



BUSINESS VALUATION &  
FINANCIAL ADVISORY SERVICES

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APRIL 2021

# Bank Watch

FEATURE

Mercer Capital Presentations from AOBA 2021

- Valuation Lessons Learned from Credit Union & Bank Transactions
- Prepping for a Potentially Big M&A Year

## In This Issue

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Presentations from the Acquire or Be Acquired Conference   2021	1
Public Market Indicators	3
M&A Market Indicators	4
Regional Public Bank Peer Reports	5
About Mercer Capital	6

Acquire or Be Acquired Conference | 2021

# Valuation Lessons Learned from Credit Union & Bank Transactions

Jay D. Wilson, Jr., CFA, ASA, CBA

In recent years, credit unions have been increasingly active as acquirers in whole bank and branch transactions. This session focuses on the top considerations for credit unions when assessing and valuing bank and branch franchises in the current environment.

For bankers, this session should enhance your knowledge regarding how credit unions identify potential targets, assess potential opportunities and risks of a bank or branch acquisition, and ultimately determine a valuation range for target banks and branches.

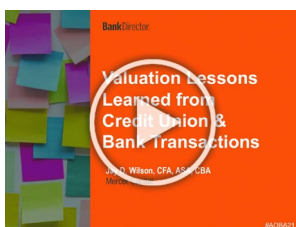
# Prepping for a Potentially Big M&A Year

Jeff K. Davis, CFA & Andrew K. Gibbs, CFA, CPA/ABV

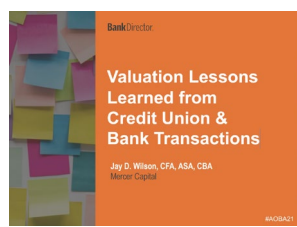
Barring another recession or material reduction in bank stock valuations in the public markets, M&A activity should improve as 2021 progresses.

However, some boards that would like to sell may have a hard time accepting a lower price versus what was obtainable a couple of years ago.

One way to bridge the bid-ask gap is to consider transactions with more rather than less consideration consisting of the buyer's common shares. Cash deals "cash-out" shareholders who then reinvest after-tax proceeds. Stock deals allow the target's shareholders to remain invested in a sector that still trades cheap to longer-term valuations.



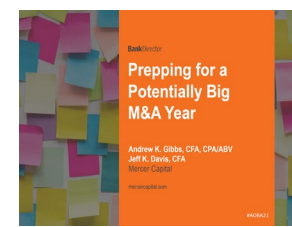
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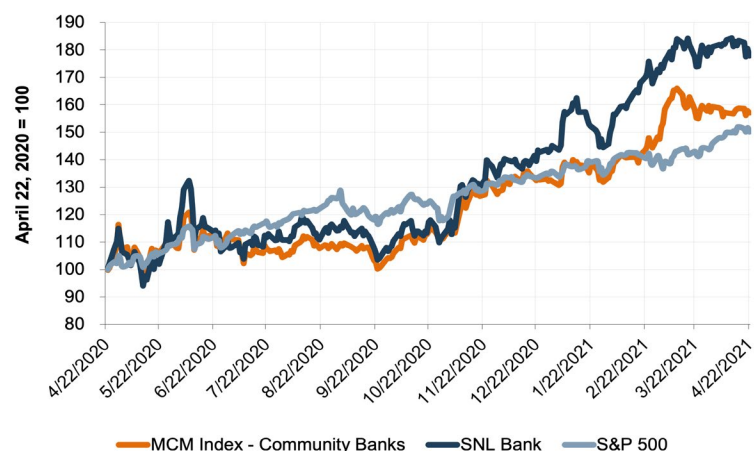
## WHAT WE'RE READING

As banks release **Q1 earnings**, **S&P's 2021 community bank report** examines how banks are positioned to perform going forward.

After a down year for bank M&A in 2020, the **recent spurt of M&A announcements looks set to continue**.

Matt Klein at Barron's reviews nine charts on **the state of U.S. inflation**.

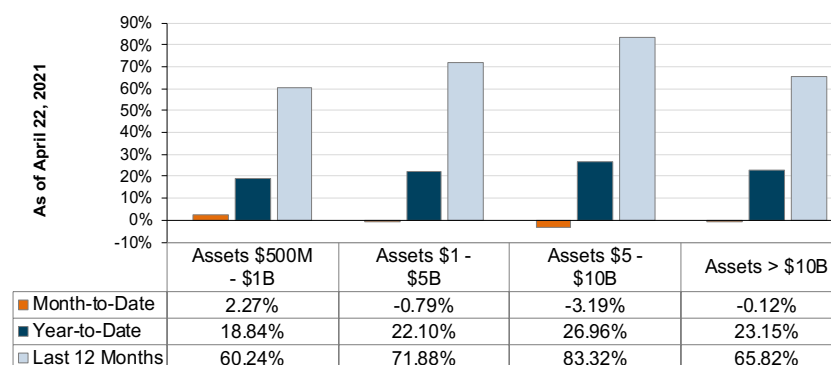
Mercer Capital's Bank Group Index Overview



Source: S&P Global Market Intelligence

Return Stratification of U.S. Banks

by Asset Size



Source: S&P Global Market Intelligence

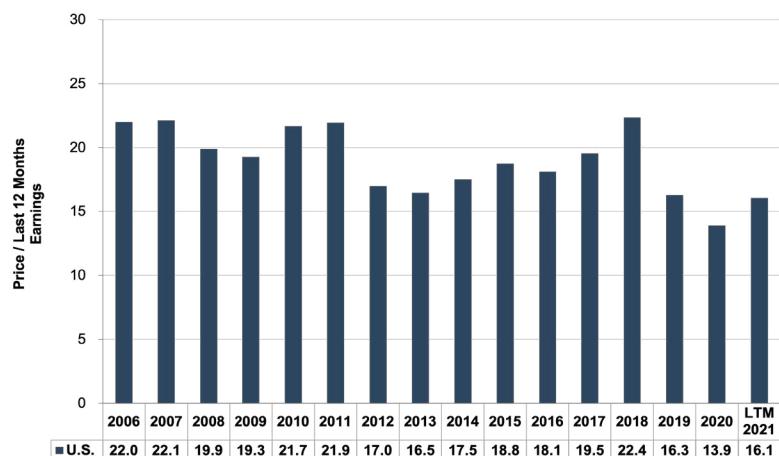
Regional Index Data

	Total Return			Regional Index Data as of April 22, 2021					
	Month-to-Date	Year-to-Date	Last 12 Months	Price / LTM EPS	Price / 2021 (E) EPS	Price / 2022 (E) EPS	Price / Book Value	Tangible Book Value	Dividend Yield
Atlantic Coast Index	1.1%	27.1%	66.0%	12.5x	13.4x	13.0x	107%	111%	2.7%
Midwest Index	0.5%	14.4%	49.8%	11.4x	10.9x	11.3x	104%	120%	2.6%
Northeast Index	-0.5%	17.3%	55.0%	11.3x	9.1x	10.4x	100%	111%	3.1%
Southeast Index	-0.1%	13.1%	54.9%	12.1x	10.7x	11.1x	103%	116%	2.4%
West Index	-2.1%	23.4%	63.2%	11.9x	11.5x	12.4x	118%	126%	2.4%
Community Bank Index	-0.2%	18.9%	57.1%	11.7x	11.1x	11.6x	104%	117%	2.6%
<b>SNL Bank Index</b>	<b>-0.7%</b>	<b>22.6%</b>	<b>77.9%</b>						

Source: S&P Global Market Intelligence

### Median Price/Earnings Multiples

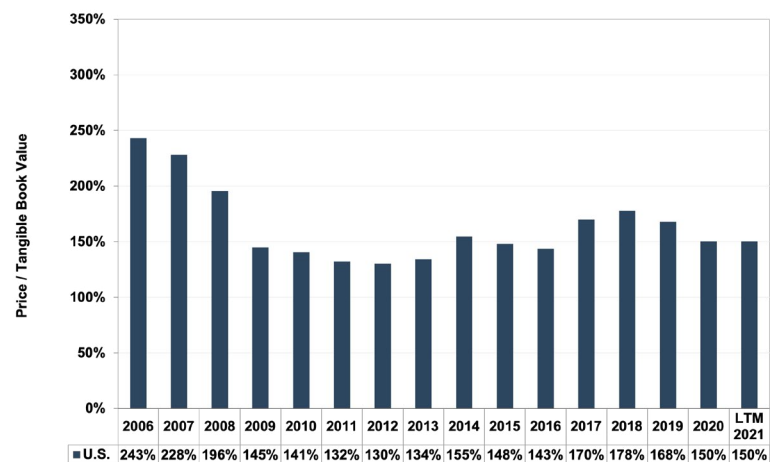
Target Banks' Assets <\$5B and LTM ROE >5%



Source: S&P Global Market Intelligence

### Median Price/Tangible Book Value Multiples

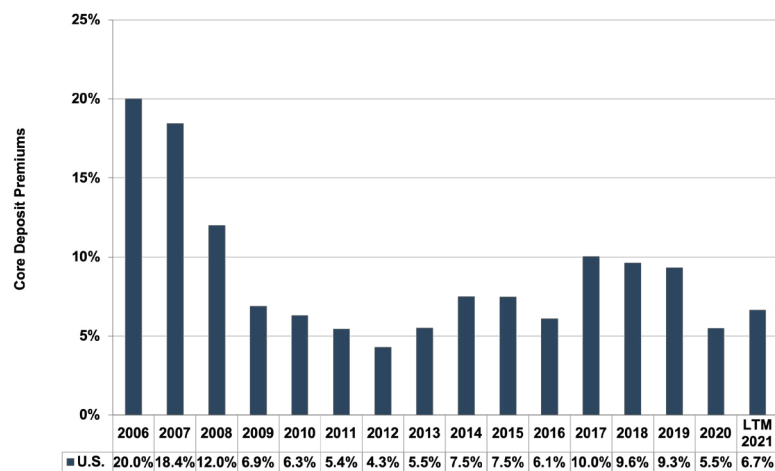
Target Banks' Assets <\$5B and LTM ROE >5%



Source: S&P Global Market Intelligence

### Median Core Deposit Multiples

Target Banks' Assets <\$5B and LTM ROE >5%



Source: S&P Global Market Intelligence

### Median Valuation Multiples for M&A Deals

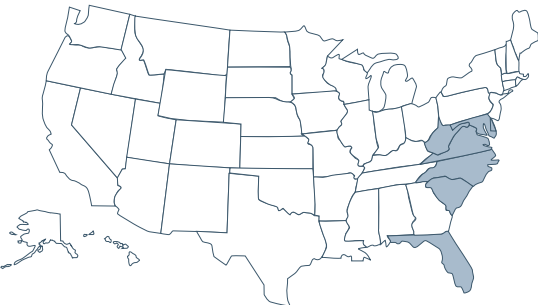
Target Banks' Assets <\$5B and LTM ROE >5%, 12 months ended April 26, 2021

Regions	Price / LTM Earnings	Price/ Tang. BV	Price / Core Dep Premium	No. of Deals	Median Deal Value (\$M)	Target's Median Assets (\$000)	Target's Median LTM ROAE
Atlantic Coast	14.9x	125%	2.1%	5	80.7	533,334	8.8%
Midwest	16.3x	169%	8.1%	28	114.7	123,439	8.3%
Northeast	14.0x	140%	10.4%	2	62.8	517,018	10.5%
Southeast	17.1x	144%	6.5%	14	41.1	207,099	9.1%
West	16.7x	152%	5.5%	7	90.9	309,969	7.9%
<b>National Community Banks</b>	<b>16.1x</b>	<b>150%</b>	<b>6.7%</b>	<b>56</b>	<b>65.5</b>	<b>197,311</b>	<b>8.5%</b>

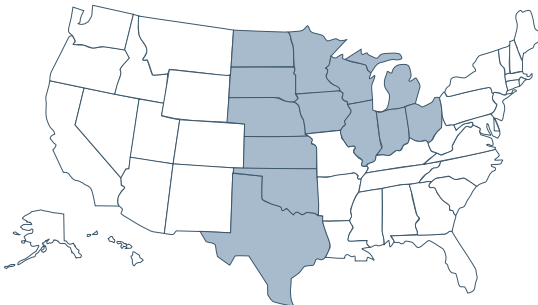
Source: S&P Global Market Intelligence

# Mercer Capital's Regional Public Bank Peer Reports

Updated weekly, Mercer Capital's Regional Public Bank Peer Reports offer a closer look at the market pricing and performance of publicly traded banks in the states of five U.S. regions. Click on the map to view the reports from the representative region.



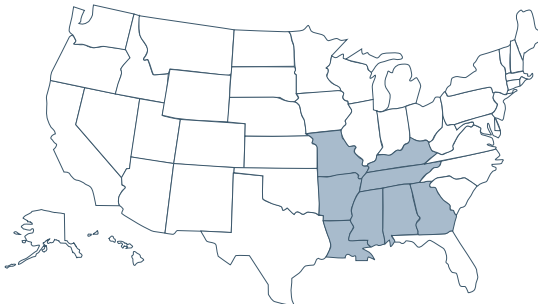
**Atlantic Coast**



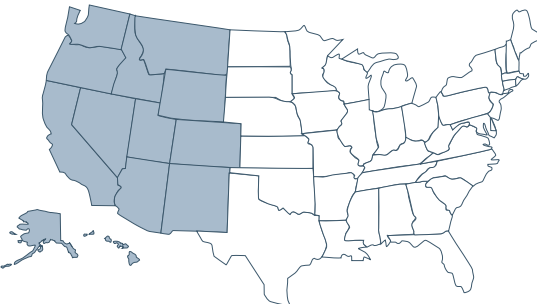
**Midwest**



**Northeast**



**Southeast**



**West**

MERCER CAPITAL

# Depository Institutions Services

Mercer Capital assists banks, thrifts, and credit unions with significant corporate valuation requirements, transaction advisory services, and other strategic decisions.

Mercer Capital pairs analytical rigor with industry knowledge to deliver unique insight into issues facing banks. These insights underpin the valuation analyses that are at the heart of Mercer Capital's services to depository institutions.

- » Bank valuation
- » Financial reporting for banks
- » Goodwill impairment
- » Litigation support
- » Stress Testing
- » Loan portfolio valuation
- » Tax compliance
- » Transaction advisory
- » Strategic planning

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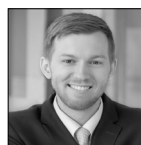
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