



INSURANCE INSIGHTS



sequeira
PARTNERS

Insurance Brokerage M&A Overview

2023: Evidence even the sturdiest of industries are impacted by the winds of the macroeconomic climate

At a high level, the industry remains a poster child for a resilient sector where deals get done in both good times and tough times. However, when you take a closer look at activity, the first half of 2023 was subdued, mirroring trends experienced across many sectors as interest rates and borrowing costs surged. This decline was notably pronounced among some of the sector's key acquirers, whose participation waned in part due to heightened costs of capital and their own recapitalization events.

The latter half of 2023 witnessed a notable resurgence, supported by the steadying of interest rates and inflation, fostering a more certain economic landscape. This positive shift has contributed to a notable uptick in activity, suggesting potential momentum into 2024 as confidence and stability return.

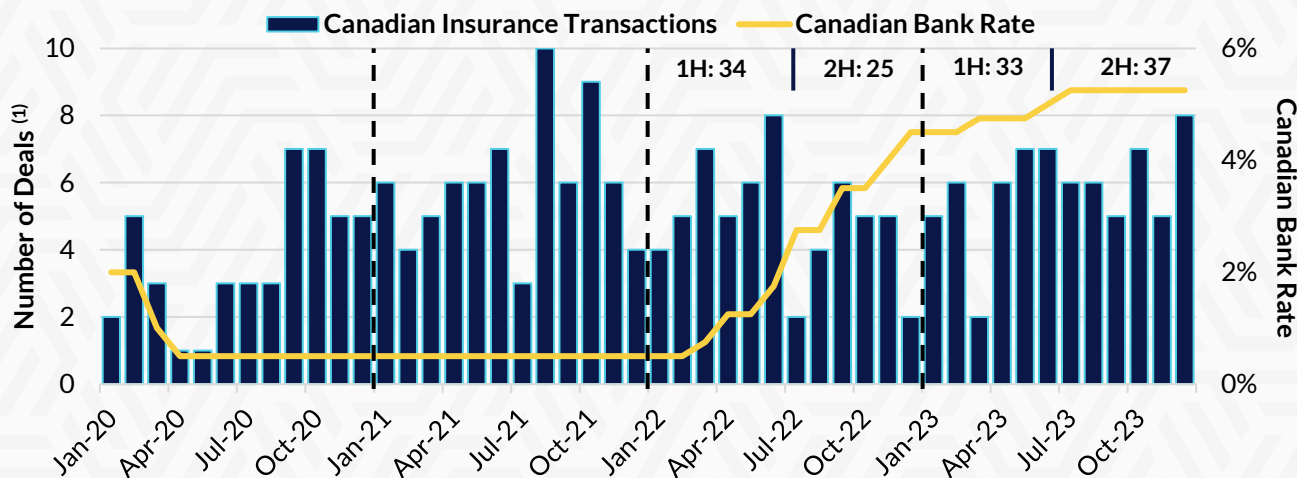
Canadian Insurance Transaction Volume

49 Deals in 2020

72 Deals in 2021

59 Deals in 2022

70 Deals in 2023

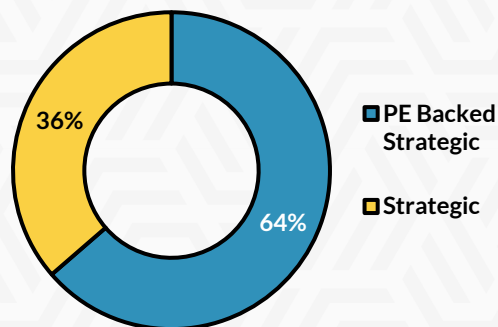


Insurance brokerage M&A has been dominated by two main purchaser groups:

- Public company strategic players
- Private equity backed strategic players

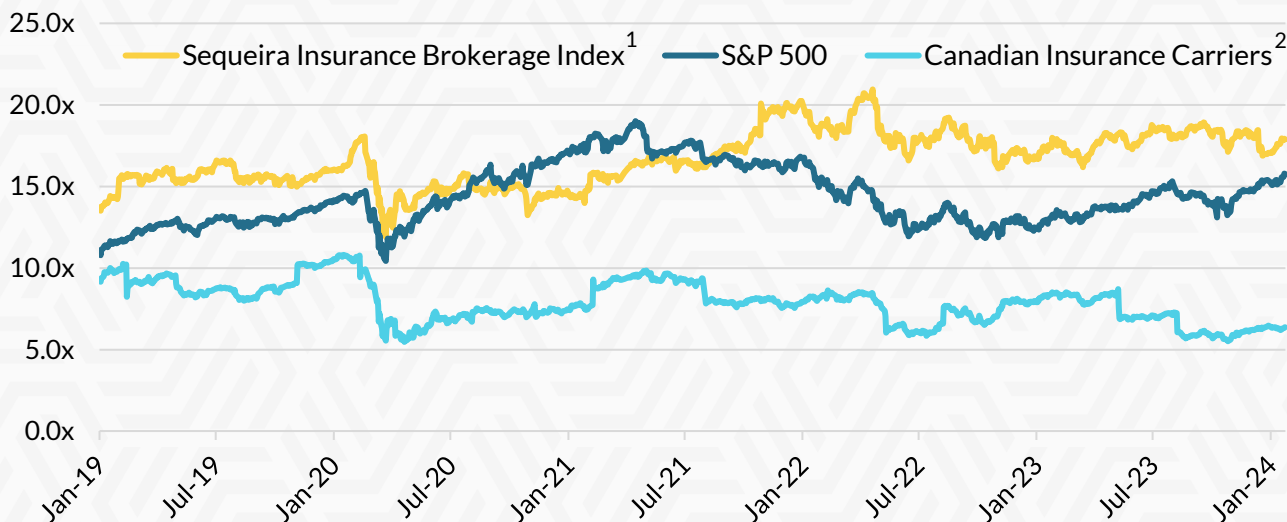
Traditional private equity that does not have an anchor investment in the sector has a difficult time competing on value, as well as sourcing an independent platform with enough scale.

Purchaser Universe



Public Market Valuations

LTM EBITDA Multiples



1) Sequeira Insurance Brokerage Index includes the Public Brokerages in the chart below.

2) Canadian Insurance Companies include Intact Financial Corporation, Definity Financial Corporation, Great-West Life, Manulife and Sun Life.

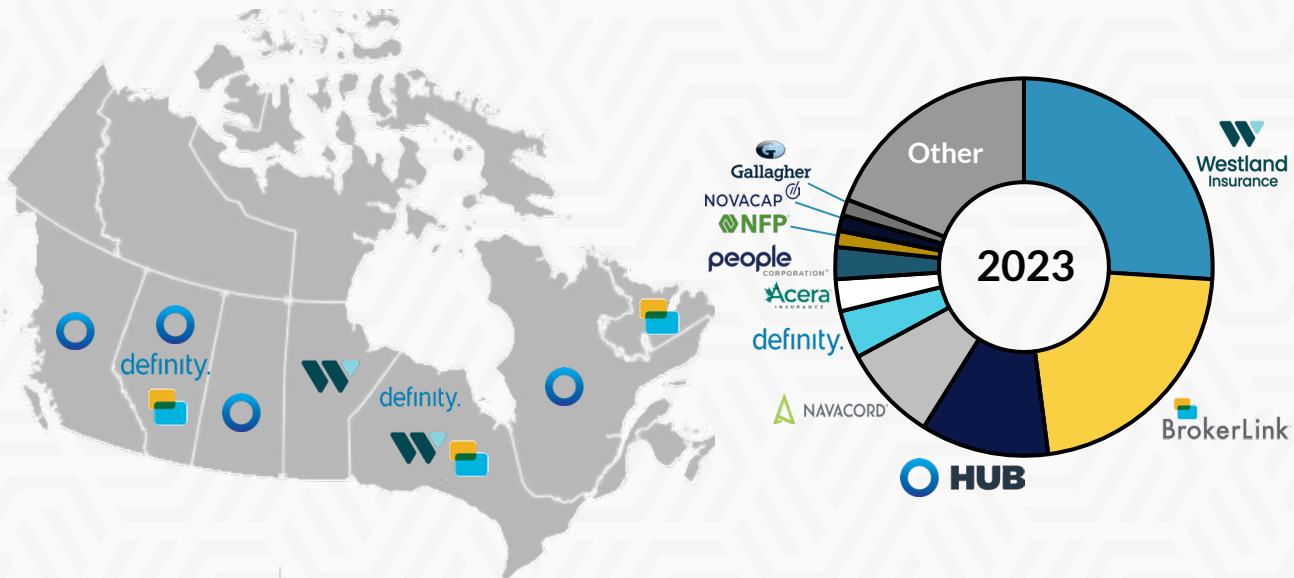
Sequeira's Insurance Brokerage Index tracks the multiples of publicly listed insurance brokerages. Alongside the S&P 500 index, the multiples realized by public brokerages have consistently outperformed the broader market, demonstrating the resilience of insurance companies in the face of economic uncertainty. Over the past year, multiples for companies listed on the S&P 500 have experienced increasing volatility, including increases in the first half of the year, followed by a drop and subsequent return to elevated levels at the close of the year. Insurance multiples remained relatively stable throughout the year, fluctuating between 17x and 18x throughout the period.

Public Brokerages	2019	Current*	Growth	Low	High
Aon plc	15.8x	15.9x	0.1x	12.0x	30.3x
Arthur J. Gallagher & Co	16.6x	18.8x	2.2x	12.5x	21.9x
Marsh & McLennan	15.2x	16.5x	1.2x	11.4x	18.1x
Brown & Brown, Inc.	14.5x	18.8x	4.2x	12.7x	20.7x
Average	15.5x	17.5x	2.0x	12.2x	22.8x

The Players: Established Consolidators

Notable Canadian Transaction Activity

Throughout the past year, transaction activity has been notably concentrated among a smaller group of highly active acquirers making significant strides to establish themselves in new markets or geographies. While the overall pace of deals may have been slower than typical, the year was characterized by a series of impactful and defining transactions.



BrokerLink

BrokerLink completed 20 acquisitions in 2023, including 6 in Alberta and 12 in Ontario.

HUB

HUB's recent acquisition of Golden Ears Insurance Services Ltd. is one of many completed as part of the strategy to build out its specialty lines.

definity.

Definity continues to strive to become a Top-5 P&C insurer in Canada, with substantial progress achieved through the merger of McDougall and McFarlan Rowlands and acquisition of Drayden insurance in Q2 2023.

Westland Insurance

Westland acquired an Ontario based employee benefits provider as part of its strategy to enhance its group benefits portfolio and strengthen its position in the Canadian mid-market.

sequeira
PARTNERS

Defining Deals of 2023



April 17, 2023



- Transaction Value: Undisclosed
- Since the announcement in Q2 2023, Westland has completed over 9 acquisitions to date. The Wubs family will continue to hold a significant stake and maintain its operational control.

June 13, 2023



- Total Transaction Value: ~\$208M CAD
- Following Definity's acquisition of McDougall, the brand continues its commitment to building one of the largest brokers in Canada, expanding its presence in the Alberta insurance broker market.

June 30, 2023



- Transaction Value: Undisclosed
- This acquisition strengthens People Corp's position in the Vancouver and BC marketplace.

November 27, 2023



- Total Transaction Value: ~\$170M CAD
- The transaction will support Aviva's capital-light growth strategy and continue to grow the UK headquartered insurer's presence in Canada.

December 20, 2023
Expected to Close
Mid-2024



- Total Transaction Value: ~\$13.4B USD
- The acquisition will expand Aon's presence in the North American middle market segment.
- The anticipated transaction could be the start of an industry trend where we begin to see more mega-acquisitions between the national brokerages.

Additional Notable Canadian Transactions

Select Insurance Deals in Canada

Date	Target	Target Prov.	Buyer
2/6/2024	Non-core P&C Division of Undisclosed Brokerage	Undisclosed	Undisclosed Buyer
2/1/2024	MHK Insurance Inc.	AB	McDougall Insurance Brokers Limited.
12/20/2023	NFP Corp.	National	Aon plc
12/07/2023	PMA Assurances Inc.	QC	PMT Roy Assurances Et Services Financiers Inc.
11/27/2023	Optiom O2 Holdings Inc.	AB	Aviva Canada, Inc.
11/10/2023	Alpine Insurance Inc.	AB	Brokerlink Inc.
10/02/2023	Harbord Insurance Services Ltd.	BC	Navacord Inc.
8/2/2023	Golden Ears Insurance Services Ltd.	BC	HUB International Limited
7/22/2023	McLean & Shaw Insurance Inc.	AB	Rogers Insurance Ltd.
6/30/2023	Granville West Group Benefits	BC	People Corporation.
6/13/2023	Drayden Insurance Ltd.	AB	McDougall Insurance Brokers Limited.
5/24/2023	RWAM Insurance Administrators Inc.	ON	Navacord Inc.
5/8/2023	McFarlan Rowlands Insurance Brokers Inc.	ON	McDougall Insurance Brokers Limited.
4/17/2023	Westland Insurance Group Ltd.	BC	BroadStreet Partners, Inc.
1/9/2023	RiskTech Insurance Services Inc.	AB	Westland Insurance Group Ltd.
1/4/2023	Universal Risk Solutions Inc.	ON	Brokerlink Inc.

2024 Outlook – Trends to Watch



Power Shift

- There has been a (slight) shift in the dynamics of deals towards a more buyer-friendly environment. Private company valuations remain strong, but we have not seen the year-over-year increase in 2023 valuations we experienced going into the year.
- Buyers are becoming increasingly selective about the brokerages they pursue, focusing on brokerages with an excellent reputation and strategic alignment with M&A priorities.



Diversification

- Consolidators continue to broaden their acquisition strategies, seeking greater diversification as a path to meet aggressive growth targets.
- This has resulted in a notable uptick in life and group health acquisitions, MGA partnerships, HR advisory, and wealth management acquisitions.



Mega Deals























- Insurers are continuing to look at ways to get closer to the end customer and acquiring distribution could be the fastest way to get there.
- A number of players are PE-backed strategics. Madison Dearborn looked to monetize their investment in NFP this year with a successful exit to AON. This trend could continue as PE firms look to cashout to offset investments in underperforming sectors.

Realtime Deal Impact: Valuation Dislocation

Beauty is in the eye of the beholder.

In 2023, we saw wider value ranges in transaction processes emphasizing the importance of understanding different M&A priorities for buyers and identifying the best strategic fit to maximize value.

Sequeira Partners - Insurance Transactions

<div>Advisor to</div> <div> MHK INSURANCE</div> <div>on the sale to</div> <div> McDougall Insurance & Investments</div> <div>A subsidiary of</div> <div> definity.</div>	<div>Advisor to</div> <div>A Multinational Insurance Broker</div> <div>on its divestiture of a non-core P&C Division to an</div> <div>Undisclosed Buyer</div>	<div>Advisor to</div> <div> Granville West Group Benefits</div> <div>on the sale to</div> <div> people CORPORATION®</div>	<div>Advisor to</div> <div> ZLC FINANCIAL</div> <div>Employee Benefits division on its partnership with</div> <div> Synex Business performance</div>	<div>Advisor to</div> <div> FOSTER PARK BROKERS</div> <div>on the sale to</div> <div> NFP®</div>	<div>Advisor to</div> <div> BARCLAY Insurance Services Inc.</div> <div>on the sale to</div> <div> STERLING CAPITAL BROKERS</div>
<div>Advisor to</div> <div> SILVERBERG GROUP</div> <div>on the sale to</div> <div> people CORPORATION®</div>	<div>Advisor to</div> <div> BFP BAJUS FINANCIAL PARTNERS</div> <div>on the sale to</div> <div> people CORPORATION®</div>	<div>Advisor to</div> <div> TRG GROUP BENEFITS</div> <div>on the sale to</div> <div> HUB</div>	<div>Advisor to</div> <div> E3</div> <div>on the sale to</div> <div> HUB</div>	<div>Advisor to</div> <div> PORCHLIGHT FINANCIAL</div> <div>on the sale to</div> <div> HUB</div>	<div>Advisor to</div> <div>A National Group Benefits Broker</div> <div>on the sale to an</div> <div> people CORPORATION®</div>

Client Testimonials

“For our transaction, we had three partners selling their interests in the business with different size of revenue, and we really wanted to approach this as a unified team. Sequeira got us through a lot of tough decisions, and really helped us identify the best fit from a value perspective, and from a culture perspective. At the point of transaction, they really helped us pick the right partner.”

- Brian Ganden, Principal, Granville West Group Benefits

“What’s unique in the insurance world, is we touch so many different industries. Sequeira Partners not only had the contacts and credibility but understood the complexity of our industry. They brought parties to the table that weren’t on our radar, which brought clarity to finding the right deal.”

- Mark Wiens, President, Foster Park Brokers Inc.

Interested in Learning More?

Sequeira Partners is the leading Canadian advisor in the mid-market independent insurance brokerage sector. If you are interested in learning more as a potential buyer, seller or fellow insurance industry enthusiast, we would love to hear from you.

Our dedicated partners and staff are always available and eager to discuss market trends and strategize on opportunities.

Insurance Team



Erica McGuinness, CA, CBV
Partner



Tannie Lam, CPA, CBV
Senior Associate



Neesha Chahal, CPA
Analyst



Timothy Chow, CPA
Analyst

About Us

Sequeira Partners is Western Canada's largest boutique advisory firm, specializing in sell-side deal advisory and corporate valuations. Having completed more than 175 national and cross-border transactions, and over 500 valuation mandates, we are proud of our diverse industry experience and credentials. At Sequeira Partners, we combine decades of experience and top-tier credentials to deliver client-centric service with a personalized, boutique approach.

Learn more at: www.sequeirapartners.com

Our Partners

M&A

Scott Acheson, CA, CBV, CFA
sacheson@sequeirapartners.com
780.784.0124

Julie Afanasiff, CA, CBV
jafanasiff@sequeirapartners.com
780.784.0116

Erica McGuinness, CA, CBV
emcguinness@sequeirapartners.com
236.317.6353

Mark McRae, CA, CBV
mmcrae@sequeirapartners.com
780.784.0115

Ken Tarry, MBA
ktarry@sequeirapartners.com
236.317.6351

Valuations

Kira Gregson, CA, CBV
kgregson@sequeirapartners.com
780.784.0125

Jordan Martel, CBV, ASA, MBA
jmartel@sequeirapartners.com
587.943.7222