

# 2022 Q2

## Allstate Agency Value Index- 2022 Q2

### Merger Activity Explodes!

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2018	2019	2020	2021	2022 1st QTR	2022 2nd QTR
\$0 to \$2,000,000	0.226	0.216	0.168	0.145	0.212	0.176
\$2,000,001 to \$4,000,000	0.256	0.252	0.226	0.220	0.218	0.212
\$4,000,001 and up	0.299	0.274	0.249	0.236	0.221	0.230
Simple Average	0.261	0.253	0.233	0.223	0.218	0.208
Low	0.135	0.140	0.100	0.100	0.147	0.130
High	0.365	0.358	0.322	0.322	0.256	0.293
Average Earned Premium	\$3,202,644	\$3,638,959	\$4,102,072	\$4,264,462	\$3,168,816	\$2,997,243

### Let's Talk Merger Statistics

In the last quarterly edition of the AAVI (Q1 2022), we mentioned that mergers represented 36% of transactions financed by PPC LOAN. This was up significantly from full year 2021, where just 3% of agency sales were a merger transaction.

Amazingly, **66%** of the M&A transactions PPC LOAN financed in the Allstate space this quarter were part of a merger transaction. Due to this abundant sampling size of mergers, PPC LOAN is releasing the following statistics for mergers occurring in the 2<sup>nd</sup> quarter of 2022:

Smallest Agency Merged (Earned Premium)	\$ 1,018,780
Largest Agency Merged (Earned Premium)	\$ 4,902,813
Average Size Agency Merged (Earned Premium)	\$ 2,485,790
Average sales factor of a merged agency	0.179
Sales Factor < \$3million earned Premium merged	0.197
Sales Factor > \$3million earned Premium merged	0.198

## **What are the big takeaways?**

1. **Existing agents are paying the same sales factor for a merger regardless of size:**

This is a very interesting revelation, as historically speaking, the larger the agency the higher the sales multiple or factor. A \$5million earned premium agency always demanded a higher multiple than a \$1.5million agency.

The longstanding historical trend appears to have no relevance when the agency being purchased is being merged instead of being purchased by an outside buyer or maintained as a satellite.

2. **Allstate Insurance Company is driving this trend:**

It's been a great plan for Allstate Insurance Company: Identify your best-performing agents based on various performance measurements. Label them Elite agents and give them a no strings attached right to purchase and merge within their geographic area.

From the agent's perspective, they know what they need to do to achieve the desired status of Elite so they can grow their business through acquisition. From Allstate's perspective, underperforming agents have a viable window to get out, and top performing agents get bigger and more efficient.

## **What about the remaining 34% of acquisitions that were not a merger?**

The remaining 34% of agency acquisitions financed by PPC LOAN were purchased by outside buyers. On average, these outside buyers purchased \$3,977,529 in earned premium and purchased for an average sales factor of .231.