

## Second Quarter 2015 Allstate Agency Value Index

### Values up for All Size Groups - Fueled by Merger Transactions

21% of Allstate Agency purchases financed by PPCLOAN in the Second Quarter of 2015 were part of a merger transaction. In fact, the Second Quarter of 2015 marks the first time since the First Quarter of 2014 that PPCLOAN financed each of the following transaction types in a single Quarter:

- Acquisition of an established agency by an Outside Buyer
- Acquisition of a satellite by an Existing Agency Owner
- Merger of two or more agencies by an Outside Buyer into a single location
- Merger of at least one agency into an Existing Agency Owner's current location

Allstate Agency Price to New/Renewal Commissions Ratio (National Average)						
	2014 1st QTR	2014 2nd QTR	2014 3rd QTR	2014 4th QTR	2015 1st QTR	2015 2nd QTR
\$0 to \$100,000	1.74	N/A	N/A	N/A	N/A	1.48
\$100,001 to \$200,000	2.32	2.43	2.52	2.43	1.99	2.40
\$200,001 to \$300,000	2.35	2.47	2.54	2.54	2.45	2.50
\$300,001 and up	2.70	2.76	2.77	2.79	2.66	2.85
Simple Average	2.38	2.62	2.66	2.69	2.50	2.54
Low	1.07	1.73	1.97	1.94	1.69	1.34
High	3.16	3.52	3.45	3.52	3.35	4.31

Clearly a market that allows both Existing Agency Owners and Outside Buyers to make purchase offers for both large and small sized agencies for the purpose of either a stand-alone location or a merger is going to be good for Allstate Agency Values.

Those entrepreneurs considering Allstate Insurance Agency Ownership will have different desires with regard to what gets them excited about joining the company as an Agent. Some will be very satisfied with pursuing a scratch start-up or even purchasing a smaller sized agency that qualifies for ADB (Agency Development Bonus). Some of your best Outside Buyer candidates, who would look to transition to Allstate after accomplished careers in another field prefer the prospect of purchasing a larger sized agency – one that is already cash flowing at a level that meets their needs.

When specifically addressing those entrepreneurs who want to join Allstate Insurance and immediately have ownership of a large amount of renewal commission dollars (say \$250,000 or greater), having the option to either buy a larger established agency, or purchase and merge two agencies to get to their desired cash flow level gives Allstate Insurance the best opportunity to secure the best talent. This Quarter drives this point home as Buyers have stated loud and clear that they will pay a little more if they can get what they want. This has always been the appeal of Allstate over other Agent based carriers like State Farm. Allstate Insurance lets you as

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the Buyer negotiate your deal, select your location, and manage your business to your specifications – none of which are available with other carriers.

With many Allstate designated regions allowing for more opportunities to join the ranks as an Allstate Agency Owner (mergers, satellites, start-up, ADB purchase & established agency purchases), values were certain to go up, as Buyers see value in pulling off a strategic purchase that they believe gives them the best chance to succeed.

Percentage of Agency Sales by Size Group						
New/Renewal Commissions	2014 1st QTR	2014 2nd QTR	2014 3rd QTR	2014 4th QTR	2015 1st QTR	2015 2nd QTR
\$0 to \$100,000	6%	0%	0%	0%	0%	4%
\$100,001 to \$200,000	15%	17%	5%	3%	12%	22%
\$200,001 to \$300,000	58%	29%	43%	36%	41%	44%
\$300,001 and up	21%	54%	52%	61%	47%	30%

Since the Fourth Quarter of 2014, larger-sized agencies with new and renewal commission income of \$300,000 have shrunk as a percentage of agencies sold. During this current Quarter, these largest sized agencies represent just 30% of total agencies sold, when previously they represented 61% of sales in the 4th Quarter of 2014. The more open purchase market is certainly a contributing factor, allowing agencies of all sizes to be desirable to a broad array of buyers whether sold as a single location or a merger transaction.

Allstate Agency Value Ratios						
	2014 1st QTR	2014 2nd QTR	2014 3rd QTR	2014 4th QTR	2015 1st QTR	2015 2nd QTR
Agency Price to New/Renewal Commissions	2.38	2.62	2.66	2.69	2.50	2.54
Agency Price to Total Revenues	2.17	2.28	2.31	2.32	2.19	2.21



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