

# 2021 Q3

## Allstate Agency Value Index- 2021 Q3

### Agency Buyers Demonstrate Positive View of 2023 Comp Change

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2018	2019	2020	2021 1st QTR	2021 2nd QTR	2021 3rd QTR
\$0 to \$2,000,000	0.226	0.216	0.168	0.155	0.140	N/A
\$2,000,001 to \$4,000,000	0.256	0.252	0.226	0.197	0.238	0.233
\$4,000,001 and up	0.299	0.274	0.249	0.228	0.253	0.240
Simple Average	0.261	0.253	0.233	0.209	0.233	0.236
Low	0.135	0.140	0.100	0.15	0.100	0.146
High	0.365	0.358	0.322	0.276	0.322	0.274
Average Earned Premium	\$3,202,644	\$3,638,959	\$4,102,072	\$4,614,481	\$3,673,382	\$4,766,772

### 2023 Comp Plan:

The third quarter of 2021 was the first buying quarter where all M&A consumers of Allstate agencies had full knowledge of Allstate's plan to change the agency compensation model starting in 2023. Below are some highlights related to valuation and lending:

#### AGENCY VALUATIONS:

- Agency buyers did not hesitate to purchase larger sized agencies, as this quarter's sales factors are comparable to sales occurring in recent quarters, prior to the comp plan announcement. In fact, the simple average is at its highest level since 2019.
- PPC LOAN was not approached to fund deals under \$2million in earned premium during Q3 of 2021. Outside buyers appear to be less interested in these agencies in light of the expectations and opportunities surrounding the 2023 comp plan.
- Outside buyers dominated this quarter, representing 85% of the loans funded by PPC LOAN.

#### AGENCY LENDING:

- PPC LOAN continues to fund acquisition loans for quality outside buyers well above the stated TPP value at closing.
- PPC LOAN is NOT funding deals for outside buyers where the selling agents earned premium is less than \$2million.
- PPC LOAN will finance the purchase of an agency that is less than \$2million in earned premium as long as the buyer has an existing agency, or the purchase is part of a merger transaction.

## **MEDIUM SIZED AGENCY ANALYSIS \$2,000,001 to \$4,000,000:**

Agencies with Earned Premium ranging from \$2million to \$4million saw their average value maintain a factor over .230 for the second straight quarter (.233). The average agency in this size group purchased was \$3,150,000 in earned premium and agency buyers clearly see an opportunity to purchase and grow agencies of this size in the future.

## **LARGE SIZED AGENCY ANALYSIS \$4,000,001 and up:**

After starting 2021 with an average sales factor of just .228 in Q1, the largest sized agencies realized a solid third quarter with an average sales factor of .240. With market saturation and the new comp plan announcement, it is a very good long-term sign for agency valuations that this most important size group did not see a substantial dip this quarter.

## **SMALL SIZED AGENCY ANALYSIS \$0 to \$2,000,000:**

PPC LOAN is no longer financing these sized agencies for outside buyers. We are however happy to finance the purchase of smaller sized agencies in two scenarios:

- If the agency is part of a merger transaction by an outside buyer.
- If an existing agent is purchasing to either merge or maintain the seller's agency.