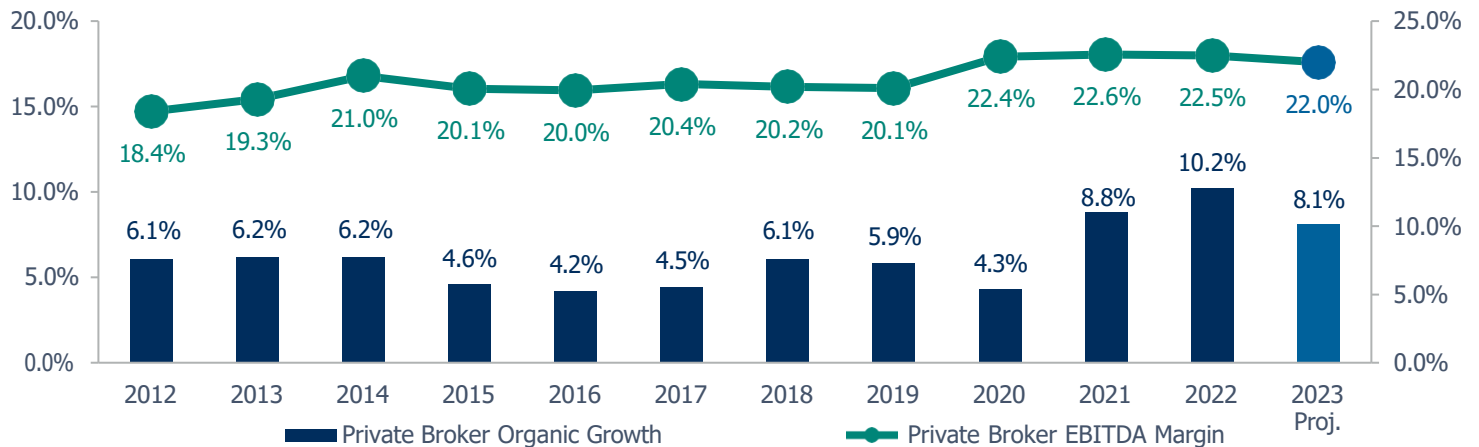




## Q4 BROKER RESULTS

- Another year, another record. At 10.2%, brokers achieved the highest Q4 organic growth tally in the history of the Growth & Profitability Survey (GPS), first launched in 2008. This growth result is nearly two percentage points higher than last year's record-breaking Q4 result.
- Since the first year of COVID-19 in 2020, brokers have achieved all-time high profitability levels, primarily due to reductions in travel and entertainment expenses. In Q4 2022, brokers posted an EBITDA margin of 22.5%, consistent with each of the last two years, and over two percentage points higher than the historical norm of ~20%. With the highest growth ever recorded in Q4 2022, we might have expected margins to expand, but this flat profitability trend likely signals that inflationary pressures and labor shortages are driving up compensation expenses, and further margin expansion is unlikely for now.
- Brokers also set a Rule of 20 record in Q4 2022, scoring 22.2. The Rule of 20 is calculated by adding half of an agency's EBITDA margin to its organic revenue growth rate. This Q4 2022 figure far exceeds the previous record of 20.6 set in 2021.
- Brokers anticipate a slight reduction in organic growth (8.1%) and profitability (22.0%) in 2023. If accurate, it would still be the third-best year ever relative to historical GPS results. Even so, these muted projections for 2023 signal growing concerns about rates & the economy.

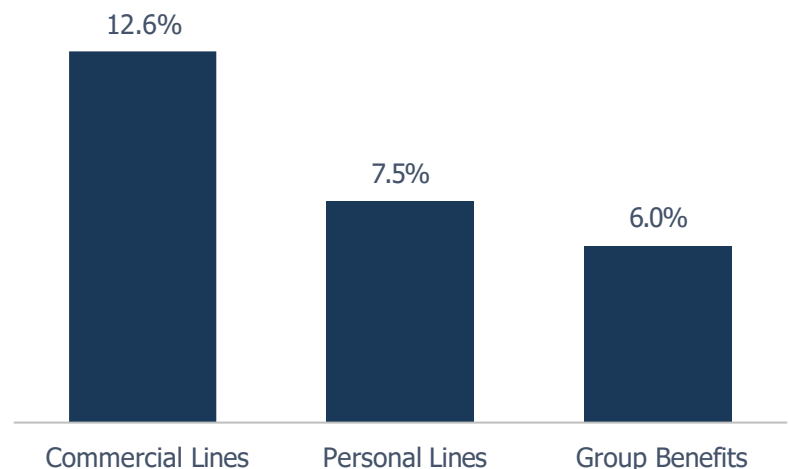
## Q4 BROKER ORGANIC GROWTH & EBITDA MARGIN



Source: Reagan's Growth & Profitability Survey, Q4 22 Results.

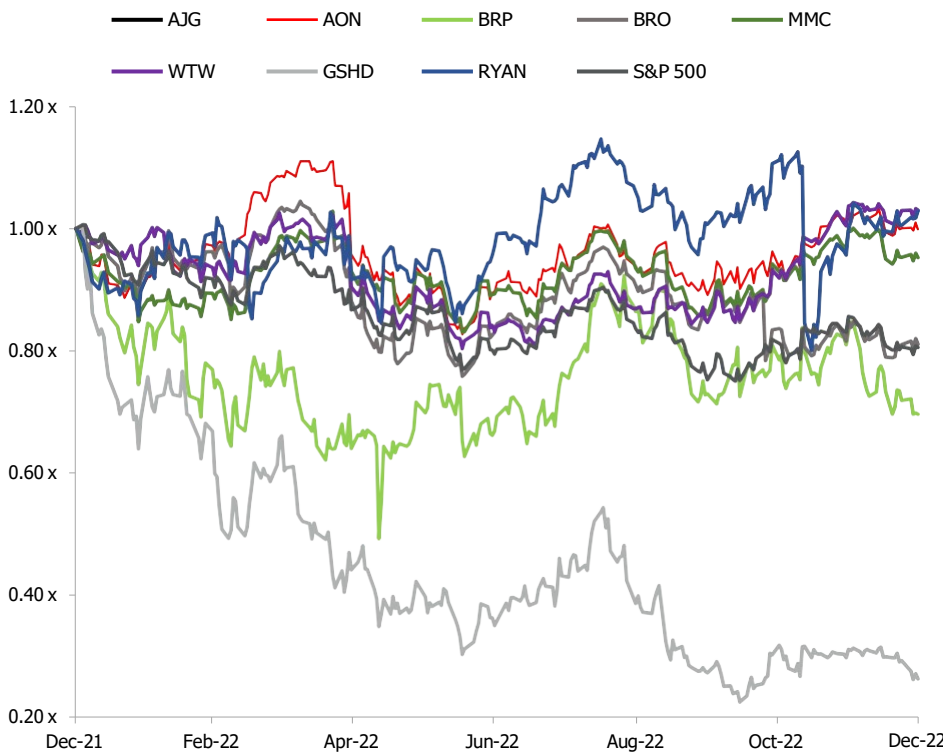
## ORGANIC GROWTH BY LINE OF BUSINESS

- Commercial lines was once again the clubhouse leader, posting its highest Q4 organic growth rate on record at 12.6%, driven by continued P&C rate hikes and increases in exposure bases.
- Personal lines also recorded its highest Q4 organic growth rate in GPS history at 7.5%, as brokers capitalize on current market conditions, round out accounts, and create stickier client relationships.
- At 6.0%, Group benefits growth continues to rebound from its Covid-driven malaise. In a challenging labor market with eligible applicants seeking a differentiated employee experience and premier benefits offerings, companies are looking to brokers to deliver the goods. As the labor market continues to reinflate, we expect strong growth in EB in 2023.



Source: Reagan's Growth & Profitability Survey, Q4 22 Results.

2022 PUBLIC BROKER STOCK PERFORMANCE



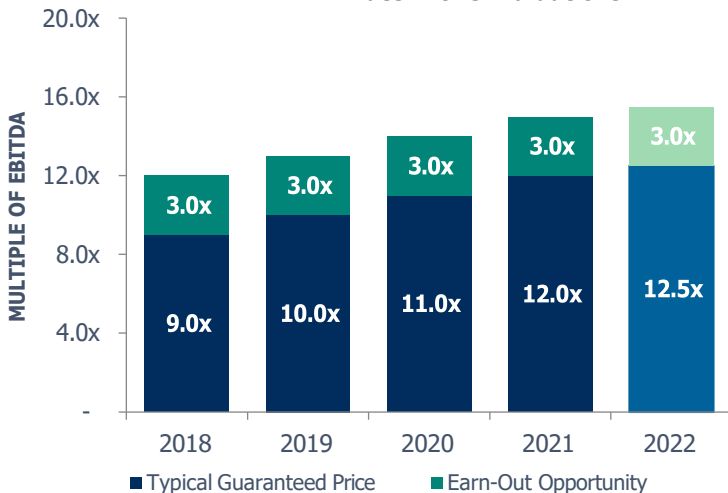
- The five traditional public brokers (AJG, AON, BRO, MMC, WTW) weathered turbulent equity market conditions in 2022, posting an average share price decline of just 2.0%, compared to the S&P 500 which lost 19.4%.
- The three newly public brokers saw varied returns in 2022. RYAN was up 2.9%, while BRP and GSHD declined by 30.4% and 73.6%, respectively. Prior to 2022, tech-enabled brokers (BRP and GSHD) experienced incredible stock price lift since their respective IPOs.
- In 2022, public investors waived a yellow caution flag on record valuations for high growth companies as rising interest rates and recession fears fueled doubts about future growth prospects.
- Public broker stocks are trending positively through the first part of Q1 2023.

2022 Stock Price Growth %			
AJG	11.1%	GSHD	(73.6%)
AON	(0.1%)	MMC	(4.8%)
BRO	(18.9%)	RYAN	2.9%
BRP	(30.4%)	WTW	3.0%
S&P 500			(19.4%)

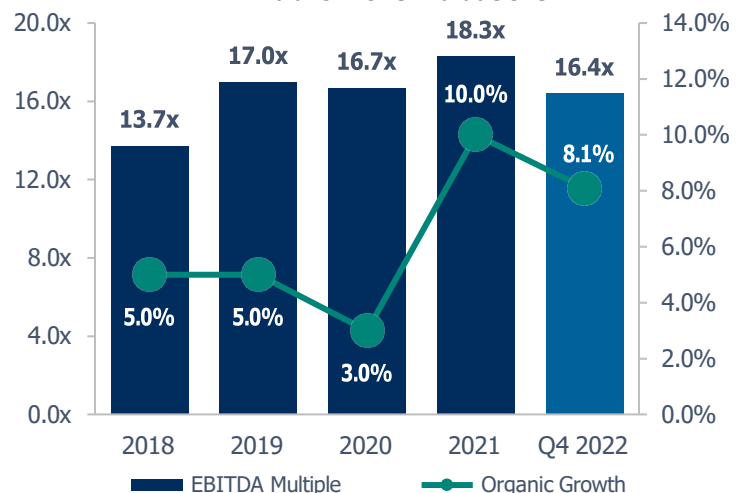
PRIVATE & PUBLIC BROKER VALUATIONS \*

- Valuations remained high in 2022 despite growing economic uncertainty and rising interest rates. The chart below details the guarantee and earnout multiples that could be expected for a well-run agency with \$3M-\$10M in revenue. Multiples have risen by almost 40% since 2018. Thus far, the recent slowdown of deal activity due to rising interest rates has not materially impacted agency valuations.
- Like private brokers, public brokers produced strong results in 2022. Public brokers posted historically high median organic growth of 8.1% and EBITDA margin of 29.6% in 2022. Both metrics rank in the top three years historically.
- While valuations for public brokers declined in 2022 versus 2021, valuations were up at year-end vs. Q2 and Q3. Public broker multiples are a material contributor to valuations for privately held brokers since most of the active private-equity-backed buyers peg their value to public broker valuations, less a nominal discount. Even with public broker valuations down slightly, the significant number of well-capitalized buyers (even with higher interest rates) still active continue to support current valuation levels.
- GSHD, BRP, and RYAN are excluded from the valuation analysis, given their relatively-new public broker status.

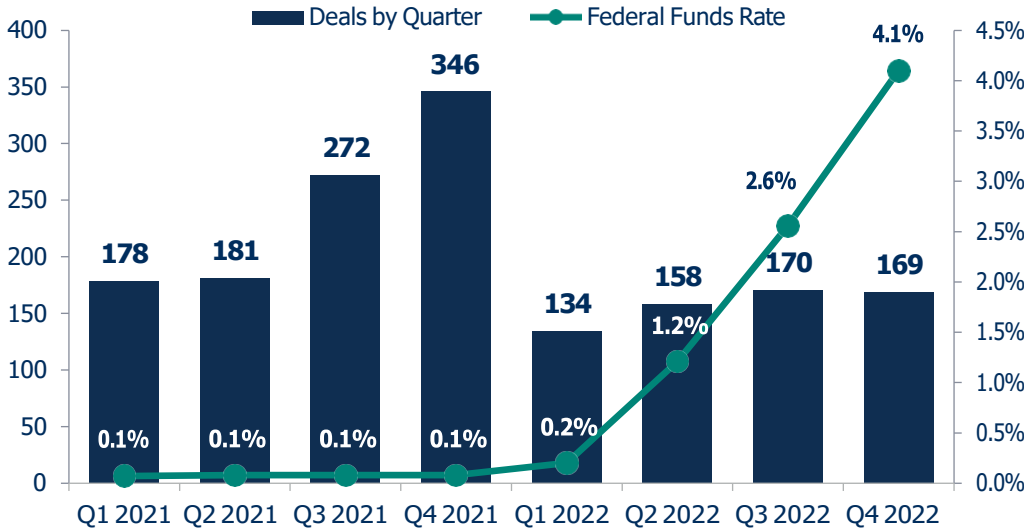
Private Broker Valuations



Public Broker Valuations



M&A ACTIVITY & INTEREST RATES



Source: S&P Global, the Federal Reserve and Reagan Consulting analysis.

- There were 631 deals announced in 2022 vs. 977 deals in 2021, representing a ~35% decline year-over-year.
- While valuations for privately held brokers remain strong, the number of transactions has fallen primarily due to record 2021 activity and a rise in interest rates.
- With a higher cost of capital, highly-levered buyers have slowed down their deal activity, which brought down the overall deal count during the second half of the year.
- However, several well-capitalized buyers (with lower leverage levels) maintain healthy pipelines and, with valuations holding strong, we expect another active year in 2023.

DEAL SPOTLIGHT



- Date:** On December 31, 2022, Marsh McLennan Agency announced the acquisition of HMS Insurance Associates, Inc. ("HMS").
  - HMS, based in Hunt Valley, MD, has leading specialty practices in construction, bonds, captives, real estate, transportation, and manufacturing, among others.
  - Ranked #72 in the most recent Business Insurance Top 100 rankings, the transaction was one of the largest broker transactions completed in 2022.
  - HMS has a demonstrated track record of revenue growth and profitability driven by its leadership and producer teams.
  - The partnership further expands MMA's Mid-Atlantic region into Baltimore and Washington, D.C.

RECENT REAGAN TRANSACTIONS

REAGAN SECURITIES served as financial advisor to

**YORK International**

Harrison, NY

in its sale to

**IMA**

2022

REAGAN SECURITIES served as financial advisor to

**HMS INSURANCE ASSOCIATES, INC.**

Hunt Valley, MD

in its sale to

**Marsh McLennan Agency**

2022

REAGAN SECURITIES served as financial advisor to

**BARNEY INSURANCE GROUP**

Kearney, NE

in its sale to

**HIGHSTREET Insurance Partners**

2023

REAGAN SECURITIES served as financial advisor to

**DENVER AGENCY insurance design**

Denver, CO

in its sale to

**Gallagher**

2022

REAGAN SECURITIES served as financial advisor to

**SUTTER, McLELLAN & GIBBREATH, INC. Founded in 1953**

Buford, GA

in its sale to

**ALERA GROUP**

2022

REAGAN SECURITIES served as financial advisor to

**GILLMAN Insurance Problem Solvers**

Alpharetta, GA

in its sale to

**GROUP**

2022

REAGAN SECURITIES served as financial advisor to

**instaCOVER**

Kirkland, WA

in its sale to

**ONE80 INTERMEDIARIES**

2022

REAGAN SECURITIES served as financial advisor to

**OLSON OLSON INSURANCE**

Greenwood Village, CO

in its sale to

**NFP**

2022

Securities transactions offered through Reagan Securities, Inc., member of FINRA and SIPC.