



The Best Small Business Opportunity in America? A 15-Year Review of Allstate Agency Values

2,007

Allstate Agency Sales
Funded by PPCLOAN

\$705,000,000

PPCLOAN Funded
Loans (2000 - 2014)

Table of Contents

Allstate Multiples - 15 Years page 2

... there was a great deal of uncertainty as to what an Allstate Agency should sell for due to the newness of the Exclusive Agency program.

Sold Agency - Average Size page 3

... 2012 to 2014 have been growth years for agency size, with the average agency sold in 2014 being just over \$3,000,000 in Earned Premium.

Allstate Agency 5-Year Net Worth Growth page 4

While the average PPCLOAN applicant had a net worth of just over \$300,000 at the time of applying for a loan, you can see that their Personal Net Worth grew to over \$1,000,000 after their first five years of Allstate Agency ownership.

Customer Comments page 5

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Allstate Loan Team page 5

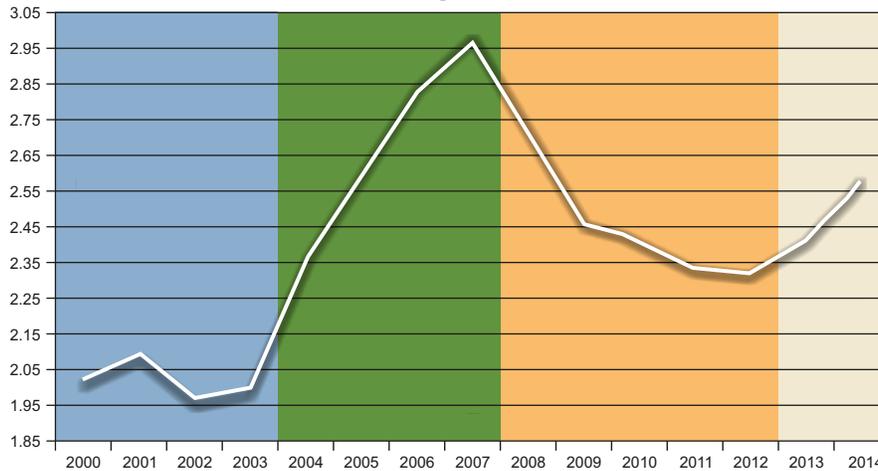
Meet our experienced Allstate loan team.

Since 2000, PPCLOAN has loaned a significant amount of capital to Allstate agency owners for agency purchases and loan refinances on a national basis. PPCLOAN actively partners with those individuals seeking capital to pursue small business ownership opportunities that are adequately rewarded for hard work and innovation. The performance of our loan portfolio over the past 15 years is exceptional, as our loans have assisted in creating massive amounts of personal wealth in the Allstate Agency Owner community.

Throughout these pages we will review the history and trends of Allstate Agency Values for the past 15 years as well as review the Personal Net Worth statement of a typical Agency Owner five years after acquiring an agency. The purpose is not for PPCLOAN to draw a conclusion as to the merits of the Allstate Exclusive Agent opportunity, but to present the depth of data we have accumulated over the past 15 years and let you make your own informed decision if . . .

Allstate agency ownership represents the best small business opportunity in America.

Allstate Multiples - 15 Years



2000-2003 Adolescent Years

In 2000, the entire Allstate Agency Force converted from employees to independent contractors who, for the first time, owned an economic interest in their agency which they could sell to any approved buyer for any multiple they could negotiate. Despite this newfound opportunity, there was a great deal of uncertainty as to what an Allstate Agency should sell for due to the newness of the Exclusive Agency program. As a result, the four-year period of 2000 to 2003 saw agency values remain relatively flat trading at an average multiple of approximately 2.0 times Allstate commissions.

2004-2007 Growth Years

Once the Adolescent Years were over, 2004 started a four-year period of rapid growth in Allstate Agency Values, reaching a peak in 2007 with an average sales multiple of almost 3.0. Driving the very peak of the Growth Years was purchasers paying prices well beyond what the cash flow of the business could support, which was dangerously matched with high-risk lenders who would lend upwards of 4 to 5 times the Allstate commissions.

2008-2012 Correction Years

The stock market fell, insurance goes in cycles, and many agency owners entered 2009 feeling the

pain of overpaying for an agency purchase during the end of the Growth Years. Allstate Insurance also needed to make corrections to its homeowner's product along with curbing exposure in areas such as Florida and New York. The Correction Years were a reminder that agencies don't only grow in size, and that agency owners have to be prepared to handle turbulence. Sellers were driven to sell stemming from: a lack of cash flow to operate their business; not having the skillset to meet minimum requirements resulting in termination; or they just couldn't handle the ups and downs of an insurance cycle and simply quit. The single driving factor causing the Correction Years was agency owners selling for below market value because of fear.

2013-2014 Informed Years

Those who remained an agency owner through the Correction Years are fully informed as to the various cycles of the insurance business. Agency purchasers also have access to data regarding the market value of Allstate Agencies through the Allstate Agency Value Index, which makes them a more informed buyer. Prices have stabilized from their lows and are now reaching the full economic value which can be supported by the cash flow of the agency. The Allstate products are competitive, and the majority of the Agency force is excited about running their business.

Sold Agency - Average Size (Earned Premium)



This chart shows the average size agency that was sold over time as measured by Allstate Earned Premium.

As you can see, the trend line from 2000 to 2007 clearly shows growth in agency size. From 2008 to 2011, the average agency size decreased due to the majority of transactions being the merger of smaller-sized agencies. The years 2012 to 2014

have been growth years for agency size, with the average agency sold in 2014 being just over \$3,000,000 in Earned Premium.

Over the course of the last 15 years, the average size agency sold was \$2,252,231 in Allstate Earned Premium with total revenues of \$261,571. The average multiple over this 15-year period was 2.43 times, for over 2,000 sales.

Allstate Agency 5-Year Net Worth Growth

Net Worth At Application

ASSETS		LIABILITIES	
Cash - Checking/Savings	\$50,000	Real Estate Debt	\$300,000
Stocks / Investments	\$100,000	Other Debt	\$36,000
Real Estate	\$500,000	Credit Card Debt	\$12,000
Allstate Agency Value	\$0	Agency Loan	\$0
TOTAL ASSETS	\$650,000	TOTAL LIABILITIES	\$348,000

NET WORTH \$302,000

Net Worth 5-Years After Purchase

ASSETS		LIABILITIES	
Cash - Checking/Savings	\$75,000	Real Estate Debt	\$260,000
Stocks / Investments	\$175,000	Other Debt	\$26,000
Real Estate	\$550,000	Credit Card Debt	\$6,000
Allstate Agency Value	\$920,700	Agency Loan	\$422,187
TOTAL ASSETS	\$1,720,700	TOTAL LIABILITIES	\$714,187

NET WORTH \$1,006,513

These two graphs are a simplistic depiction of the Personal Net Worth statement of an average PPCLOAN customer at the time they apply to purchase a \$3 Million Earned Premium Agency, and then five years after consummating the purchase. While the average PPCLOAN applicant had a net worth of just over \$300,000 at the time of applying for a loan, you can see that their Personal Net Worth grew to over \$1,000,000 after their first five years of Allstate Agency ownership. This \$700,000 in Net Worth growth was primarily accomplished through equity accumulated in the value of their Allstate Agency.

Market Value of Agency at year 5	\$920,700
Debt on Agency at year 5	-\$422,187
Agency Equity at year 5	\$498,513

Allstate Agency Owners are truly owners and builders of an asset that has real value -

significant value which contributes to personal net worth and can readily be converted to cash. With average agency sales taking place within 90 days and Sellers receiving on average over 90% of the purchase price at closing, there are few business assets out there that can provide this level of liquidity in such a short period of time.

One of the many goals small business owners set out to achieve is to grow their personal net worth through the accumulation of wealth. The relevance of this statement to the Allstate community of agency owners is profound, as the majority of agency owners have more than 50% of their net worth tied up in their agency. Given that in most cases the Allstate agency is more valuable than an agent's own personal residence, it is important that care be taken in ensuring its value is maintained and even grown when market conditions deem appropriate.

Why Allstate Agents Choose PPCLOAN

EXPERIENCE

"I've worked with PPCLOAN since I purchased my first book in 2000. They've been great to work with over the years and have played a key role in allowing me to grow my business. They have a firm understanding of how Allstate agencies work which makes the loan process that much easier."

Jeremy Olson, Allstate Agent - Seattle, WA

MARKET TRANSPARENCY

The buy / sell process playing field has been leveled with the creation of the Allstate Agency Value Index. "Working with PPCLOAN was extremely beneficial. Twice during the process the deal almost fell through. PPCLOAN was able to help educate the seller in a way that allowed us to close. Awesome!"

Laura Harris, Allstate Agent - Corpus Christi, TX

BUYER ADVOCACY

PPCLOAN ensures its borrowers are teed up for success. Through underwriting and closing we review all documents (including Purchase Agreement, Seller Financing documents, etc.) to help ensure your loan is documented properly and that your personal and financial interests are protected.

"I have been working with PPCLOAN for almost 15 years, not only for my own acquisition loans, but loans to family members or agents I have referred. I have encountered not only the absolute best service, but they are always looking out for the best interest of their customers.

Christopher Burke, Allstate Agent - Charlottesville, VA

Call an expert member of our **Allstate Loan Team at 800-456-2779**



Steven Kemper
Chief Credit Officer



Tabitha Hughes
Chief Operating Officer



Jeff Horner
Financial Analyst



Ashley Marcelle
Senior Closing Coordinator



The Author

Toll-free: (800) 456-2779
Phone: (281) 419-0400
E-mail: paul@ppcloan.com

Paul Clarke
President and CEO

Paul Clarke has written and published over 30 articles and is regularly asked to speak at various meetings. Paul created the Allstate Agency Value Index in 2009, a tool that has been used by Allstate Insurance Management, along with buyers and sellers alike to assist in placing a fair and equitable value on an Allstate agency. With over 4,000 subscribers to the quarterly AAVI report, Paul is regularly asked to speak on agency valuation, and has traveled to all 13 Allstate designated regions for speaking engagements.