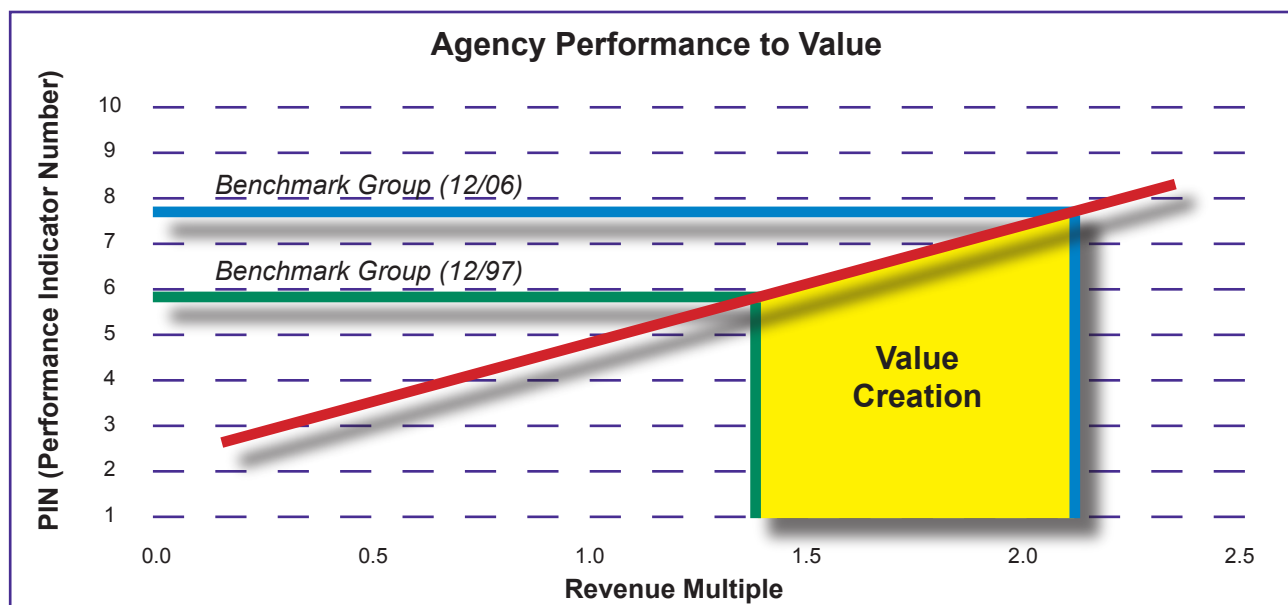


## Peak Agency Performance Correlates to Peak Agency Value

While external market conditions influence an organization's performance, the primary factors driving the value of agents and brokers are predicated upon internal mechanics.

The graph below depicts the value creation realized by a group of agents/brokers tracked over a nine-year period, measured by their Performance Indicator Number (PIN). The PIN is calculated through a comprehensive benchmarking process that measures a firm's profit, equity, and operational metrics relative to a very broad base of industry averages and high-performance standards.



Please note that organizational value is calculated based on actual and projected earnings and cash flow. The illustration above represents the expression of value in terms of a revenue multiple for simplicity. Source: The Benchmark Group represents APPEX (Agency Peak Performance EXchange) Partners.

For the past twenty-five years, we have consistently measured the influence between agency performance and agency value. These observations were conducted among the hundreds of agencies we helped to purchase and sell. 15 key ratios emerged and are now employed in the calculation of the PIN. The highest-valued agencies also shared these common characteristics:

- Double-digit revenue growth
- Sound expense control
- Actual EBITDA margin between 26% and 27%
- Producer age dispersion
- Broad organizational ownership
- Definitive differentiation platforms
- Regimented staff and technology reinvestment programs
- The ability to perpetuate

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