

Q3 2022

# M&A Trends

Quarterly M&A Market Update

**#1 Sell Side Advisor**

for the 23<sup>rd</sup> Consecutive Year Running as Ranked by S&P Global Market Intelligence



**MARSHBERRY**

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# M&A VALUATIONS ARE STILL STRONG, BUT THERE ARE CRACKS IN THE FOUNDATION

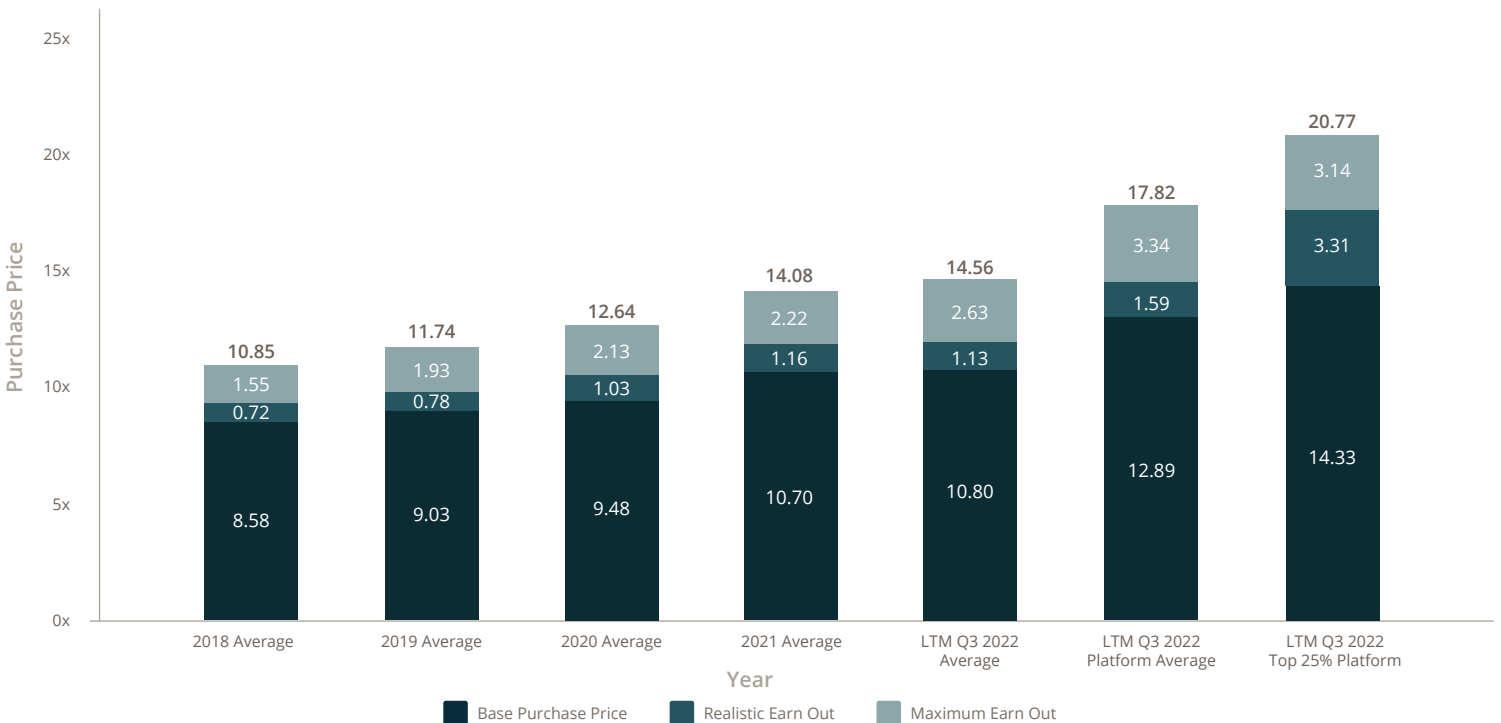
M&A activity is still robust, and valuations continue to rise, with average multiples hitting all-time highs. But there are some signs that the incredible run might be slowing down.

The fourth quarter begins amidst a turbulent year for the overall U.S. and global economies, where inflation, rising interest rates, and stock market volatility are dominating the financial news. However, merger & acquisition (M&A) activity in the insurance brokerage space continues to be very active, with average valuation multiples seeing another increase through the third quarter. As of September 30, 2022, there have been 405 announced M&A transactions in the U.S., a 23% decrease compared to this time last year. However, the anticipated rate at which deals are announced will increase in Q4 — ultimately shortening the gap between 2021 and 2022.

Capital backed brokers continue to be the dominant buyers and accounted for 310 (or 76.5%) of the total transactions through September. These firms are displaying a capacity to continue buying at a steady pace and eager to deploy available dry powder .... for now. The insurance distribution industry continues to be a highly sought-after investment as it appears the market is heading toward a prolonged period of economic stagnation.

Deals involving specialty distributors as targets currently account for 26% of the total deals year-to-date. This trend is anticipated to continue as traditional retail brokers expand into the wholesale and delegated authority space. Public brokers have remained consistent with last year in terms of total deal count, making up 6.2% of total announced transactions.

## VALUATION COMPARABLES MAXIMUM PURCHASE PRICE AS A MULTIPLE OF EBITDA



Source: MarshBerry proprietary database. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Numbers may not add due to rounding. Past performance is not necessarily indicative of future results. Individual results may vary. EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization; LTM: last twelve months; Q3: Quarter 3. Platform: High level transaction for a buyer, typically due to new geography niche, expertise, size, talent, etc. 10 Year Index: Multiple calculated based on deals closed from 1/1/2010 to 12/31/2019.

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# MULTIPLES

The average total potential deal value for the last twelve months (LTM) ending Q3 2022 is 14.56x Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA). Comparing this figure to year end 2021, which produced an average total potential deal value of 14.08x EBITDA, maximum valuations saw an increase of 0.48x EBITDA in the last 12 months. This represents a 3.4% increase. Compare this to the prior period — where valuations saw a 1.44x EBITDA increase in 2021 (over 2020), representing an 11.4% increase.

While the average deal is topping out at 14.56x EBITDA, platform deals in the last twelve months continue to push even higher. The average of the Top 25% of Platform transactions are commanding close to 14.33x EBITDA on a Base Purchase Price with a maximum transaction value averaging over 20x EBITDA. There are numerous additional deals slated to close in Q4 2022 that have valuations that will likely top these trailing values.

Many buyers remain well capitalized with dry powder raised prior to the Fed raising rates to stave off inflation, however there are indications that some buyers are staying out of the market because the cost of debt is too high or just unavailable. They are choosing to sit on the sidelines instead of borrowing at the new interest rates. Most have capital that will support them well into spring/early summer 2023 if they continue at their current pace of buying. However, a significant slow down might be seen if markets don't loosen up by the second quarter of 2023.

## 14.56x EBITDA

Average Total Potential Deal Value for LTM ending in Q3 2022

## 14.08x EBITDA

Average Total Potential Deal Value for Year End 2021

## 3.4% ↗

Increase from 2021 to 2022

So as valuations continue to rise, owners and shareholders who are contemplating the future of their firms or their perpetuation plans may want to explore the market sooner, rather than later.

If you'd like to learn more about M&A activity for insurance agents or brokers, please email or call Phil Trem.

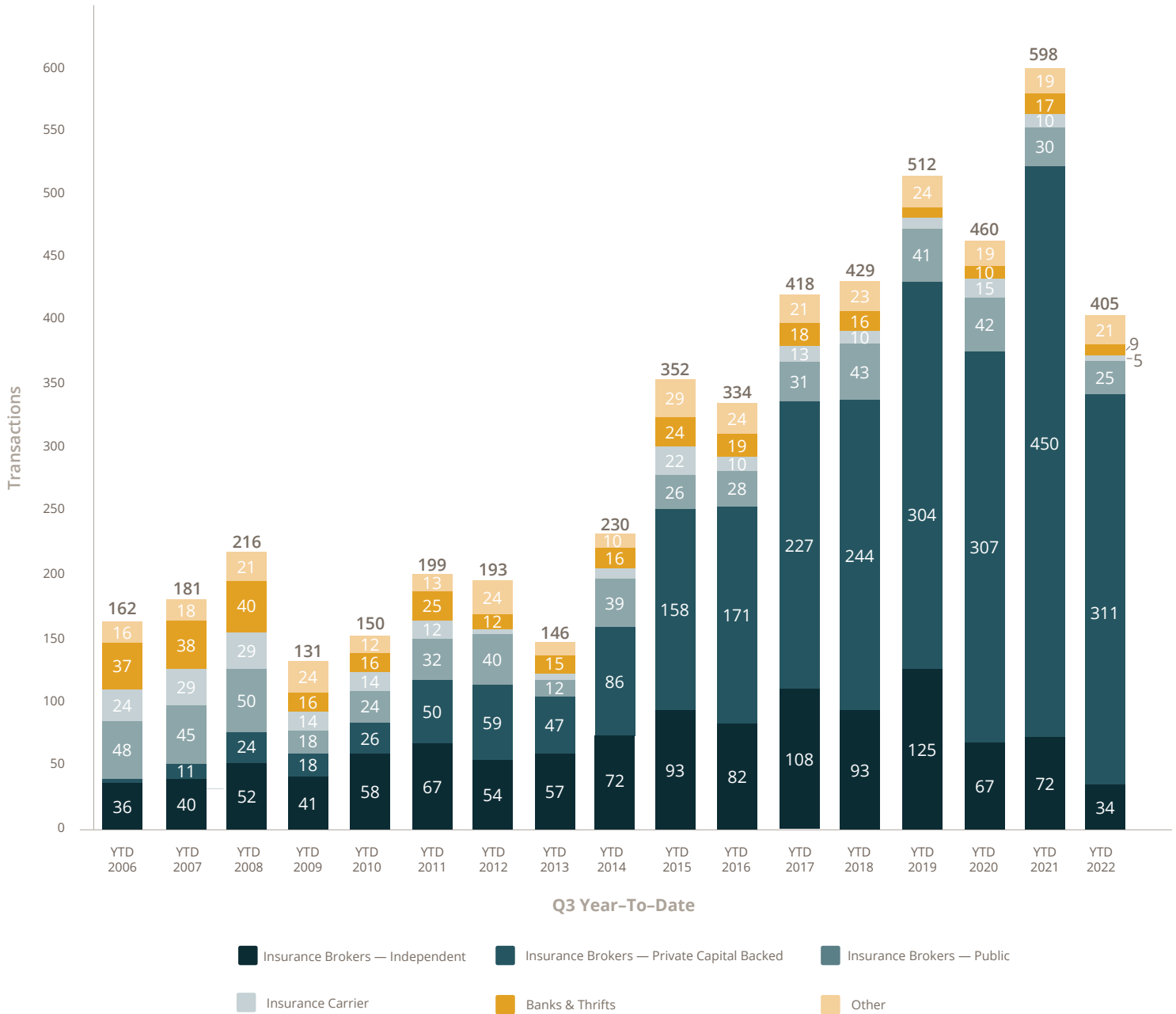


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2022 YTD ANNOUNCED U.S. TRANSACTIONS



Disclosure: All deal count metrics are inclusive of completed deals with U.S. targets only. Scorecard year-to-date totals may change from month to month should an acquirer notify MarshBerry or the public of a prior acquisition. 2022 statistics are preliminary and may change in future publications. Please feel free to send any announcements to M&A@MarshBerry.com. Source: S&P Global Market Intelligence, Insurance Journal, and other publicly available sources. All transactions are announced deals involving public companies, Private Capital backed brokers, private companies, banks, as well as others including Private Capital groups, underwriters, specialty lenders, etc. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not necessarily been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that historically, a low percentage of transactions were publicly announced, but we believe that this has risen to over 50% today. YTD: Year-To-Date












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# MARSHBERRY 2022 TRANSACTION HIGHLIGHTS

MarshBerry Continues to be the #1 Sell Side Advisor in the Industry (as Ranked by S&P Global).

<p>September 2022</p>   <p><b>Partners Group</b> has invested in <b>Foundation Risk Partners</b></p> <p>MarshBerry served as the financial advisor to the Investee</p>	<p>September 2022</p>   <p><b>Alera Group</b> has acquired <b>Greenhill Insurance Services</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>	<p>August 2022</p>   <p><b>Oakbridge Insurance Agency, LLC</b> has acquired <b>J Barry Walker Insurance Group, LLC</b></p> <p>MarshBerry served as the financial advisor to the Buyer</p>	<p>August 2022</p>   <p><b>Scottish American</b> has acquired <b>Brookside General Insurance Services, Inc.</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>
<p>July 2022</p>   <p><b>Specialty Program Group, LLC</b> has acquired <b>ESP Brokerage LLC</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>	<p>July 2022</p>   <p><b>Hub International Limited</b> has acquired <b>Alexander &amp; Company, Inc.</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>	<p>July 2022</p>   <p><b>PCF Insurance Services</b> has acquired <b>John E. Peakes Insurance</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>	<p>June 2022</p>   <p><b>Marsh McLennan Agency</b> has acquired <b>Clark Insurance</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>
<p>May 2022</p>   <p><b>Patriot Growth Insurance Services, LLC</b> has acquired <b>DMM Advisors</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>	<p>April 2022</p>   <p><b>Peloton Capital Management</b> has invested in <b>Unison Risk Advisors</b></p> <p>MarshBerry served as the financial advisor to the Investee</p>	<p>April 2022</p>   <p><b>Hub International Limited</b> has acquired <b>Chun-Ha Holding Corp</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>	<p>April 2022</p>   <p><b>Risk Placement Services</b> has acquired <b>G.A. Mavon &amp; Co. &amp; its wholly-owned subsidiary Mavco Insurance Agency</b></p> <p>MarshBerry served as the financial advisor to the Seller</p>

\*Completed and announced sell side transactions in Insurance Brokerage (1999-2021) in which a financial adviser was used. Ranked by total number of deals and as tracked by S&P Global Market Intelligence.

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