

MARKET INSIGHTS

Insurance Brokerage

M&A trends and industry overview

Q4
2023

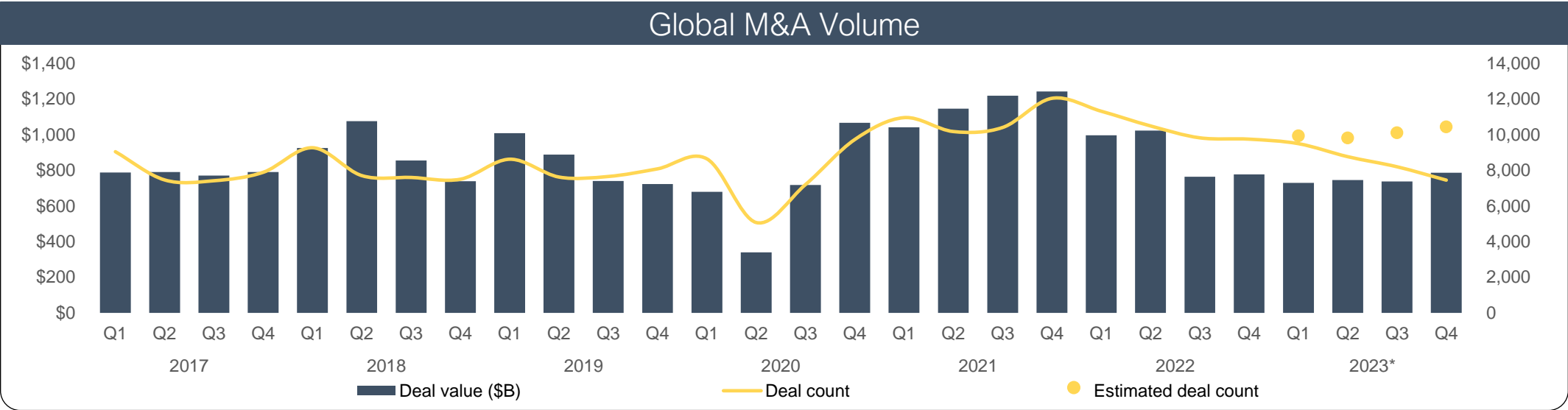
Global Market Update

2023 M&A Review

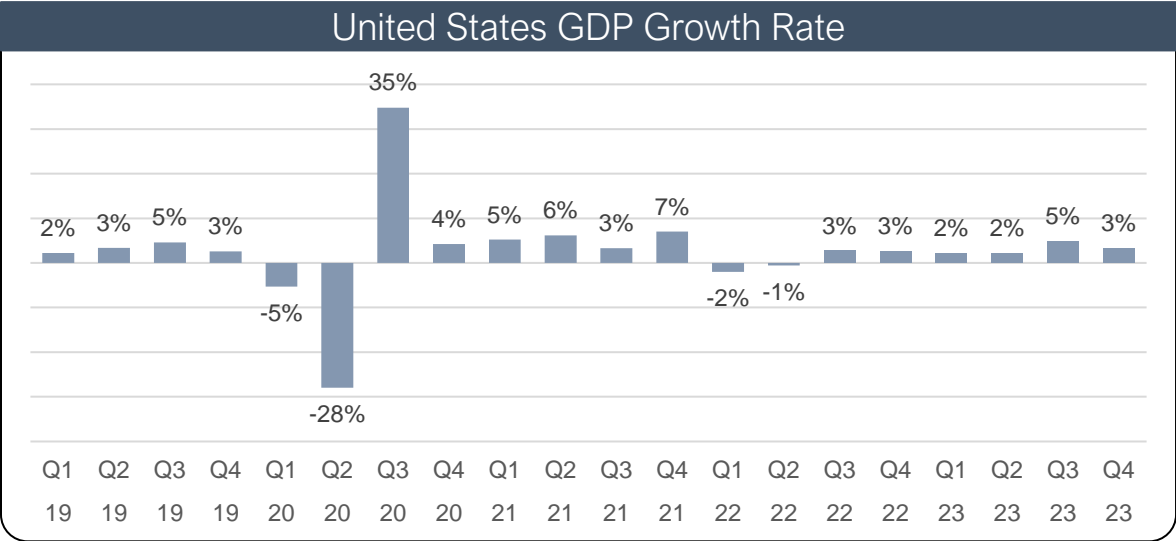
- The Global M&A market experienced its second consecutive annual decline following the all-time peak reached in 2021. Overall deal value fell 16% for the year, resulting in the second lowest dollar volume in the past decade. Increased borrowing costs and tighter lending requirements lowered the average deal size for both financial and strategic buyers as they looked for investment opportunities with more favorable returns
- Strategic Buyers completed 22,385 transactions in 2023, accounting for 66% of global M&A activity, the highest share since 2020. Financial buyers were more hesitant to deploy capital in a tight debt market, exhibiting deal count declines as rates increased through the first 3 quarters of the year.

2024 M&A Outlook

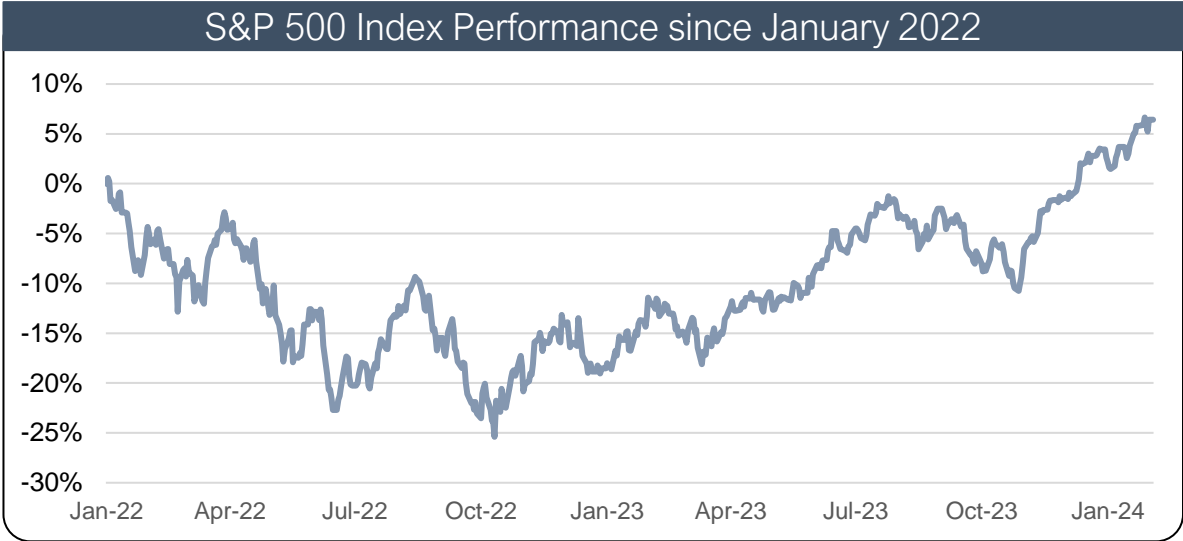
- Estimates predict that the final 2023 deal count will land north of 40,000 transactions, which would rank as third highest year on record, driven primarily by increased transaction counts in both Q3 and Q4.
- Current expectations are that the Fed will begin a new cycle of easing in 2024, which would relieve financial buyers of the highest borrowing costs in decades. Until then, strategic buyers are expected to lead most M&A market segments as they did in 2023.
- Senior debt pricing surged through the end of 2023, averaging 11.3% in Q4, an increase of 0.8% from Q3. Every deal size cohort saw increases in average senior debt interest.



Macroeconomic Snapshot



- Looking into 2024, the volatility that dominated the US economy over the pandemic period is expected to diminish. In the second half of 2024, it is forecasted that the overall growth will return to more stable pre-pandemic rates



- Equities performance in the 2nd half of 2023 was strong considering the macro risks that plagued the markets
- The Fed has made tremendous progress on the inflation front in 2023, and many investors are optimistic rate cuts are on the horizon in the coming quarter

Market Trends Affecting Valuation Levels

Tailwinds

- Private equity dry powder levels are still high, and with many groups looking for ways to generate compelling returns in a competitive space, we anticipate a premium will be paid for companies that are positioned in the right verticals with proven, sustainable cash flow
- Job market remains strong, posting an unemployment rate of 3.5%, which is expected to underpin growth in the near term
- Private equity firms tend to hold their portfolio companies in times of uncertainty which increases add-on acquisition activity, creating attractive exit opportunities for owners who fit that criteria

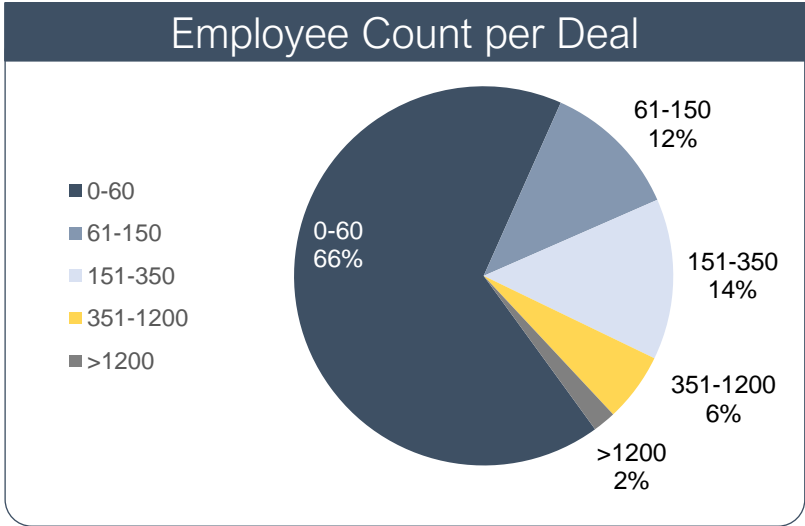
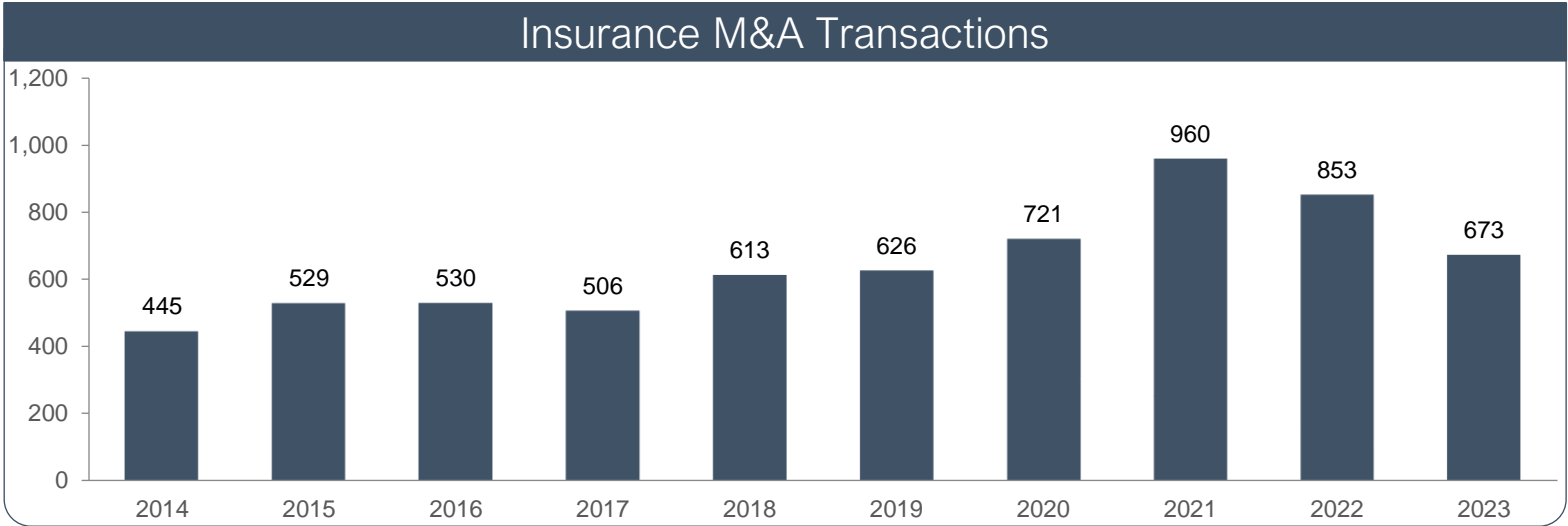
Headwinds

- Geopolitical tensions both domestically and globally, coupled with the uncertainty of major election years coming in 2024
- Continued, high interest rates will keep the cost of borrowing for institutional investors high, which has dampened multiples for private business owners
- While recessionary fears have mitigated somewhat, volatility and uncertainty still are prevalent

Insurance Market Update

2023 M&A Trends

- While insurance transaction volume declined for the second consecutive year, the final tally for 2024 transaction counts is expected to be the third highest in the history of the industry.
- The M&A landscape continued the trend of being dominated by private-capital backed buyers.
- Specialty insurance distribution has become an increasingly popular transaction target, accounting for nearly 25% of all 2023 deals. We expect specialty insurance to be popular for 2024 as well, in both deal count and valuations.
- Small businesses make up the overwhelming majority of deals and will continue to do so in 2024 and beyond.
- The two largest and most notable transaction announcements of 2023 were (1) Aon's agreement to acquire middle-market broker NFP for \$13.4 billion and (2) the purchase of AmWINS by Dragoneer Investment Group, SkyKnight Capital, and Genstar Capital.
- Buyers and sellers alike will be eager to see if any of the major private equity-backed platforms are sold once rate cuts begin, which could have major market implications.



Insurance Public Equities Index

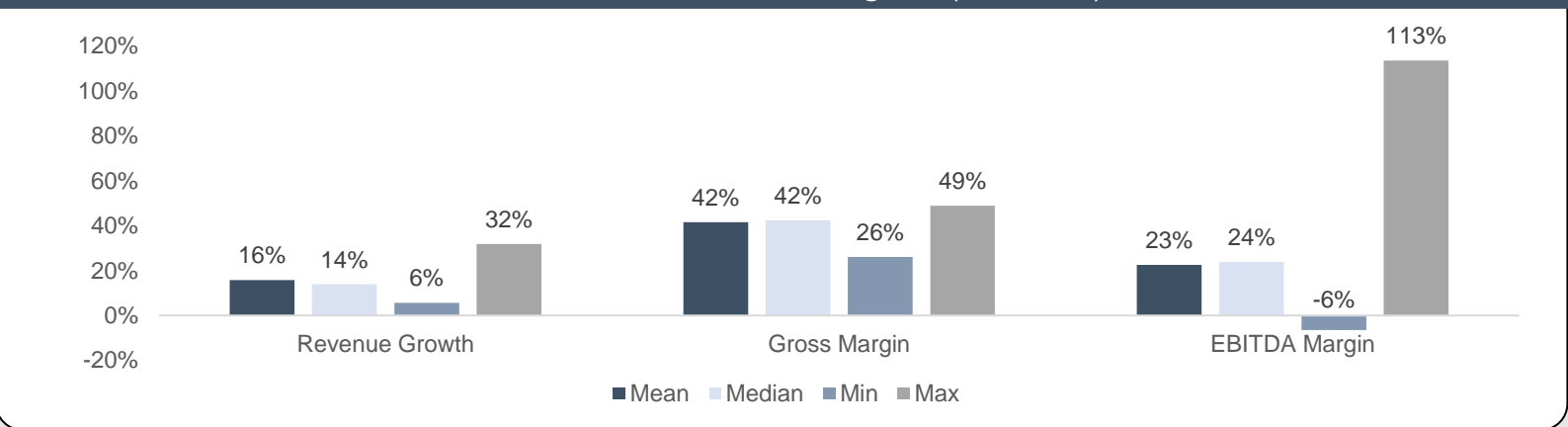
Select Industry Participants



EV/EBITDA (Mean)



Current Growth & Margins (Median)



Insurance Public Equities Index

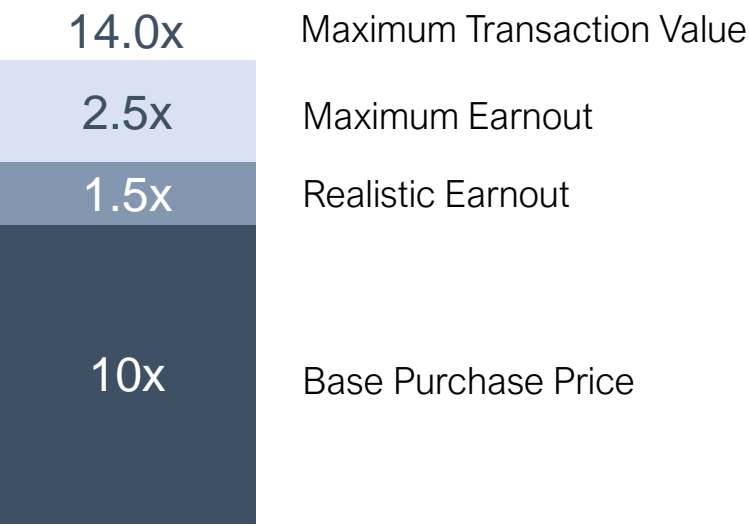
| Name | EV | LTM Financials | | | | | EV Multiples | | |
|-------------------------------|---------|----------------|--------|----------------|--------------|---------------|---------------------|------------|-------------------------|
| | | Revenue | EBITDA | Revenue Growth | Gross Margin | EBITDA Margin | Current LTM Revenue | LTM EBITDA | LTM EBITDA (Ann. Norm.) |
| Aon | 62,241 | 13,148 | 3,968 | 6% | 48% | 30% | 4.7x | 15.7x | 14.9x |
| Ameriprise Financial | 73,425 | N/A | 3,859 | N/A | N/A | N/A | 4.8x | 20.1x | 18.4x |
| Arthur J. Gallagher & Company | 54,622 | 9,002 | 2,333 | 14% | 42% | 26% | 5.7x | 23.4x | 19.6x |
| Baldwin Risk Partners | 3,450 | 1,165 | 18 | 32% | 26% | 2% | 2.9x | 187.1x | 9.9x |
| Brown & Brown | 23,355 | 4,120 | 1,384 | 21% | 49% | 34% | 5.7x | 16.9x | 16.5x |
| Corebridge Financial | 188,633 | N/A | 3,483 | N/A | N/A | N/A | 9.5x | 66.1x | 61.3x |
| Enstar Group | 6,758 | N/A | 977 | N/A | N/A | N/A | 7.8x | 6.3x | 5.4x |
| Global Indemnity Group | 408 | N/A | 33 | N/A | N/A | N/A | 0.7x | 12.4x | 9.1x |
| John Adams Life | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Kansas City Life Insurance | 534 | N/A | (9) | N/A | N/A | N/A | 1.1x | N/A | 27.0x |
| Kingstone Companies | 33 | N/A | (9) | N/A | N/A | N/A | 0.2x | N/A | N/A |
| Marsh & McLennan Companies | 106,296 | 22,202 | 5,825 | 7% | 42% | 26% | 4.8x | 18.2x | 16.7x |
| Mercury General | 2,205 | N/A | (63) | N/A | N/A | N/A | 0.5x | N/A | N/A |
| Palomar Holdings | 1,386 | N/A | 99 | N/A | N/A | N/A | 3.9x | 14.1x | 12.2x |
| Primerica | 9,260 | N/A | 801 | N/A | N/A | N/A | 3.3x | 11.8x | 11.7x |
| Ryan Specialty Holdings | 6,891 | N/A | 462 | N/A | N/A | N/A | 3.5x | 14.9x | 9.7x |
| Skyward Specialty Insurance | 1,478 | N/A | 110 | N/A | N/A | N/A | 1.8x | 13.5x | 13.5x |

Statistics

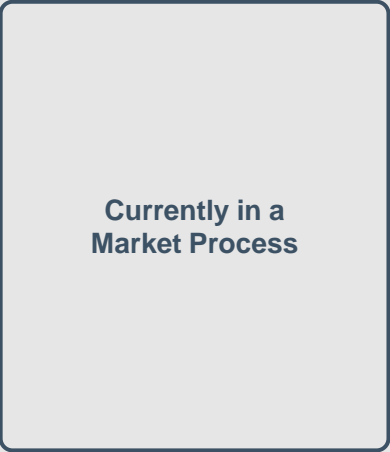
| | | | | | | |
|-------------|------------|------------|------------|-------------|--------------|--------------|
| Min | 6% | 26% | 2% | 0.2x | 6.3x | 5.4x |
| Median | 14% | 42% | 26% | 3.7x | 15.7x | 14.2x |
| Mean | 16% | 42% | 24% | 3.8x | 32.4x | 17.6x |
| Max | 32% | 49% | 34% | 9.5x | 187.1x | 61.3x |

Typical Deal Structure

- As valuations have increased over time, so has the amount of structure in the typical brokage transaction. Sellers can expect for all of their offers to include elements such as cash at close, equity rollover, and earnout periods from 2-4 years.
- As illustrated below, an average seller can expect a transaction to be structured with approximately 10x LTM EBITDA in the form of base purchase price (cash + rollover equity at closing) with additional upside of 1.5x – 4.0x LTM EBITDA in the form of an earnout.
- Our active processes and continued dialogue with private equity and strategic buyers have produced a common theme: specialty niche brokerages with ample cross-selling opportunities are valued at a premium compared their peers (aviation, marine, equine, fine arts, cyber, etc.).



Recent Transaction Experience



Currently in a
Market Process

Specialty Aviation
Insurance Brokerage



Employee Benefits &
Human Capital Management

Recent Founders' Insights



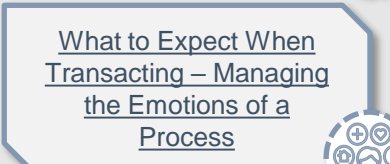
Entrepreneur's Dilemma:
Selling When Things Are
Going Well



Due Diligence
Management: Tips for
Potential Sellers



Key Earnout Factors



What to Expect When
Transacting – Managing
the Emotions of a
Process

M&A Activity – Top 60 Brokerages

| Company | 2023 Deals | 2022 Deals | 2022 US Broker Revenue (in millions) | Investor Type | Headquarters |
|-----------------------------------|------------|------------|---|--------------------|---------------------|
| Marsh & McLennan Companies | 9 | 8 | \$10,125 | Public Corporation | New York, NY |
| Aon | 6 | 6 | \$5,631 | Public Corporation | London, ENG |
| Arthur J. Gallagher & Company | 47 | 40 | \$5,445 | Public Corporation | Rolling Meadows, IL |
| Willis Towers Watson | 1 | 2 | \$4,712 | Public Corporation | London, ENG |
| Truist Insurance Holdings | 0 | 0 | \$3,345 | Public Corporation | Charlotte, NC |
| Brown & Brown | 10 | 9 | \$3,334 | Public Corporation | Daytona Beach, FL |
| Acrisure | 8 | 22 | \$3,322 | PE-Backed | Grand Rapids, MI |
| Alliant Insurance Services | 9 | 3 | \$3,129 | PE-Backed | Irvine, CA |
| Hub International | 44 | 45 | \$2,931 | PE-Backed | Chicago, IL |
| USI Insurance Services (Valhalla) | 2 | 5 | \$2,451 | PE-Backed | Valhalla, NY |
| AssuredPartners | 10 | 19 | \$2,229 | PE-Backed | Orlando, FL |
| Lockton Companies | 1 | 3 | \$2,168 | PE-Backed | Kansas City, MO |
| NFP | 12 | 13 | \$1,721 | PE-Backed | New York, NY |
| BroadStreet Partners | 1 | 0 | \$1,302 | PE-Backed | Columbus, OH |
| Risk Strategies Company | 27 | 14 | \$1,150 | PE-Backed | Miramar, FL |

M&A Activity – Top 60 Brokerages

| Company | 2023 Deals | 2022 Deals | 2022 US Broker Revenue (in millions) | Investor Type | Headquarters |
|--------------------------------------|------------|------------|---|--------------------|---------------------|
| Alera Group | 12 | 24 | \$1,148 | PE-Backed | Deerfield, IL |
| EPIC Insurance Brokers & Consultants | 0 | 5 | \$1,029 | PE-Backed | San Francisco, CA |
| Baldwin Risk Partners | 0 | 3 | \$1,015 | Public Corporation | Tampa, FL |
| OneDigital | 10 | 10 | \$750 | PE-Backed | Atlanta, GA |
| PCF Insurance Services of the West | 2 | 29 | \$730 | PE-Backed | Lehi, UT |
| Higginbotham Insurance Group | 10 | 12 | \$576 | PE-Backed | Fort Worth, TX |
| IMA Financial Group | 2 | 7 | \$555 | PE-Backed | Wichita, KS |
| The Hilb Group | 7 | 14 | \$502 | PE-Backed | Richmond, VA |
| Foundation Risk Partners | 0 | 1 | \$496 | PE-Backed | Ormond Beach, FL |
| Leavitt Group | 6 | 5 | \$418 | Private Company | Cedar City, UT |
| Patriot Growth Insurance Services | 4 | 6 | \$387 | PE-Backed | Fort Washington, PA |
| Highstreet Insurance Partners | 15 | 28 | \$385 | PE-Backed | Traverse City, MI |
| World Insurance Associates | 36 | 29 | \$347 | PE-Backed | Iselin, NJ |
| ADPIA | 0 | 0 | \$318 | Public Subsidiary | Roseland, NJ |
| CBIZ | 3 | 2 | \$304 | Public Corporation | Cleveland, OH |

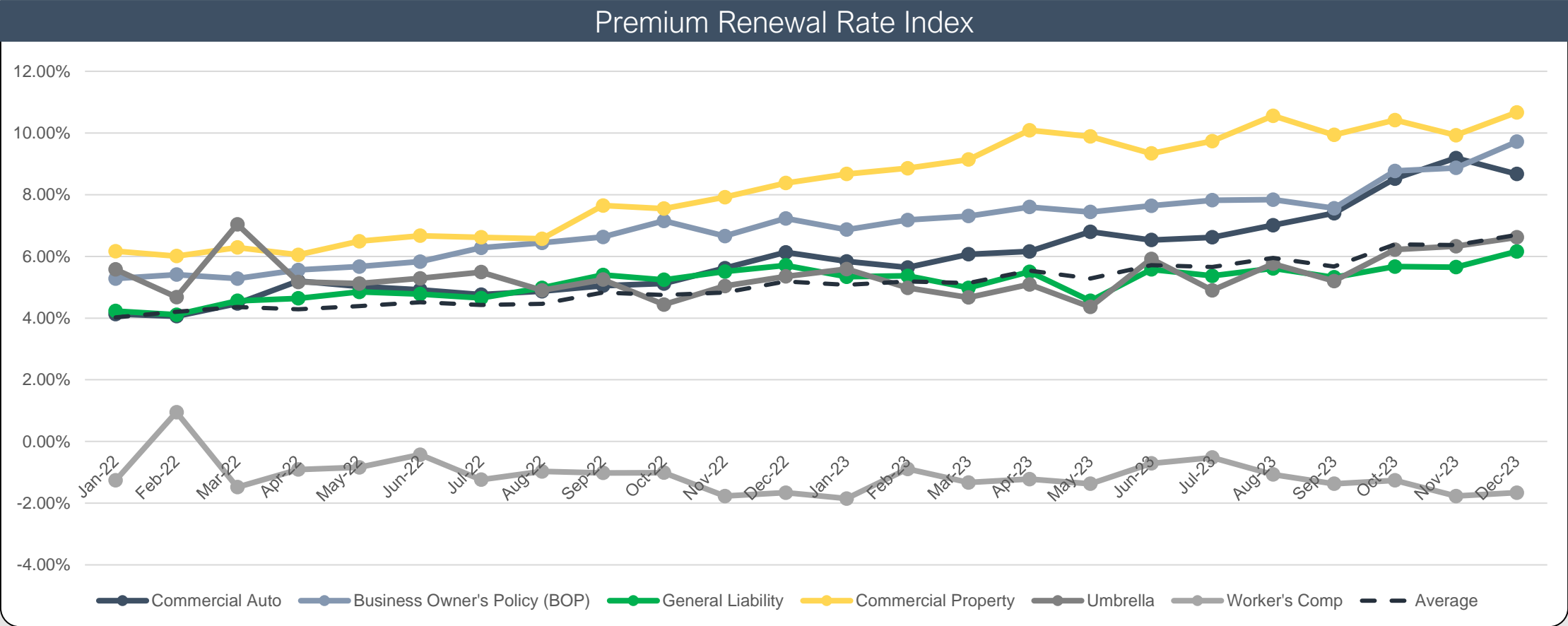
M&A Activity – Top 60 Brokerages

| Company | 2023 Deals | 2022 Deals | 2022 US Broker Revenue (in millions) | Investor Type | Headquarters |
|---------------------------------------|------------|------------|---|---------------------------|--------------------|
| Cottingham & Butler | 0 | 0 | \$296 | Private Company | Dubuque, IA |
| Insurance Office of America | 0 | 0 | \$280 | Private Company | Longwood, FL |
| Woodruff-Sawyer & Co. | 0 | 0 | \$277 | Private Company | San Francisco, CA |
| Holmes Murphy | 0 | 1 | \$274 | PE-Backed | Waukeg, IA |
| Cross Insurance | 3 | 7 | \$269 | Private Company | Bangor, ME |
| Relation Insurance | 4 | 22 | \$260 | PE-Backed | Walnut Creek, CA |
| Paychex | 2 | 1 | \$249 | Public Corporation | Rochester, NY |
| CAC Specialty | 1 | 0 | \$183 | Subsidiary of Public Corp | Denver, CO |
| Hylant Group | 1 | 0 | \$180 | Private Company | Toledo, OH |
| Unison Risk Advisors | 1 | 1 | \$162 | PE-Backed | Cleveland, OH |
| Heffernan Insurance Brokers | 6 | 2 | \$159 | PE-Backed | Walnut Creek, CA |
| Cadence Insurance | 0 | 1 | \$158 | PE-Backed | Houston, TX |
| Newfront | 0 | 0 | \$155 | PE-Backed | San Francisco, CA |
| The Liberty Company Insurance Brokers | 1 | 8 | \$153 | Private Company | Woodland Hills, CA |
| Insurica | 1 | 0 | \$153 | Private Company | Oklahoma City, OK |

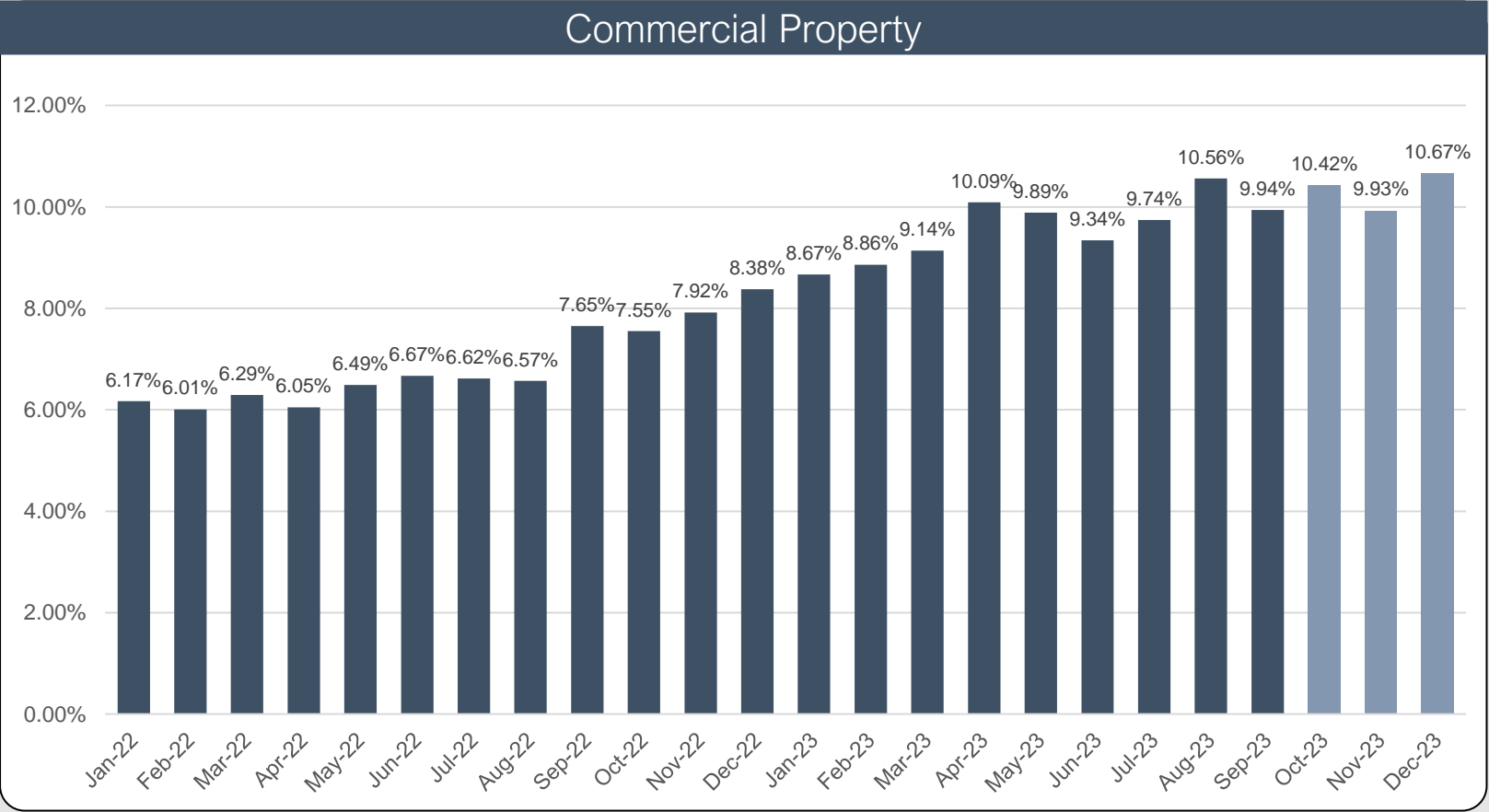
M&A Activity – Top 60 Brokerages

| Company | 2023 Deals | 2022 Deals | 2022 US Broker Revenue (in millions) | Investor Type | Headquarters |
|-------------------------------|------------|------------|---|--------------------|-------------------|
| Keystone Agency Partners | 4 | 8 | \$138 | PE-Backed | Harrisburg, PA |
| AmeriTrust Group | 0 | 0 | \$136 | Private Subsidiary | Southfield, MI |
| Sunstar Insurance Group | 0 | 2 | \$121 | PE-Backed | Memphis, TN |
| Marshall & Sterling Insurance | 0 | 0 | \$112 | Private Company | Poughkeepsie, NY |
| TrueNorth Companies | 0 | 1 | \$109 | Private Company | Cedar Rapids, IA |
| M3 Insurance Solutions | 0 | 1 | \$109 | Private Company | Madison, WI |
| Eastern Insurance Group | 0 | 2 | \$99 | Public Subsidiary | Natick, MA |
| Lawley Insurance | 1 | 1 | \$98 | PE-Backed | Buffalo, NY |
| The Horton Group | 0 | 0 | \$98 | Private Company | Orland Park, IL |
| Alkeme Insurance | 12 | 9 | \$94 | PE-Backed | Ladera Ranch, CA |
| Insurors Group | 0 | 0 | \$93 | Private Company | Denison, TX |
| Towne Insurance | 0 | 2 | \$91 | Private Company | Norfolk, VA |
| Sterling Seacrest Partners | 0 | 0 | \$90 | Private Company | Atlanta, GA |
| Houchens Insurance Group | 0 | 0 | \$89 | Private Company | Bowling Green, KY |
| Scott Insurance Services | 0 | 0 | \$89 | Private Company | Lynchburg, VA |

Insurance Premium Renewal Rate Changes



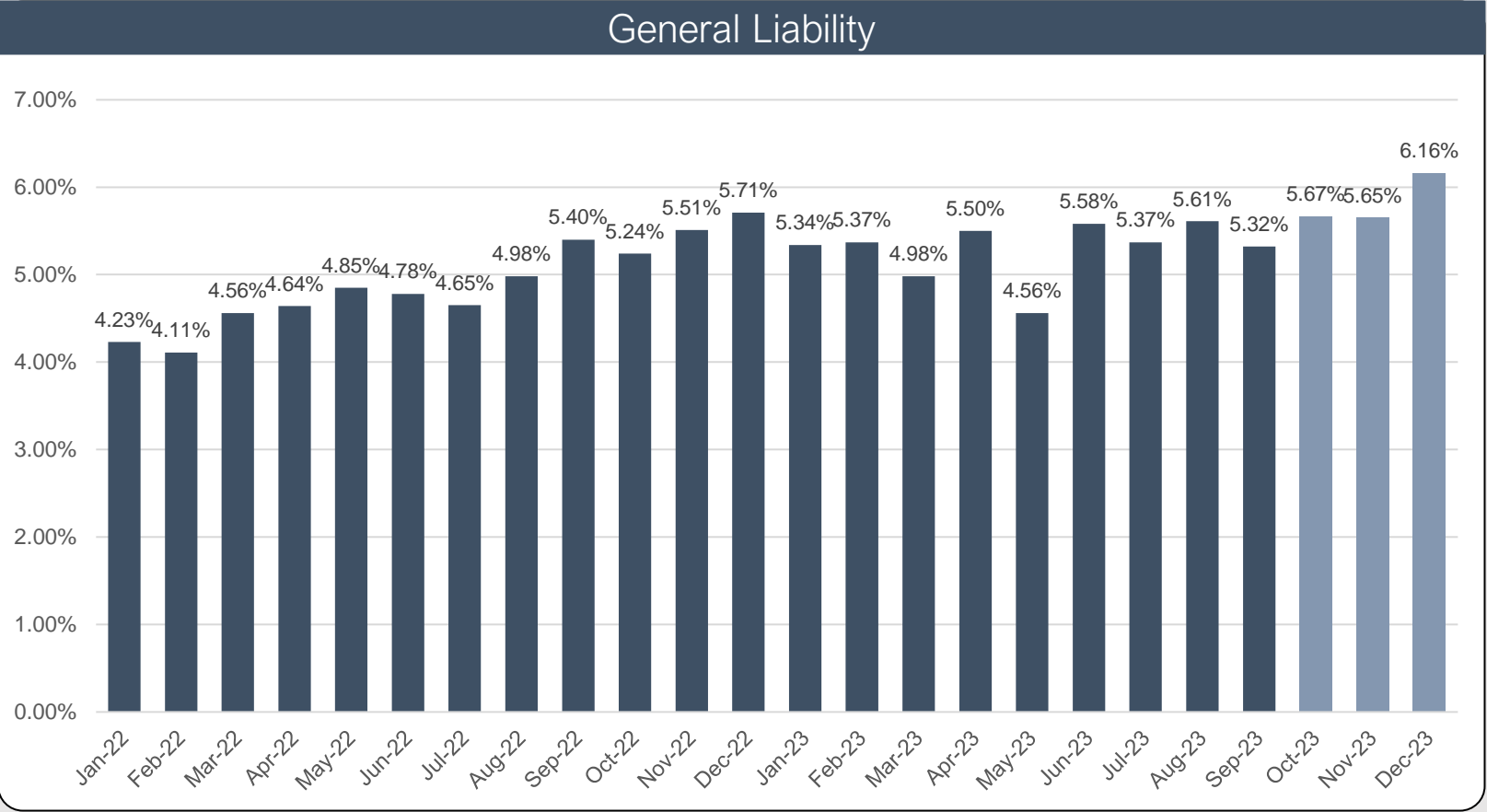
Insurance Premium Renewal Rate Changes



Commercial Property

- Q4 2023 averaged a premium renewal rate change of 10.34%
- The averages for both Q3 and Q4 of 2023 were over 10%.
- The 2023 average of 9.77% is nearly 300 basis points above 2022's 6.86%.

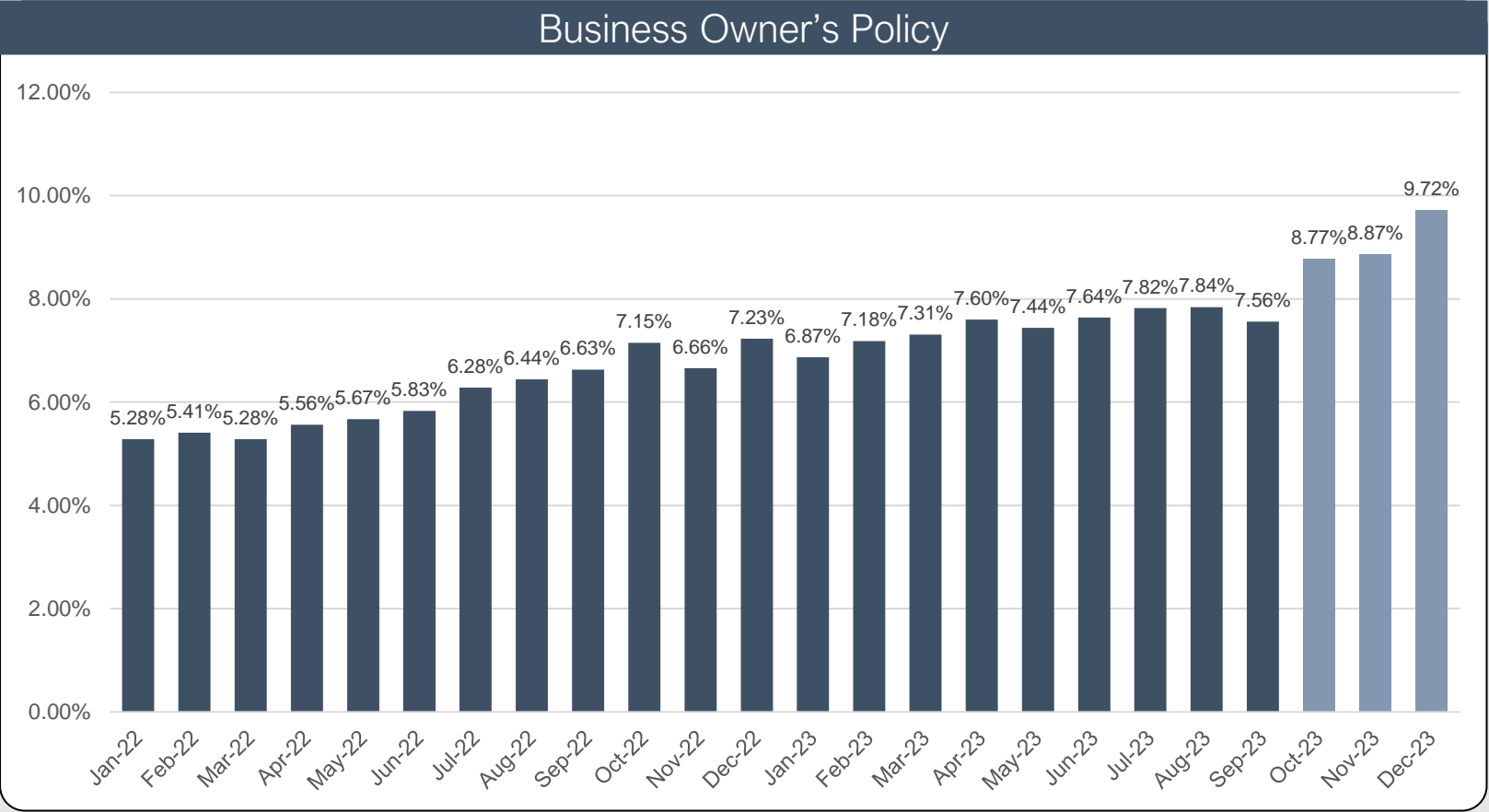
Insurance Premium Renewal Rate Changes



General Liability

- Q4 2023 averaged a premium renewal rate change of 5.83%, while Q3 was 5.43%.
- May 2023's rate change of 4.56% was the category's lowest since March 2022.
- The two highest renewal rate changes of the last two years both came in December.

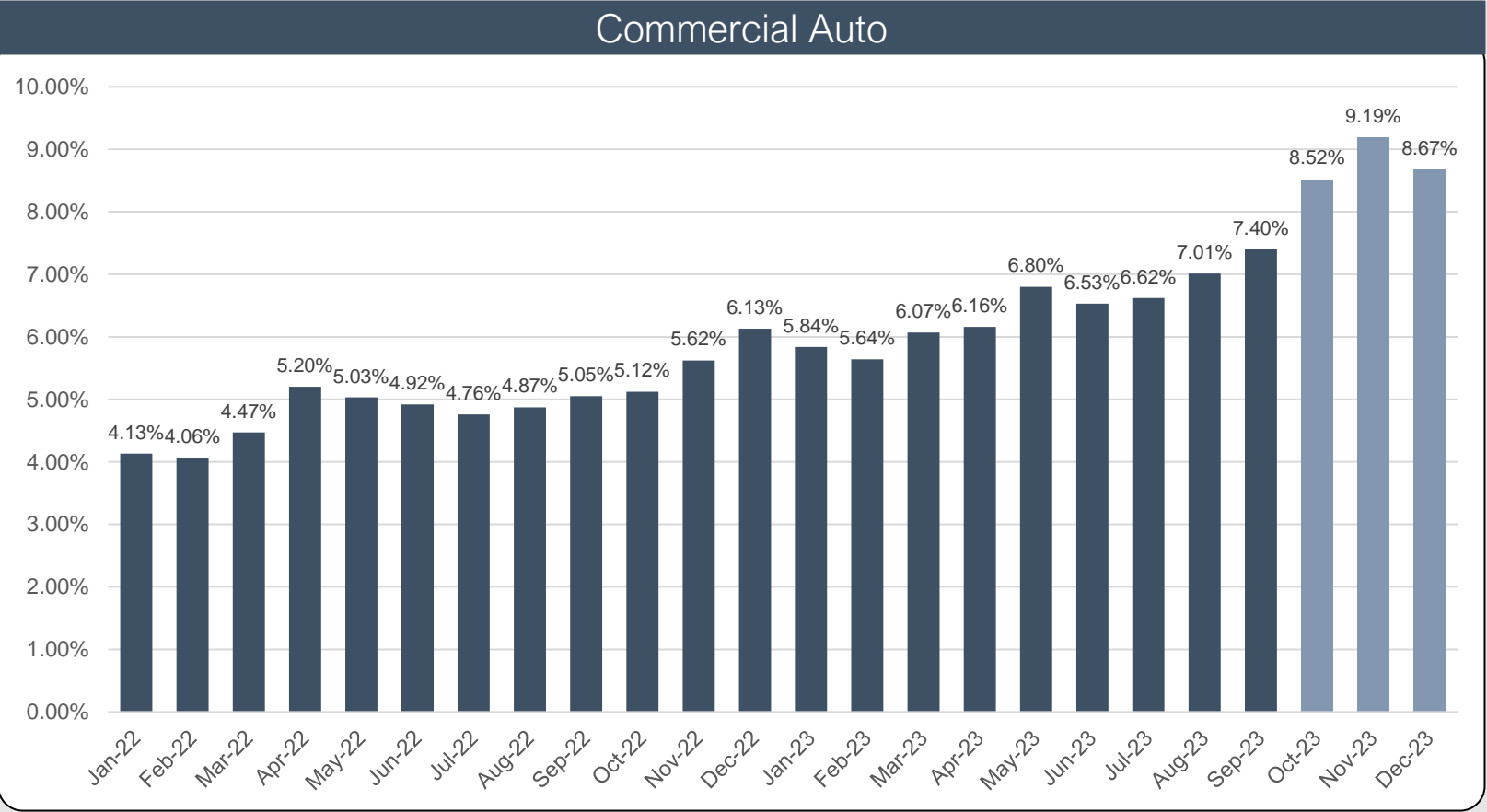
Insurance Premium Renewal Rate Changes



Business Owner's Policy ("BOP")

- Q4 2023 averaged a premium renewal rate change of 9.12%, a significant increase from Q3's 7.74%. This is the largest quarter over quarter increase of the last two years.
- Each month of Q4 saw record high rate changes of the past few years.
- Every month of 2023 had a higher policy premium renewal rate change than their corresponding months of 2022.

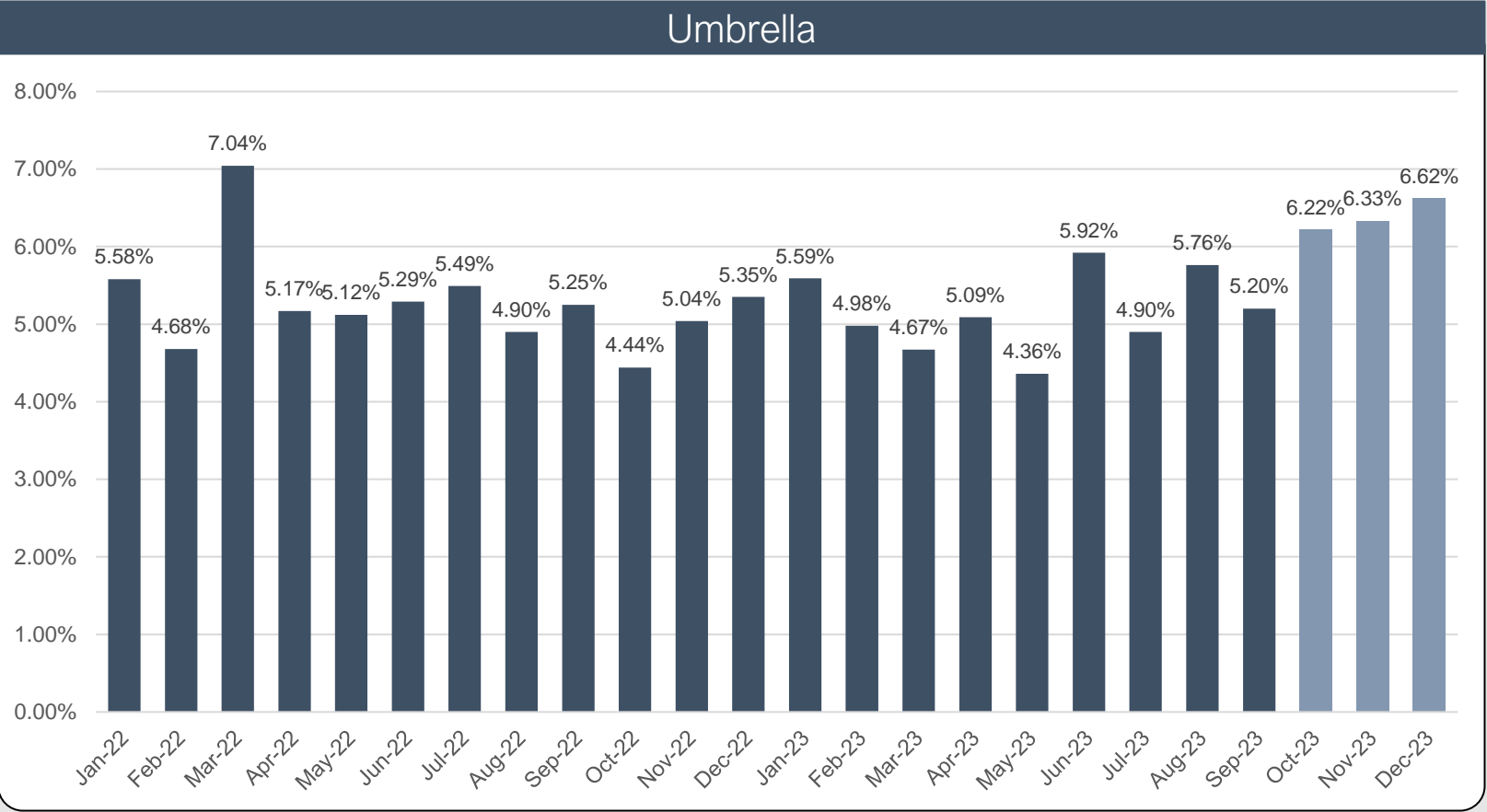
Insurance Premium Renewal Rate Changes



Commercial Auto

- Q4 2023 averaged a premium renewal rate change of 8.79%.
- The Q1 2022 average of 4.22% is less than half that of Q4 2023. Commercial Auto lines experienced more growth than any other line during this period.
- Each month of Q4 saw higher renewal rate changes than any months of the last two years.
- Every month of 2023 had a higher policy premium renewal rate change than their corresponding months of 2022.

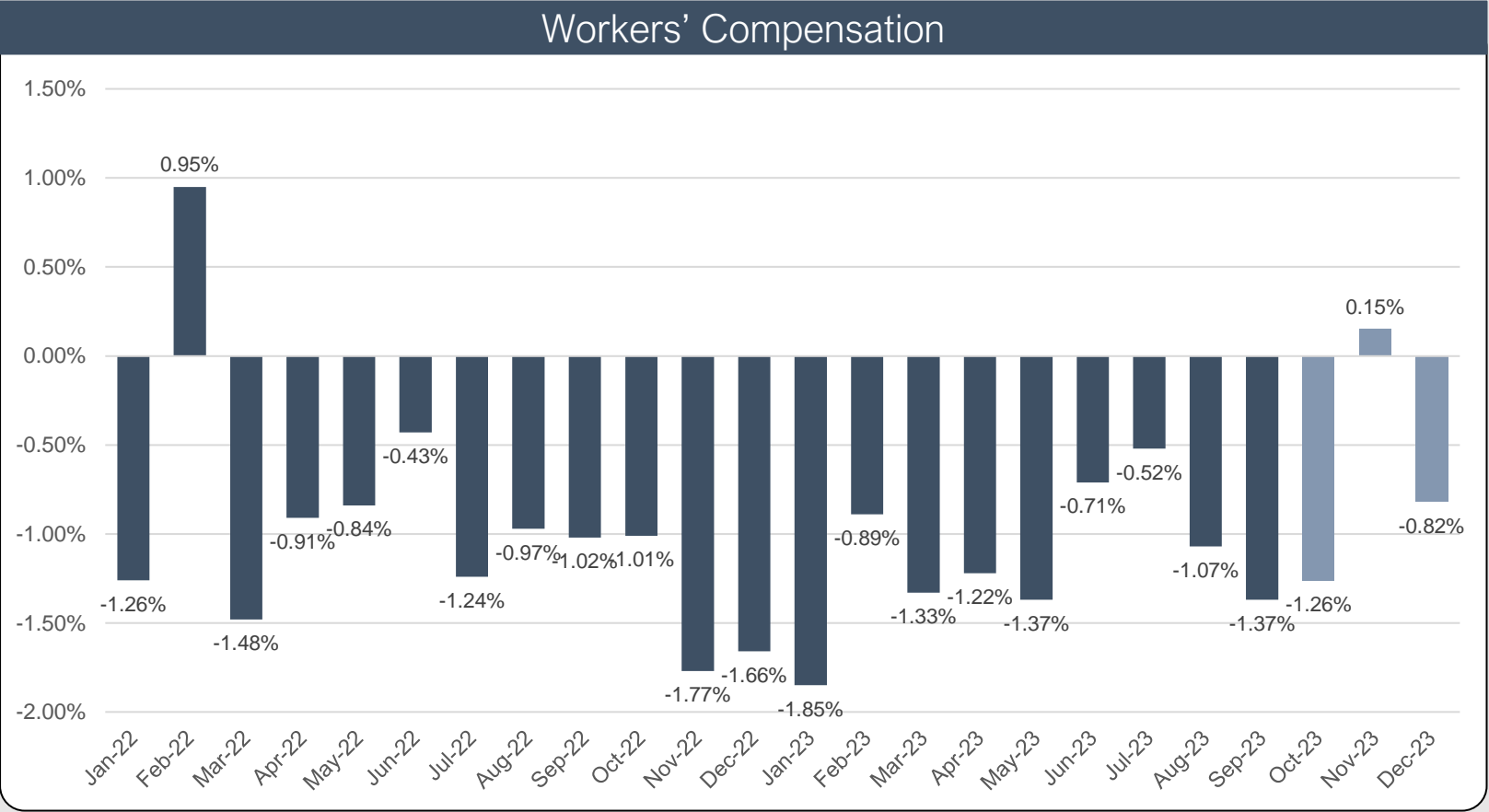
Insurance Premium Renewal Rate Changes



Umbrella

- Q4 2023 averaged a premium renewal rate change of 6.39%, a notable rise from Q3 2023's average of 5.29%.
- The annual average for 2023 did not see much growth, increasing from 5.28% to 5.47%.
- March 2022 saw the highest rate change of the last two years (7.04%) while May 2023 saw the lowest (4.36%).

Insurance Premium Renewal Rate Changes



Workers' Compensation

- Q4 2023 averaged a premium renewal rate change of -0.64%, an increase from Q3 2023's average of -0.99%.
- On the year, 2023 had a lower average (-1.02%) than 2022 (-0.97%).
- November 2023's rate change of 0.15% was the first month with a positive change since February 2022 saw an increase of 0.95%.

Why it's Important to be Investment Grade

Key reasons why becoming Investment Grade is important to driving value for all stakeholders

Leverage data to lead your business to greater enterprise value

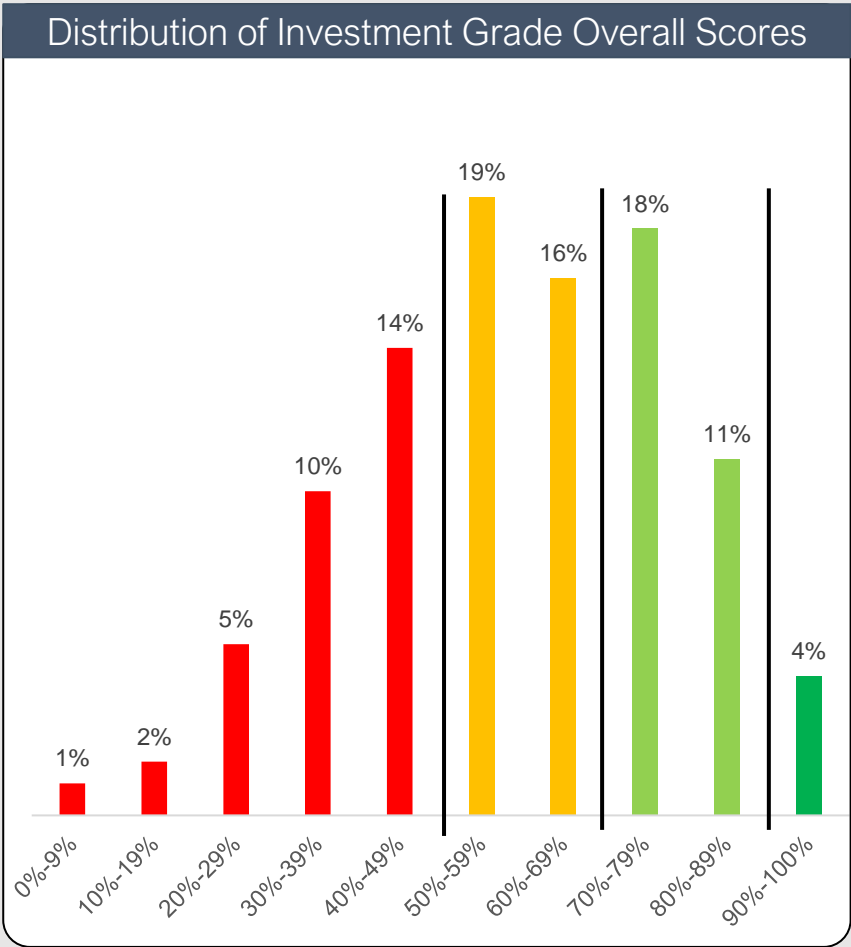
Founders has developed a sector-specific, algorithmic evaluation tool to help business owners understand if their company is investment grade based on years of M&A expertise. Our Investment Grade Assessment gives owners a measurable system to assess the 12 interdependent value drivers.

Why assess your business?

The benefits of assessing your business far transcend solely transacting. Doing so provides the opportunity to own and operate an all-around better business.



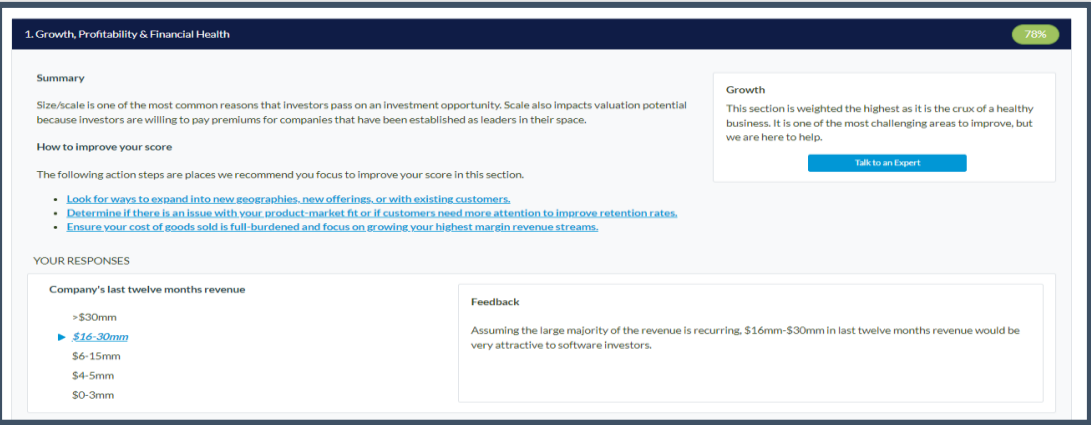
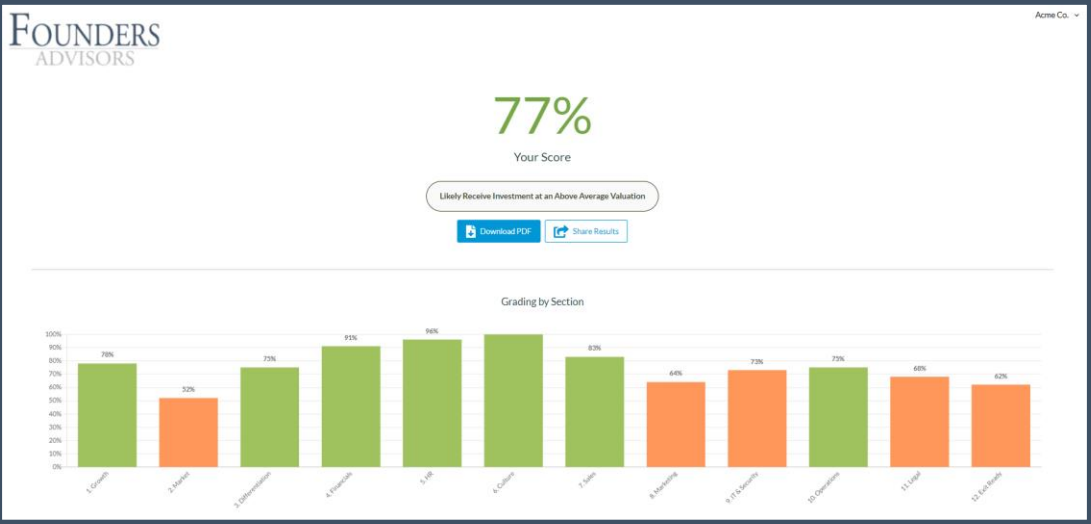
Few private companies are truly investment grade



Is My Company Exit Ready?

Identify Key Areas to Maximize Your Company's Enterprise Value in a Sale

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12 Sections

90+ Questions

17 Minutes

Prescriptive Report & Score

Complimentary Discount Code:

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Founders Advisors Overview

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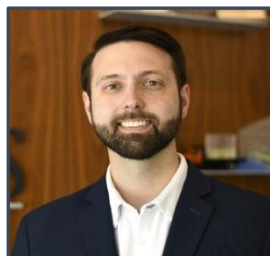
Insurance Sector Coverage Team



ZANE TARENCE
PRACTICE HEAD, PARTNER



CHRIS WEINGARTNER
MANAGING DIRECTOR



TUCKER HELMS
ASSOCIATE

Firm News



Impact Leadership Conference

Founders Advisors hosted the annual [Impact Leadership Conference](#) on Wednesday, December 6th featuring Dr. John C. Maxwell, Pastor Chris Hodges, Pulitzer Prize Winner Doris Kearns Goodwin, and Chick-fil-A Chairman & CEO Dan Cathy. Attendees experienced world-class professional leadership development with practical applications. Read more about the event [here](#).

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