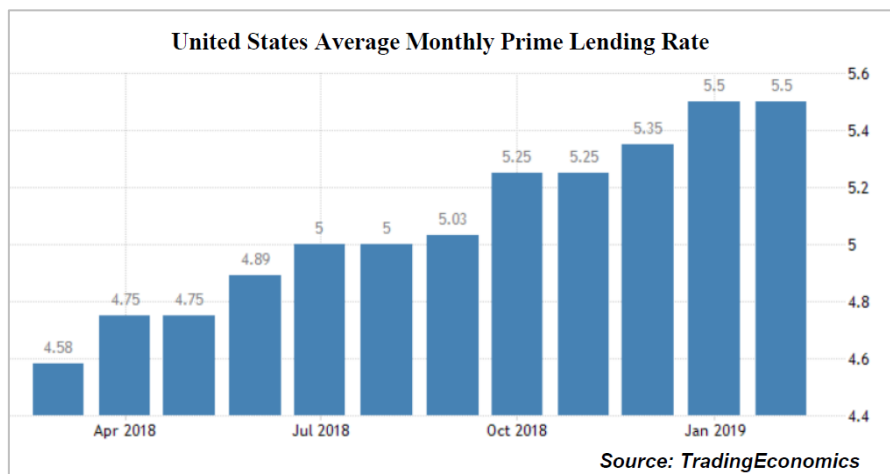
2019

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 Q1 2019 included 187 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in February when Mercer Global Advisors, Inc., a subsidiary of Mercer Advisors, Inc., acquired Arbor Asset Management LLC for US\$350 million. The transaction allows Mercer Global Advisors to further expand its existing business operations. Founded in 1996, Arbor Asset Management is located in Ann Arbor, Michigan and provides investment advice.



The average monthly prime lending rate, which has impacts across the Financial Services sector, increased in Q1.

Transactional Overview

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

January 2019 - AppFolio, Inc. acquired Dynasty Marketplace, Inc. from Arena Ventures Management, LLC for US\$60 million in cash. AppFolio engages in the provision of cloud-based software solutions. It caters to small and medium-sized businesses in the property management and legal industries. Dynasty Marketplace develops artificial intelligence-based software for real estate business. It offers conversational artificial intelligence solutions that automate leasing communications, replace manual tasks and help customers grow portfolios. The company was founded in 2016 and is headquartered in Venice, CA.



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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.

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March 2019 - Redwood Trust, Inc. acquired the remaining 80% stake not already owned in 5 Arches LLC, a portfolio company of Franklin Square Holdings LP, for US\$40 million in cash and stock. Previously, Redwood Trust acquired a 20% minority interest in 5 Arches for a consideration of US\$10 million. Redwood Trust engages in the business of investing in mortgages and other real estate-related assets. 5 Arches operates as an asset manager of business-purpose residential real estate and investments. The company was founded in 2012 and is headquartered in Irvine, CA.

March 2019 - Singapore Exchange Ltd acquired a 20% minority stake in BidFX from BidFX Ltd for US\$25 million in cash. Under the terms of the transaction Singapore Exchange has the option to acquire an additional majority interest in Bidfx. The acquisition enhances the services of Singapore Exchange. BidFX is located in New York, United States and provides foreign exchange e-trading services.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Eastern Funding LLC	Brookline Bancorp, Inc.
Quovo, Inc.	Plaid, Inc. (CA)
Petsky Prunier LLC	Canaccord Genuity Group, Inc.
Martin Financial Group LLC	Mariner Wealth Advisors LLC
Peak Financial Group LLC	HUB International Ltd.; Hellman & Friedman LLC
Ora Citron	The Diamond Group Wealth Advisors
Evanston Investments, Inc.	Cresset Asset Management LLC
Lowery Bank	Allegiance Bank

Industry Update

As the number of certified financial planners (CFPs) grows, the industry is struggling to increase representation of women and minorities. The share of CFPs who are women (23%) and black or Latino (3.5%) remained about the same in 2018 compared to the year before, according to new data from the CFP Board of Standards. A separate CFP Board survey found in mid-2018 that about 15% of CFP clients are black or Latino. CFP Board officials have identified diversity as a key priority. Industry leaders such as Raymond James, Edward Jones, Wells Fargo, and TD Ameritrade have set up programs to encourage greater diversity among financial professionals, according to Financial Planning magazine.

Industry Indicators

- US corporate profits, an indicator of corporate demand for financial planning and investment advising, rose 7.4% in the fourth quarter of 2018 compared to the same period in 2017.
- The bank prime loan rate, a tool for financial planners and investment advisers was 5.5% as of the week of March 14, 2019, up from a rate of 4.75% the same week in 2018.
- US personal income, which is a driver for financial planning and investment services, rose 4.3% in January 2019 compared to the same month in 2018.
- Total US revenue for other financial investment activities, which includes financial planners and investment advisors, rose 2.3% in the fourth 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.

