

# Allstate Agency Value Index- 2022 Q1

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## Existing Agents and Mergers Dominate the Buy/Sell Market

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)					
	2018	2019	2020	2021	2022 1st QTR
\$0 to \$2,000,000	0.226	0.216	0.168	0.145	0.212
\$2,000,001 to \$4,000,000	0.256	0.252	0.226	0.220	0.218
\$4,000,001 and up	0.299	0.274	0.249	0.236	0.221
<b>Simple Average</b>	<b>0.261</b>	<b>0.253</b>	<b>0.233</b>	<b>0.223</b>	<b>0.218</b>
<b>Low</b>	<b>0.135</b>	<b>0.140</b>	<b>0.100</b>	<b>0.100</b>	<b>0.147</b>
<b>High</b>	<b>0.365</b>	<b>0.358</b>	<b>0.322</b>	<b>0.322</b>	<b>0.256</b>
Average Earned Premium	\$3,202,644	\$3,638,959	\$4,102,072	\$4,264,462	\$3,168,816

### What a difference a quarter makes

Below are the three highlights from the Fourth Quarter 2021 Allstate Agency Value Index (in red), along with how things have moved in a positive direction this quarter (in blue). It is good to see existing agents and mergers playing a more significant role in the Allstate buy/sell market:

- **LAST QUARTER:** “64% of agency purchase transactions were for outside buyers – the remaining 36% were purchased by existing agency owners.”
  - **THIS QUARTER:** Existing agents represented 55% of agency purchasers.
- **LAST QUARTER:** “Terminations continued to put downward pressure on agency values with 27% of sellers being forced to sell due to losing their contract.”
  - **THIS QUARTER:** Terminated Sellers were only 9% of sales transactions.
- **LAST QUARTER:** “This quarter’s highest sales factor of .274 was a merger transaction by an existing agency owner. Unfortunately, there was only a single instance of PPC LOAN financing a merger transaction in Q4.”
  - **THIS QUARTER:** Merger transactions represented 36% of sales transactions. Mergers were only 3% of PPCLOAN financed transactions for all of 2021!

## **Positive market for sellers of small agencies**

The phenomenon of Elite agents now purchasing and merging up to \$3 million in earned premium provides sellers of small agencies a lifeline that allows them to receive a value for their business much greater than the TPP value. For the first time in three quarters, PPCLOAN financed multiple agencies with less than \$2 million in earned premium, all part of a merger purchase by an Elite agent.

This trend is a win/win situation for both buyer and seller. Those smaller agents who do not have the free cash flow to grow their business now have the opportunity to exit while receiving a reasonable valuation. It's also a win for the Elite buyers of these agencies who roll customer policies into their existing location while absorbing minimal seller expense, which allows them to invest in new customer growth and retention.

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

As mentioned above, the ability of Elite agents to purchase and merge under \$3 million in earned premium has been a significant positive for agencies of this size. In fact, the average sales factor for a book purchased and merged of this size was a very solid .212 this quarter. This represents a significant increase, as the average sales factor for this size group for the entire year of 2021 was just .145.

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

Agencies with Earned Premium ranging from \$2 million to \$4 million seem to have found their value sweet spot with a sales factor around .220. Evidence of this ongoing price stability is demonstrated as follows:

- The average sales factor for all of 2021 for this size group was .220.
- The average sales multiple was .222 in Q4 of 2021.
- The average sales multiple for this quarter is .218.

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

This quarter, large sized agencies with over \$4 million in earned premium saw an increase in their factor from .214 in the last quarter of 2021 to .221 this quarter. This is a positive trend that is certainly driven by a reduction in terminated agents this quarter.