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Analyst to local banks pondering a sale: Act sooner than later

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JPMorgan Chase & Co. Chairman and CEO [Jamie Dimon](#) recently stated that the banking industry is in a “golden age.”

Rick Weiss, chief bank strategist at Ambassador Financial Group, believes that proclamation extends to local community banks. With that in mind, he has some advice for community bankers pondering a sale of their companies: Do it sooner rather than later.

“There are some bankers thinking about selling in the next two years based on succession planning and the strength of the economy,” Weiss said in an interview with the *Business Journal*. “But they might want to accelerate that timetable to this year. It’s still a sellers’ market. There are more potential sellers than buyers. Pricing is great. And if you wait, you might not get that same premium. Who knows where the economy is going to be in two years.”

Weiss seems unsure that his advice will be heeded, according to a report looking at the status of Pennsylvania bank M&A activity. He noted that bank consolidation has regained traction in the Keystone State after two “sleepy” years. He expects deal activity to accelerate given that so many smaller banks in this region lack the scale to cope with the industry’s regulatory and technology costs, though he admits earnings should rise due to the lower tax rates this year.

“Market dynamics in the Keystone State appear conducive to an acceleration in deal pace however that doesn’t mean it will,” Weiss wrote in his report. “Most of the state’s community banks appear more interested in buying, rather than selling.”

That theory contrasts with what analyst [Frank Schiraldi](#) from Sandler O’Neill & Partners gleaned during his **annual trip to Philadelphia earlier this month to meet with leaders of the region’s largest local banks**. Several of those banks have been acquisitive in recent years and Schiraldi said there is a significant focus now on digesting those transactions before moving on to new ones.

“There has been significant M&A activity recently in Pennsylvania and the integration of recently acquired companies was a frequent topic of discussion with investors,” Schiraldi said in a note to investors. “Some banks we met with had recently digested and seemed less inclined to be pursuing whole bank M&A in the near-term. Others lamented on a dearth of targets. We got the sense from the group we saw in Philly that M&A is likely to slow in the footprint except perhaps at the very low end of the market cap spectrum (\$500 million in assets or less).”

There certainly is no shortage of potential buyers. Weiss said companies with stronger currencies are typically the more active acquirers. Among the local regional banks, he said the most logical buyers appear to be [Beneficial Bancorp](#) (NASDAQ: BNCL); [Bryn Mawr Bank Corp.](#) (NASDAQ: BMTC); [OceanFirst Financial Corp.](#) (NASDAQ: OCFC); [Univest Corp.](#) of Pa. (NASDAQ: UVSP) and [WSFS Financial Corp](#) (NYSE: WSFS).

[Fulton Financial Corp.](#) (NASDAQ: FULT) is sidelined from M&A due to a longstanding regulatory order, thought it could be lifted soon.

Banks from outside the region could also consider growth in Greater Philadelphia.

[BB&T Corp](#) (NYSE: BBT), [KeyCorp](#) (NYSE: KEY) and [M&T Bank Corp.](#) (NYSE: MTB) have made significant acquisitions in this region in recent years to enter or expand in the market.

North Jersey’s [Investors Bancorp](#) (NASDAQ: ISBC) and [Provident Financial Services](#) (NYSE: PFS), plus New York’s [Tompkins Financial Corp.](#) (NYSE: TMP), have all entered the market via acquisition. Several more, such as New York’s [Webster Financial Corp.](#) (NYSE: WBS) and Massachusetts’ [Berkshire Hills Bancorp](#) (NYSE: BHLB), have entered the region with loan production offices.

With interest rates now rising and the economy humming, many of these potential buyers could be looking at M&A to enhance their deposit base to fund what they anticipate will be increased loan demand.



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An analyst is advising local banks who are considering a sale to act sooner rather than later.

But the old saying is that banks are sold and not bought. Weiss said Pennsylvania's "sweet spot" regarding mergers and acquisitions rests among banks with total assets ranging from approximately \$750 million to \$5 billion.

"Anecdotal evidence suggests that most of these banks are motivated buyers rather than sellers," Weiss said. "Assuming such is the case, the pricing power of potential sellers – particularly those with good deposit franchises – are enhanced by their 'scarcity values.' Although relatively few larger Pennsylvania banks have the capacity to acquire, several out-of-state banks appear to be willing buyers."

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