

# A Multiple of What?

If you're not evaluating your EBITDA, you're leaving significant capital on the table.

Every year, countless insurance agency and broker principals sell their companies at a significant discount to the market without even knowing it. While there are many contributing factors, what's their biggest mistake? Agency principals negotiating with only one potential suitor while relying on what they believe to be "industry standard" EBITDA multiples to dictate value. The EBITDA multiple is certainly important, but so is what you multiply against it: the EBITDA itself.

## Standard Valuation

Sophisticated institutional buyers understand agency principals have a general knowledge about what constitutes a strong EBITDA multiple. As a result, they present the seller with what appears to be an above market multiple, which eventually leads the seller to accept the offer. However, the buyer also dictated the EBITDA to which the multiple would be applied, which typically results in a value 30% lower than what they should have traded for.



## Sica | Fletcher Valuation

The first step to maximizing agency value is to analyze and understand the earning power of a given agency. Sica | Fletcher ensures that the EBITDA for any given client is maximized prior to entering a market process, whereby multiple buyers compete to acquire the agency based on Sica | Fletcher's version of EBITDA. On average, this process leads to valuations that are 30% higher than when agency principals negotiate sales on their own.



Not exploring the full value of your company limits the impact of your EBITDA multiple.

A stronger EBITDA increases the effect of your EBITDA multiple, meaning a higher sale price.

## Ready to evaluate your options? Let's talk.

Sica | Fletcher is a strategic and financial advisory firm focused exclusively on the insurance industry. Founders Michael Fletcher and Al Sica are two of the industry's leading dealmakers who have advised on over \$6 billion in insurance agency and brokerage transactions since 2014. According to S&P Global, Sica | Fletcher ranked as the #1 advisor to the insurance industry for 2017 and 2018 in terms of total deals advised on.