

18 Years of Tracking Allstate Agency Values Reveals Agency Ownership is a Stable Investment, Regardless of the Economic Climate

Since 2000, PPCLOAN has financed the acquisition of 2,032 individual Allstate Agencies. During this time, 9/11 and The Great Recession have crippled the country financially. Big swings in the stock market have occurred, along with crashing home values and illiquid financial markets. Interest Rates have been near all-time lows and Lehman Brother's (the fourth largest Investment Bank in the US) disappeared from the face of the earth. According to the American Bankruptcy Institute, more than 20 Million Americans have declared personal bankruptcy since 2000, many walking away from their home or other real estate related investments. Despite all this, investing in the acquisition and/or growth of an Allstate Insurance Agency has proven over time to be one of the most financially rewarding and stable investment available.

Why has the ownership of an Allstate Insurance Agency proven to be a financially rewarding and stable investment? The numbers don't lie. Let's look at a couple of realities:

1. Agency Multiples Stable Over Time



The chart above shows that Allstate Agencies have not experienced wild swings in value. In fact, you could make the statement that over the past 15+ years a good quality Allstate agency would easily sell for around 2.50 times the businesses revenues. If you bought an Allstate Agency in 2005 for the going market rate of approximately 2.5 times revenues, and you needed to get out of the business in 2009 for some reason (maybe a relocation for personal reasons), you would likely be able to sell your Allstate Agency for the same multiple you paid and walk away with no financial hardship. When looking at the stock market, if you had invested in the S&P 500 (an index which is generally accepted as an indicator of economic strength/weakness) in 2005 when the index was trading around 1,200 points and you needed to get out in 2009 due to a liquidity need, you would take a significant hit as the S&P 500 dropped all the way down to 683 points in March of 2009. This example clearly demonstrating the stability of the value Allstate Agencies have maintained over time, especially during swings in the economy. Stability is a key ingredient to many Allstate Agency owners, as the equity value of their business often represent 50% or more of an Agent's personal

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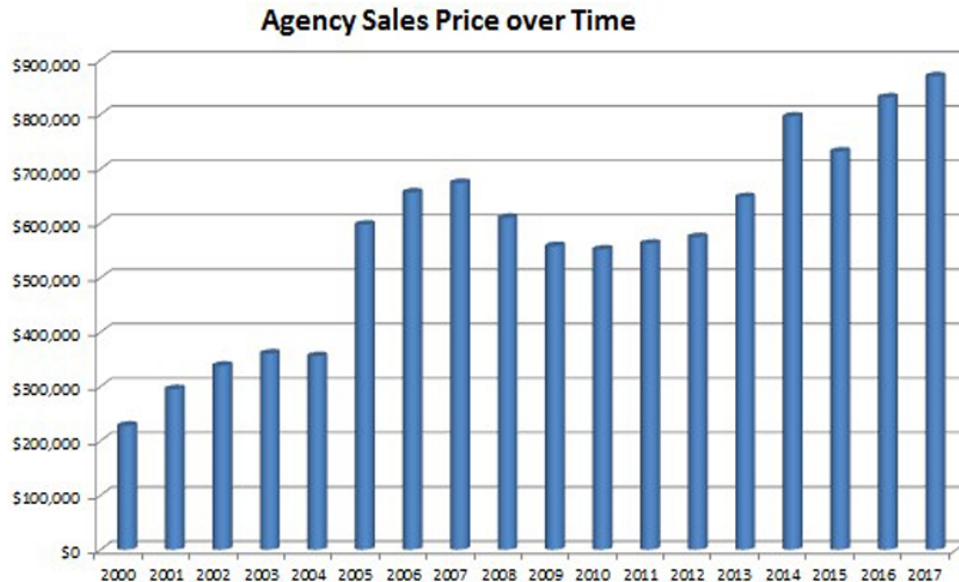
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household net worth. With that much at stake, it is good to know that your most valuable asset is not likely to experience large variations in value.

2. Quality Loan Portfolio

PPCLOAN has provided over \$850 Million in loans for the purchase of Allstate Agencies. The performance of our loan portfolio is unmatched in the banking world, better than both commercial and consumer real estate. If the Agent is successful, they will pay their loan back, and this has been proven to be the case over the past 18 years. A strong testament to the underlying investment and financial rewards bestowed on those owning an Allstate Agency.

3. Asset Appreciation



The average Allstate agency has consistently grown over time, and with stable sales multiples it would be expected that the actual average sales price of an Allstate agency would also rise over time. As mentioned above, PPCLOAN has provided financial assistance for the acquisition of over 2,000 Allstate agencies – a very healthy sampling size. This chart demonstrates that on average, Allstate agencies sold for just over \$200,000 in 2000. The average sales price realized in 2017 is nearing \$900,000 – great appreciation over an 18 year time period.

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4. Better Than the Competition

INDUSTRY	REVENUE	SALES PRICE	CASH AT CLOSING	SALES MULTIPLE
ALLSTATE INSURANCE	\$400,000	\$1,100,000	UP TO 100%	2.75
INDEPENDENT INSURANCE	\$400,000	\$600,000	UP TO 80%	1.5
INVESTMENT ADVISORY	\$400,000	\$800,000	UP TO 50%	2.0
ORTHODONTIST	\$400,000	\$260,000	UP TO 100%	0.65
FEDEX DELIVERY	\$400,000	\$280,000	UP TO 100%	0.07

By competition, I'm comparing ownership of an Allstate Insurance agency to other small business ownership opportunities. Whether you own an insurance agency, investment advisory firm, FedEx delivery routes or a dental practice, at some point the owner will want to exit the business and sell their asset for as much as they can get. Not only do Allstate Agents on average sell their business for a larger multiple of revenues, they typically will receive the greatest percentage of sales proceeds at closing.

What is the Take Away?

The small business opportunity of Allstate Insurance Agency ownership like all potential investments has risk. However, the risk of significant financial loss is minimal, and the returns have proven to be very stable over an extended period of time. Buying an Allstate agency is not a short-term investment that can be "flipped" for a quick profit; it is the purchase of a high paying and rewarding job. One that has good years and tough years, but over the course of a career, the financial rewards are consistent, and the ultimate sale of the business represents more than just a cherry on top of a great investment opportunity.

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