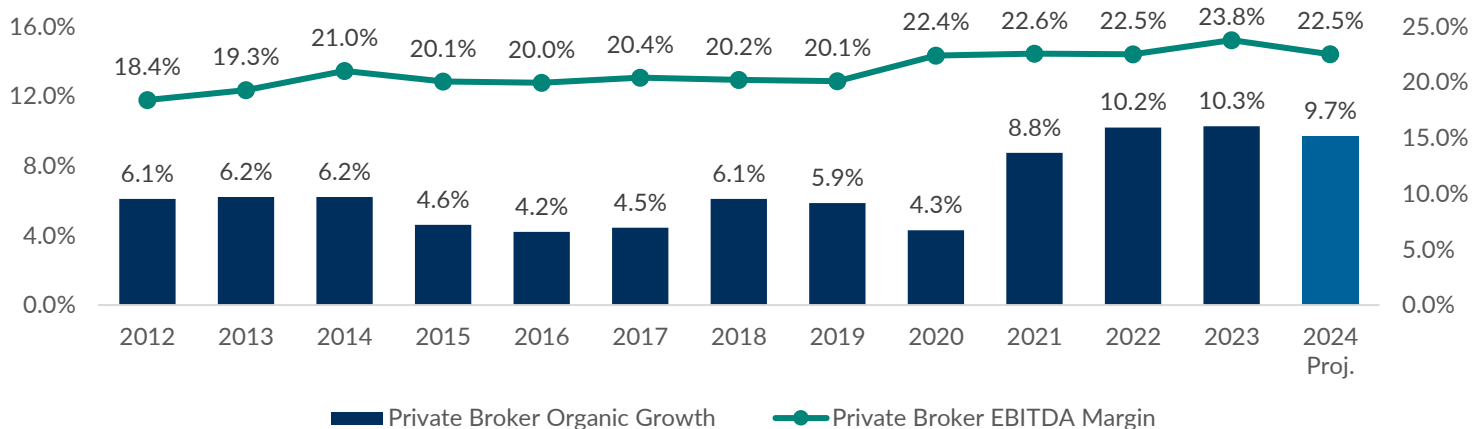




Q4 BROKER RESULTS

- For the third consecutive year, brokers achieved record organic growth with a median rate of 10.3%, narrowly outpacing a strong 2022 result of 10.2%. Since launching the Growth & Profitability Survey (GPS) in 2008, this is only the second time double-digit growth has been achieved.
- Profitability also climbed to a record high in 2023 as brokers reported a median EBITDA margin of 23.8%, 130 basis points higher than the 2022 result. COVID-19 driven adjustments made in 2020, including reductions in travel and entertainment costs, have become the new status quo, as brokers have now posted median EBITDA margins greater than 22.0% for the past four years. For the first twelve years of GPS, the historical norm hovered between 18% and 20%.
- A Rule of 20 record was also set in 2023, with a median result of 22.8. The Rule of 20 is calculated by adding half of an agency's EBITDA margin to its organic revenue growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, which is a typical agency / brokerage return under normal market conditions.
- Looking ahead, brokers anticipate a very slight reduction in organic growth (9.7%) and profitability (22.5%) in 2024. While these figures still reflect optimism, brokers are likely reacting, in part, to signals that P&C pricing may not rise as fast in 2024.

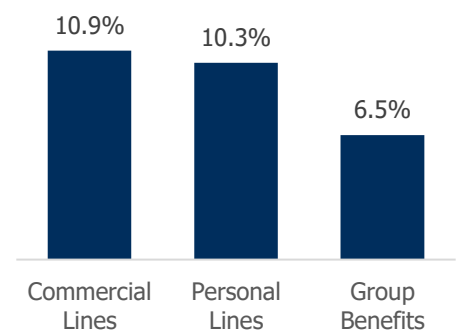
Q4 BROKER ORGANIC GROWTH & EBITDA MARGIN



Source: Reagan's Growth & Profitability Survey, Q4 23 Results.

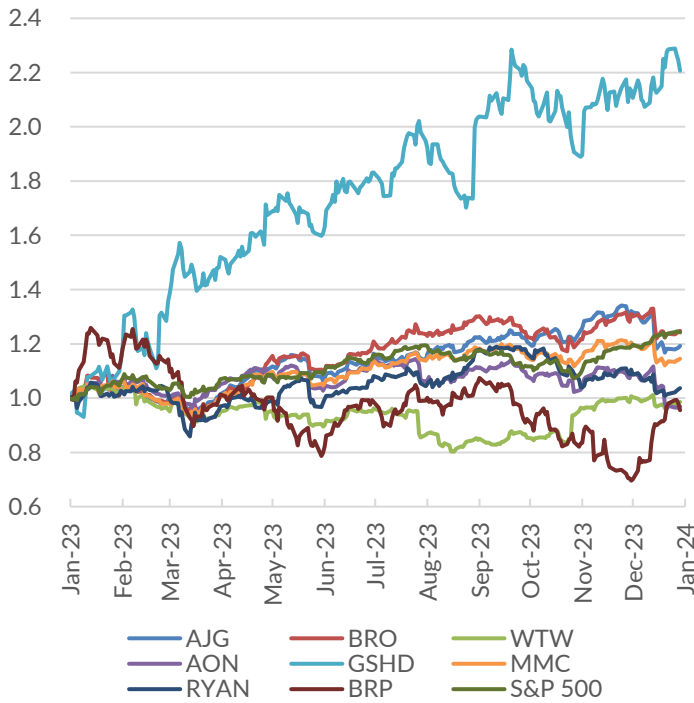
ORGANIC GROWTH BY LINE OF BUSINESS (2023)

- Commercial lines cooled off after posting record results in 2021 and 2022. While lower than the prior two years, 2023's result of 10.9% reflected the third consecutive year of double-digit growth as P&C rate increases and inflation boosted renewals.
- Personal lines growth jumped to a fresh record of 10.3%, increasing 280 basis points, from 7.5% last year. The result marks the first time in GPS history that personal lines grew above 10.0% as a combination of rate increases and inflationary pressures continue to fuel growth. Another leading factor is social inflation (rising claim costs stemming from increasing litigation expenses and more plaintiff-friendly verdicts).
- Group Benefits growth (6.5%) has seen a steady upward trajectory since 2020. Employer-sponsored health insurance costs have risen, driving the acceleration of growth in this segment. Unemployment rates held below 4.0% in 2023 and total nonfarm payroll has increased over 20% since COVID-19.



Source: Reagan's Growth & Profitability Survey, Q4 23 Results.

2023 PUBLIC BROKER STOCK PERFORMANCE



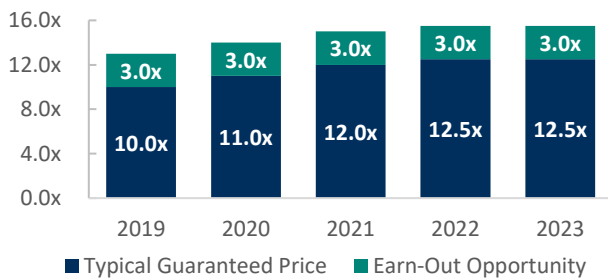
- The five traditional public brokers (AJG, AON, BRO, MMC, WTW) averaged 10.8% share price growth in 2023, underperforming the S&P 500 which gained 24.2% after a turbulent 2022. Of the traditional five, BRO was the only broker to outpace the S&P 500, posting growth of 24.8%.
- The three newly public brokers saw varied returns in 2023. RYAN grew by a modest 3.6%, while GSHD jumped 120.7% and BRP declined by 4.5%. GSHD’s outperformance in 2023 followed a bleak 2022 (down ~74%) and was largely driven by a strong increase in personal lines rates and better than expected client retention figures.
- Throughout 2023, public investors continued to approach leveraged companies with caution as rising rates, geopolitical turmoil and general economic uncertainty remained at large.
- Public broker stocks are trending positively through the first part of Q1 2024.

2023 Stock Price Growth %			
AJG	19.3%	GSHD	120.7%
AON	(3.0%)	MMC	14.5%
BRO	24.8%	RYAN	3.6%
BRP	(4.5%)	WTW	(1.4%)
S&P 500		24.2%	

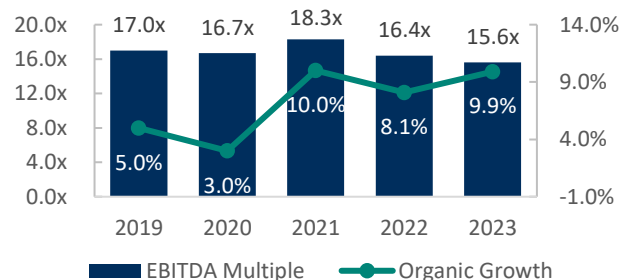
PRIVATE & PUBLIC BROKER VALUATIONS

- Valuations held steady amidst economic uncertainty and a high interest rate environment. The chart below details the guarantee and earnout multiples that could be expected for a well-run agency with \$3M-\$10M in revenue. Guaranteed pricing multiples for private brokers have risen by 25% since 2019. Despite several large private equity-backed players pausing acquisition activity due to current economic conditions and interest rate hikes, agency valuations were not materially impacted and remain near all-time highs.
- Public brokers produced a slightly different trend in 2023, with valuation multiples decreasing marginally compared to 2022. Public brokers posted median organic growth of 9.9%, nearly matching the historically high rate of 10.0% achieved in 2021, and a median EBITDA margin of 30.1% in 2023.
- 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, a strong group of well-capitalized buyers are still active and continue to support current valuation levels.
- GSHD, BRP, and RYAN are excluded from the valuation analysis below.

Private Broker Valuations



Public Broker Valuations



* Includes AON, AJG, BRO, MMC, WTW. Sources: Public Broker SEC Filings, Reagan Consulting analysis, S&P Global and market data.

M&A ACTIVITY



Source: SNL Financial (Based on announced date)

- There were 555 deals announced in 2023 vs. 639 deals in 2022, representing a ~13% decline year-over-year and a ~43% decline from peak volume in 2021. The 2023 figure represents the lowest deal volume in the past seven years.
- While 2021 activity appears to be an outlier, the number of transactions has dropped considerably over the past three years as several once-active buyers encountered capital structure constraints when interest rates rose.
- Despite a decrease in overall volume, high quality private brokers with strong growth profiles are still demanding premium valuations.
- We expect an increase in deal activity in 2024 as the prospect of an interest rate cut may spark renewed optimism and aggression from several prominent buyers. Further, buyers that paused in 2023 are raising capital to restart activity.

DEAL SPOTLIGHT



- In October of 2023, Arthur J. Gallagher announced the acquisition of Clements Worldwide, the leading provider of international insurance solutions for expats and diplomats.
- Clements is a highly specialized broker, focusing exclusively on cross-border policies and operating out of Washington DC, London, Dublin, Gibraltar, and Dubai.
- The union of Clements and AJG is a compelling strategic fit, as it allows AJG to add sought-after specialty capabilities that it can deploy across its own international footprint.

RECENT REAGAN TRANSACTIONS

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