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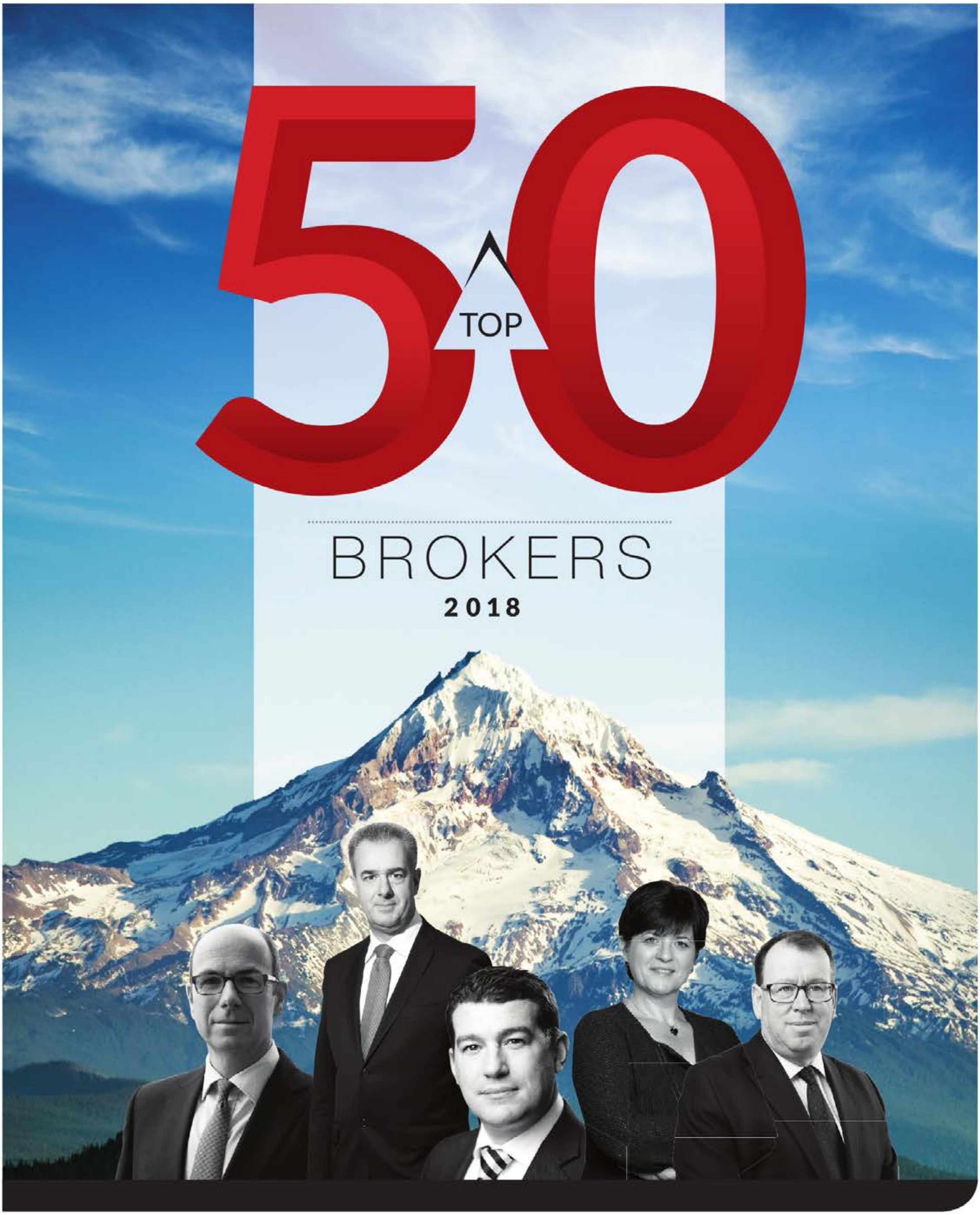


Stars in their

These ten brokers have produced outstanding performances over the past year, which should translate into enhanced shareholder value – the acid test of any investment.

OLLY LAUGHTON-SCOTT

HONOUR ROLL OF THE PAST SEVEN YEARS

	First	Second	Third
2017	Simply Business	CFC Underwriting	Marsh
2016	Hastings	Simply Business	Crispin Speers
2015	RK Harrison	BGL Group	Stackhouse Poland
2014	Hyperion	RK Harrison	Arthur J Gallagher
2013	Hastings	Hyperion	Stackhouse Poland
2012	Miller	A-Plan	Aston Scott
2011	JLT	Brightside	Oamps UK

#1

Granite

Brokerage
£53.2m

EBITDA
£25.4m

There are no bad risks, only bad prices. With a lot of private equity deciding motor is not to their taste, focusing on taxis and minicabs has seen brokerage grow by more than 60% and EBITDA almost doubling to £25m. This has resulted in Granite's excellent 48% margin. In our Top 10 this year they are our worthy winner, proving the northern adage: "Where there's muck there's brass."

EBITDA growth:

94.4%

#2

First Central

Brokerage
£52.7m

EBITDA
£8.4m

Focused on higher priced motor risks and by being nimble and smart it has achieved more than 50% growth in EBITDA. No flash in the pan either, this year's growth follows a credible performance in 2017. The top line has grown substantially with the inclusion of gross revenues from premium finance and add-on products. Net retained income growth was more modest at 13%.

EBITDA growth:

53.2%

#3

Berry Palmer Lyle

Brokerage
£42.1m

EBITDA
£16.5m

Brokerage is up 27% with margin an industry-beating 39%. Shareholder value is a product of achieving great results year after year. Over a four-year period, the business has seen EBITDA increase 75% to £16.5m purely through organic growth. Our focus on annual performance has meant it has never featured on the rostrum; but their longer-term success is recognised this year.

EBITDA growth:

24.9%

REST OF THE BEST

We have not sought to rank the seven firms

JLT

Brokerage
£1.058bn

EBITDA
£187.1m

The bigger you are, the harder it is to shine in any one year. Of the big boys, JLT has had a good year with its Risk & Insurance EBITDA growth of nearly 50%. Having achieved this, JLT's segment only realises a margin of 18%, somewhat below that of the up and coming players in the Top 50, but in line with its peers.

EBITDA growth:

47.9%

Hyperion

Brokerage
£541.7m

EBITDA
£141.0m

It used to be a star (see Honour Roll above), but growing often involves pain. This year, a relatively quiet one in terms of M&A, has seen EBITDA growth of some 36%, and so is back in the Top 10. What is impressive about this business is the transformation into an international player with 78% of its income now from overseas customers.

EBITDA growth:

36.6%

eyes

IMAS reviews the Top 50 Brokers to look for the best performers over the last 12 months

NOTES FROM IMAS

CRITERIA
IMAS has kept the key criteria as consistent as possible with previous years but needs to recognise the new entrants.

Growth
This is clearly a key factor. It is, however, not purely a drag race but one in which overall increases in shareholder value are reflected and we, therefore, focus on organic and acquisition-led growth that creates value rather than merely size.

Margin
Sustainable margin is just as important as sustainable growth. Recovery to acceptable levels of profit following a poor year, while commendable, is unlikely to win an award.

Peer performance
Where a sector has turned in excellent results, we have to look at the impact of a potential cycle and discount this influence as is regularly seen in the stock markets. It is individual excellent performance against peers that counts.

Past success
While it is not impossible to imagine, we have yet to choose the same company as the winner in consecutive years. This reflects the dynamic market and range of different activities undertaken.

outside the top three, but have highlighted what has been outstanding, from the largest to smallest by turnover

Integro

Brokerage
£158.6m

EBITDA
£52.6

With the acquisition of Tysers, it has crashed through the £100m brokerage barrier. Much of the real shareholder value accretion has gone to the Tysers' shareholders and one might joke that as one of Lloyd's oldest brokers, it has taken its time in delivering this. The partial MBO some 10 years ago helped to drive the value creation and Integro will benefit from the experienced team.

EBITDA growth:
71.2%

Broker Network

Brokerage
£52.3m

EBITDA
n/a

As one of the smaller consolidators it has been easier to shoot up the rankings (from 49 last year) with turnover up by more than 100%. It has been successful in getting its 'hub' acquisitions to source further smaller acquisition 'spokes', the often-mentioned model working well in action. Unfortunately there is no EBITDA information available.

EBITDA growth:
n/a

Crispin Speers

Brokerage
£31.4m

EBITDA
£8.1m

A combination of significantly increased brokerage (22%) and, at the same time, building margin has seen EBITDA growth of 44%, an excellent result. Much of this has been in travel, often considered an unfashionable part of the market, but with results like this who cares about fashion. A steady riser in the Top 50 for the last three years.

EBITDA growth:
44.4%

Vantage

Brokerage
£29.4m

EBITDA
£5.4m

Vantage is the highest ranked newcomer. Much of its growth has come from acquisitions, the largest being Fresh, a niche personal lines business. Fresh has been an outstanding performer, founded by a team of five and employing 250 people 16 years later, with excellent margins. If Fresh continues at anywhere near its track record, NSM Vantage will really forge forwards.

EBITDA growth:
305.3%

Right Choice

Brokerage
£22.3m

EBITDA
£8.9m

Another stunning performer is Right Choice. Personal lines businesses who get their new processes right can grow dramatically: with renewal rates being significantly lower and the aggregators encouraging searches each year there are lots of business opportunities. EBITDA grew by 39% and the reward came by way of an investment by Lloyds Development Capital in June of this year.

EBITDA growth:
10.4%

PE continues to transform sector

● IMAS partner James Simpson analyses the impact of private equity funding on this year's Top 50 Brokers

JAMES SIMPSON

This year has continued the trend set in 2017, with a substantial number of transactions across the board primarily financed by private equity investors. The make up of the Top 50 has changed, with several longer-standing companies acquired or groups merged so that there are six new entrants, one fewer than last year. The merger of the Highbridge/Madison Dearbon companies under the Ardonagh Group has taken three companies out of the Top 50. Other transactions have taken out Tyser & Co, Endsleigh and Henderson Insurance.

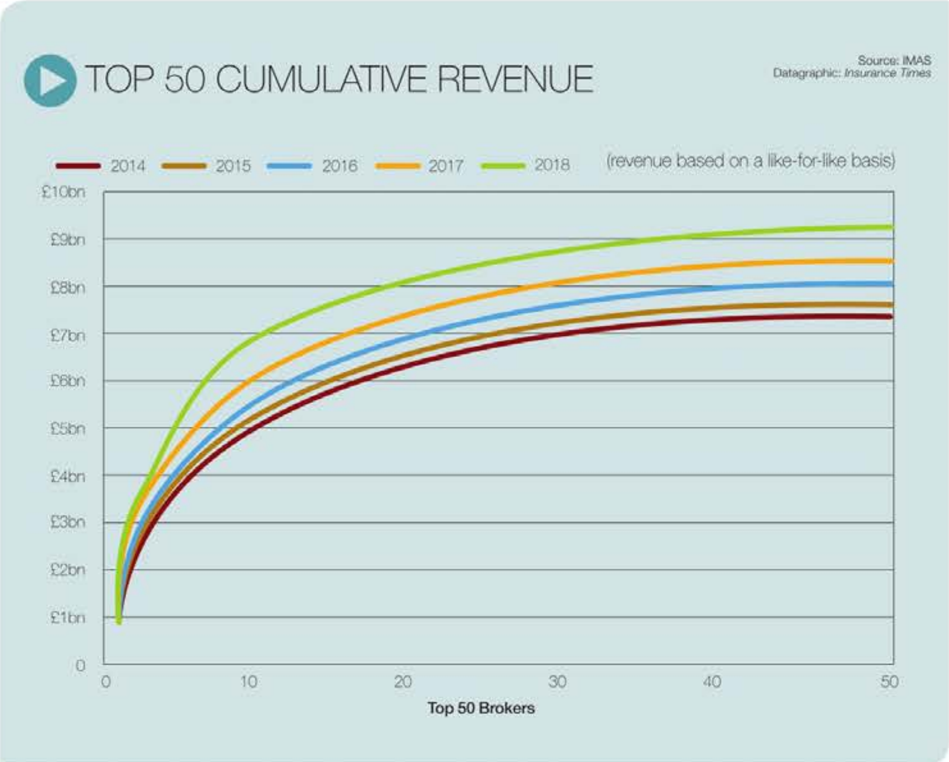
But all of this activity has left the ownership of the Top 50 identical to last year, with 18 PE backed companies and 16 privately owned ones; however overseas ownership still dominates the revenue with 46%, down on last year's 49%, but well ahead of PE with 21.5% (2017 18.6%).

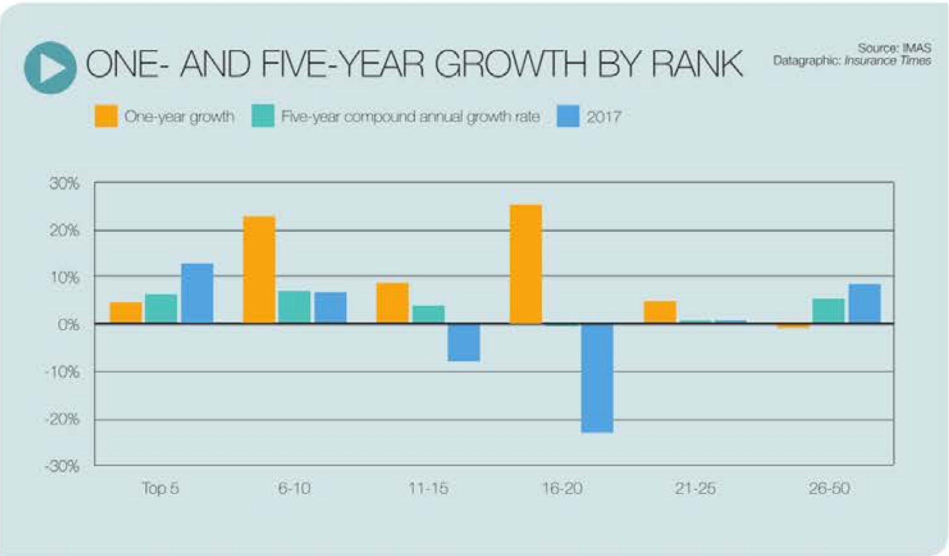
Top 50 Growth

Overall, the Top 50 revenues have grown by just under 9%, up on last year's 6%, and are approaching £10bn, 75% ahead of where the Top 50 was 10 years ago. This growth is by far and away the biggest for the last 10 years.

The Top 5 grew by 3.5% this year, down on last year's acquisition-driven high of 12.9%, and it was the next five brokers, ranked 6-10, that achieved the largest growth of any grouping with an additional £450m of income, although much of this was as a result of the consolidation of the Ardonagh Group. Excluding this element, growth was 14.6%, primarily driven by Hyperion and Hastings.

Growth in the 11–15 group is well ahead of last year and the five-year average, with A-Plan's acquisition of Endsleigh and Integro's

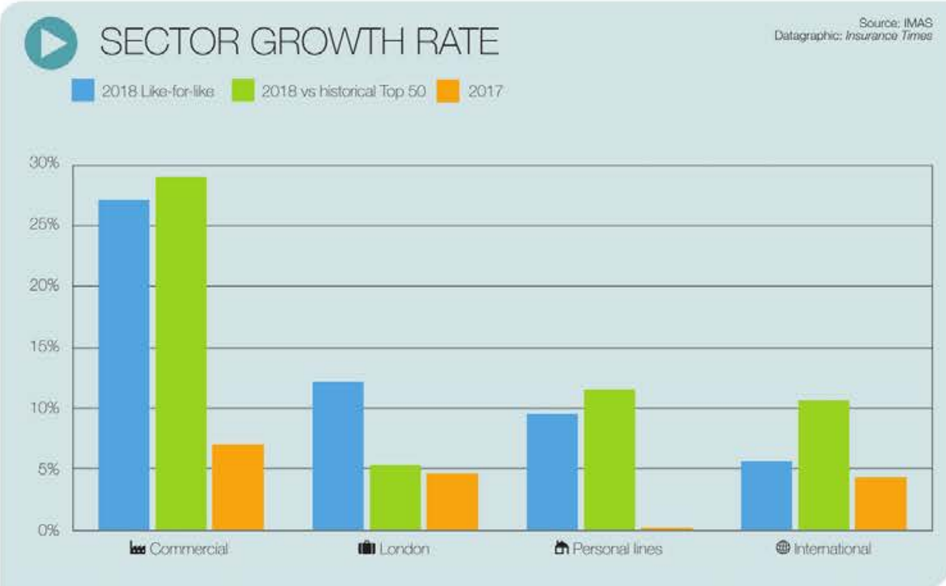


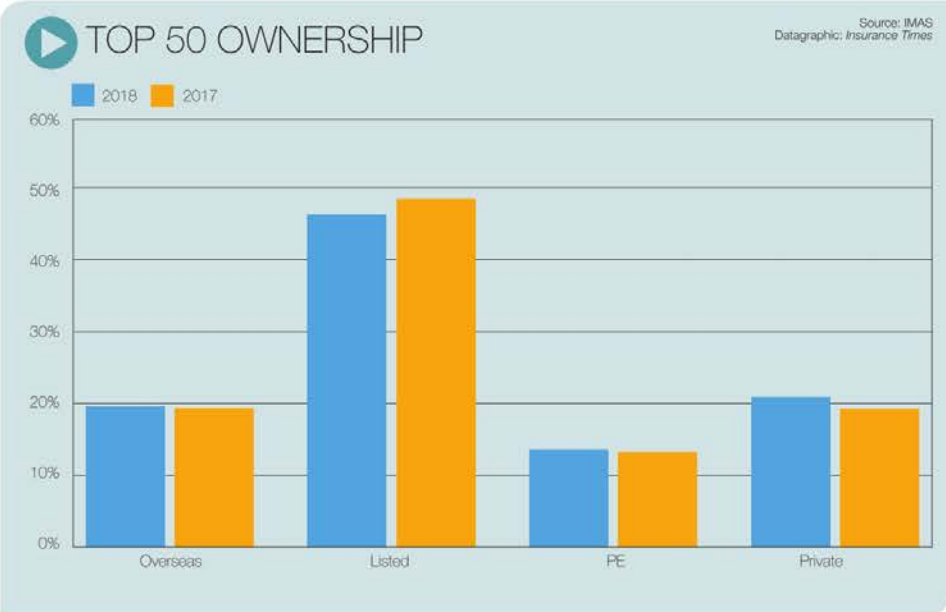


acquisition of Tyser & Co boosting the numbers materially and making up for lower numbers from the personal lines brokers in this segment.

Having seen a material decline last year, brokers ranked 16-20 featured strongly, led by GRP and PIB after their very active year of acquisitions, and their combined growth of 25.3% is the highest for any ranking group.

The five-year compound growth rates for the Top 50 rankings continue to show that it is the Top 10 that lead the way with more than 6% compound growth while all other rankings lag behind. Much of the reason for this is that the companies who have grown well in the lower rankings have tended to be acquired and the whole group move up the table. This tends to produce a year where aggregate revenues decline for a ranking, much as we saw last year for the third and fourth ranking bands.





Ownership

With all of the M&A activity and 13 new entrants to the Top 50 over the last two years it might have been expected for the ownership structure of the Top 50 to have changed. That happened last year but the structure has remained consistent from a numerical point of view with PE owning 36% (2017 28%) of the companies, privately owned 32% (2017 34%) and overseas 24% (2017 30%). It is only the revenue percentages that have moved this year, with PE now representing 21.5% of the Top 50, up 2.9 percentage points from 2017, but still well behind the international brokers at 46% of the total.

Sectors

We have moved Hyperion into the international sector after a review of its income and breadth of sources.

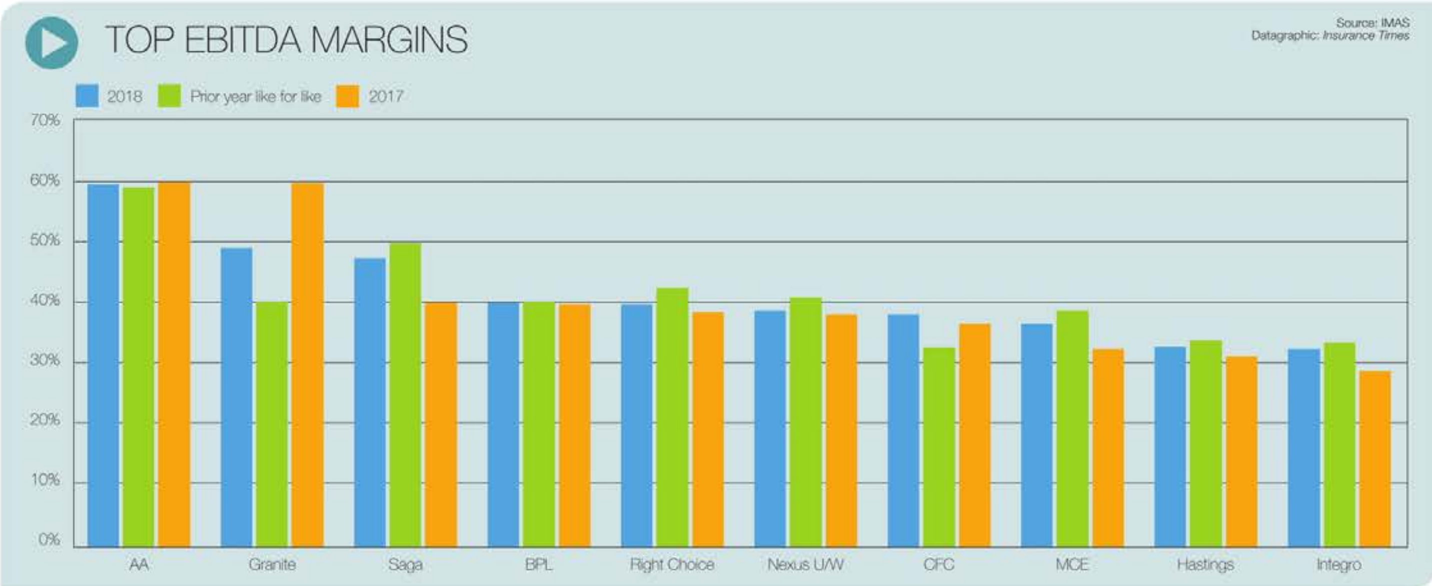
The strongest growth has been in the commercial sector with 28%, reflecting the extensive PE backing within the sector and the pursuit of an acquisition strategy by many. As noted above, PE-backed companies grew by 26% and this excludes Integro, which is classified as overseas despite being PE-backed in the US. The 10% change in the year-end sterling/dollar rate, from $1.2258 to $1.3514 to the £1, has reversed some of last year's growth. This appears to have impacted on the London market brokers, who only increased revenue by 4.2% over last year and 11.2% on a like for like basis after adjusting for Hyperion.

Individual performances

Eight out of the Top 10 fastest growing companies have all been on the acquisition trail, the other two – Granite and BPL – have achieved their growth through organic means albeit in significantly different markets. Of the next five who achieved commendable growth of between 22% and 26%, four also achieved this through organic means: CFC, MCE, RFIB and Crispin Speers.

Granite has grown its revenue by 64% organically in the personal lines market, a noteable achievement in this highly competitive sector

Top of the table is Vantage, utilising the resources of its US owner and acquiring Fresh Insurance in 2018. At number two is Broker Network which, following its ownership separation from Ardonagh, has been particularly active in 2017 and 2018 with seven acquisitions since December 2017, both directly in hubs, and those hubs acquiring smaller businesses themselves. Bollington comes in at number three, following its acquisition of/merger with F Wilson.



Then come PIB, Integro and A-Plan, all of whose primary growth has been through acquisition, with Integro and A-Plan both acquiring other Top 50 companies. At seven is Granite, which has grown its revenue by 64% organically in the personal lines market, a noteworthy achievement in this highly competitive sector.

EBITDA and margins

As the primary driver of value measurement, EBITDA should be an important ranking indicator. We don't have EBITDA for all the Top 50, which means that some potentially more interesting companies can't be analysed, but the table provides sufficient insight. We hope that next year we will be able to look back at filed consolidated accounts of these other companies and conduct some retrospective analysis.

The top three companies by margin are all personal lines brokers, including Granite with its strong growth in the last year, and three others also make the Top 10.

As a sector, personal lines continues to have the highest margin, with 28.4% for those companies where we have the information. Perennial top performer BPL Global is at number four and has been in the Top 10 ever since it entered the Top 50 nine years ago.

Employees

Employees continue to be an important factor in all general insurance businesses despite the increase in online services and automation. The data is, however, not complete as some companies do not disclose the relevant employee numbers and so only 75% of the revenue is covered by this indicator.

The table is dominated as usual by the London market companies, but this year it is also notable that every Top 10 company has a higher income per employee than last year. Not only that, but two of the companies, Aon and Willis, are top five ranked.

Maintaining their leading position is BPL with a remarkable £533,000 per employee, an increase of 30% over last year and a great performance. London market brokers achieved an average of £157,700 per employee in 2018. With revenue per employee of between

£280,000 and £190,000, the remaining companies have all achieved well above average results.

Analysing the numbers by sector it is the International brokers that achieved the highest income per employee, with £188,600, closely followed by London market brokers. Trailing the pack are commercial brokers with only £87,600 per employee, but this is a 9% improvement over last year.

Debt

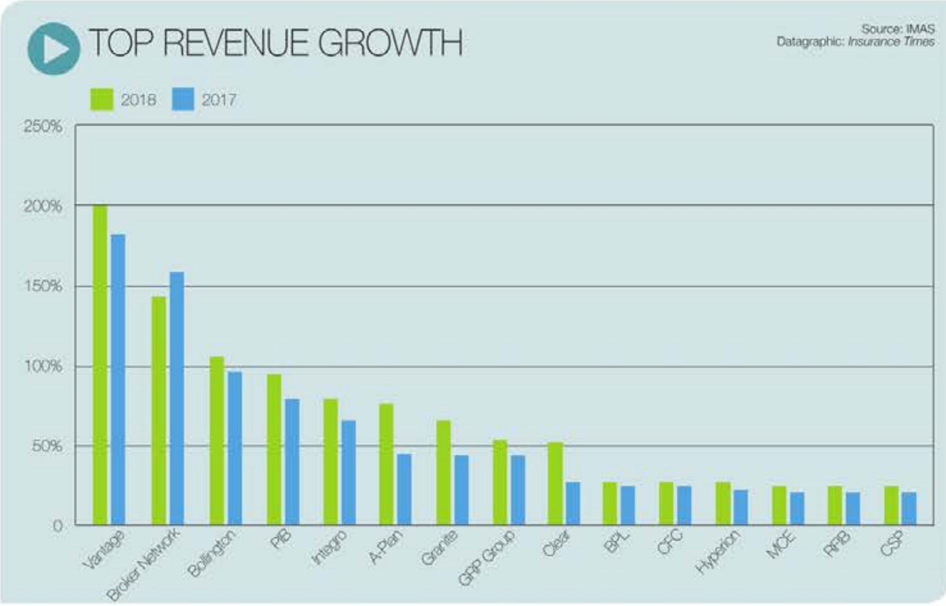
With all of the M&A activity over the last two years and the ownership structure of the Top 50, we thought it was time to look at the financing profile of the companies, and the indicator selected is debt to EBITDA.

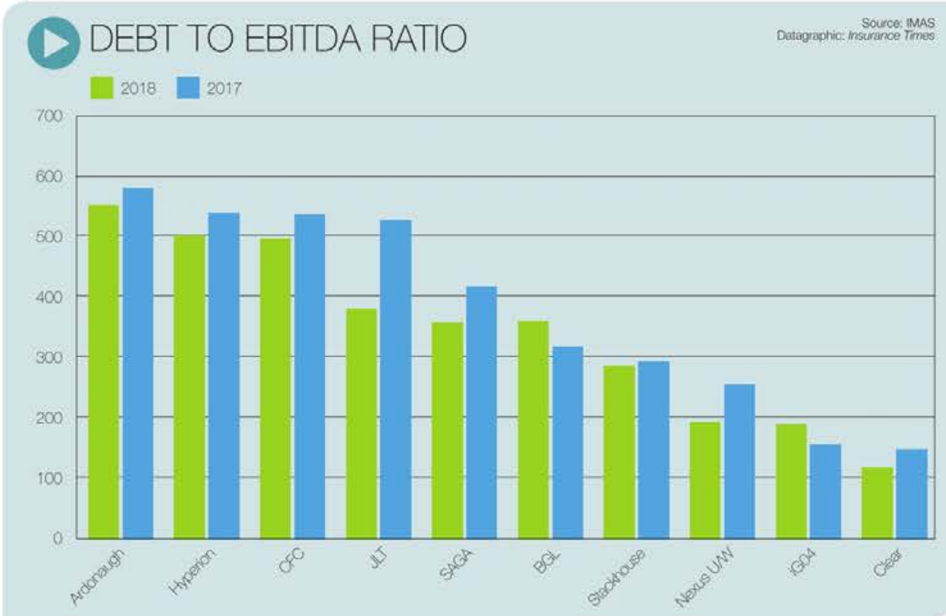
This analysis is, however, hampered by the fact that we don't have figures for all of the companies, either EBITDA or debt. There are ten companies without current or available information on debt or EBITDA, so it still represents a relevant sample and we will extend the analysis next year.

The most immediate observation is that the ratio of debt to EBITDA has decreased year-on-year and this is true for both the individual companies as well as the prior year Top 10 comparatives.

The table is also noteworthy in that it almost exactly follows the ranking of absolute amounts of debt held by each company, the exception being CFC where the ratio is high due to its recent management buy-out and the level of debt is more comparable to the companies in the second half of the table.

The companies at the top of the table have absolute amounts of debt in excess of £450m each with debt multiples of around five. This multiple falls fairly quickly as we go down the table and the ownership structure of the companies would appear to be one of the relevant factors in how highly geared a company is.





> **'Personal lines brokers have by and large grown through organic means, although some of the larger ones have found this harder'**

Conclusion and outlook

The Top 50 continues to evolve through M&A and the general expectation would be for this to lead to a concentration of the market, but the top five brokers' share of the 2018 Top 50 revenue has declined to 46.8% from 49.1% last year.

It is with the next five brokers, however, that we see the concentration, having increased their share of revenue to 25.1% up from 22.2% last year on the back of a 23.7% income growth. Personal lines brokers have by and large grown through organic means, although some of the larger ones have found this harder than the more modestly sized brokers who have been able to exploit niches and apply newer technology much quicker.

An upwards angle on the cumulative revenue graph denotes concentration and this extends from ranking five through to 23.

Encouragingly for value generation, EBITDA margins continue to increase, rising to an overall 23.7% for the companies where the information has been provided, up from 19.6% based on last year's table. The most noticeable improvement has been in the commercial sector – which could be an influence of the PE ownership of many of these companies.

With the number of PE-owned entities in the Top 50 we must expect to see further M&A activity over the coming year, including the refinancing of several of these companies, which may also lead to further M&A activity between them.

Vital statistics

All the financial data from the UK's Top 50 Brokers

2018	2017	Company Name	Current Year	Brokerage	Brokerage Change	Costs	Investment Income net	EBITDA	EBITDA Growth	EBITDA Margin %	Net Current Assets	Total Debt
1	(1)	Marsh (2, 4)	Dec-17	£1,064,200	6.1%	n/a	n/a	£296,628	28.7%	27.9%	n/a	n/a
2	(2)	JLT Group (6)	Dec-17	£1,058,387	10.7%	£871,312	£7,392	£187,075	47.9%	17.7%	£443,687	£710,098
3	(5)	Aon (1, 2)	Dec-17	£827,790	6.9%	£712,309	£14,837	£112,093	-49.7%	13.5%	£507,844	£-
4	(3)	Arthur J. Gallagher International (1)	Dec-17	£740,565	-2.1%	n/a	n/a	n/a	n/a	N/A	n/a	n/a
5	(4)	Willis	Dec-17	£668,196	-7.4%	£562,380	£-	£116,916	35.7%	17.5%	£543,902	£-
6	(6)	BGL Group	Jun-17	£626,300	7.9%	£505,000	£(22,200)	£147,700	7.3%	23.6%	£(461,500)	£532,200
7	(7)	Hyperion Ins Group	Sep-17	£541,659	24.8%	£518,326	£(44,980)	£140,975	36.6%	26.0%	£133,505	£714,095
8	(8)	Ardonagh Group (2,4)	Dec-17	£535,700	11.3%	£374,200	£(77,400)	£161,500	20.3%	30.1%	£(3,623)	£896,356
9	(9)	Hastings Insurance Services	Dec-17	£335,300	16.2%	£220,400	£100	£114,900	13.5%	34.3%	£28,631	£-
10	(10)	Lockton (4)	Apr-18	£300,639	11.0%	£291,952	£1,077	£49,143	18.9%	16.3%	£20,064	£-
11	(12)	Saga Services	Jan-18	£282,600	1.8%	£152,400	£26	£130,200	-5.7%	46.1%	£(469,800)	£469,200
12	(11)	Swinton Group	Dec-16	£222,688	-16.1%	£220,534	£(550)	£30,679	-30.5%	13.8%	£174,367	£309
13	(16)	Integro Insurance Brokers (2,4)	Dec-17	£158,642	80.4%	£106,030	£7,807	£52,612	71.2%	33.2%	£46,345	£9,704
14	(17)	A-Plan inc Endsleigh (2, 4)	Feb-18	£149,968	75.3%	£112,156	£28	£37,840	26.6%	25.2%	£25,250	£13,207
15	(13)	AA Insurance Services	Jan-18	£133,000	1.5%	n/a	n/a	£79,000	3.9%	59.4%	n/a	£-
16	(14)	Miller	Dec-17	£116,614	-7.9%	£63,900	£191	£55,874	36.1%	47.9%	£36,045	£-
17	(20)	Global Risk Partners (2,4)	Jun-18	£102,400	56.0%	n/a	n/a	n/a	n/a	N/A	£12,463	£87,972
18	(28)	PIB Group (2, 4)	Dec-17	£97,421	94.4%	n/a	n/a	n/a	n/a	N/A	n/a	n/a
19	(19)	BMS Broking Group	Dec-17	£80,974	17.0%	£71,599	£175	£15,083	26.7%	18.6%	£13,042	n/a
20	(15)	Ed Broking	Dec-16	£76,421	-23.3%	£76,178	£(10,672)	£243	-94.5%	0.3%	£27,150	£-
21	(21)	Adrian Flux (4)	Sep-17	£72,000	12.5%	n/a	n/a	n/a	n/a	N/A	n/a	£-
22	(18)	THB Group	Dec-17	£71,600	2.7%	£58,856	£(1,731)	£16,229	0.2%	22.7%	£25,400	£-
23	(22)	Markerstudy	Dec-16	£66,356	5.3%	£62,404	£(1,281)	£6,423	-23.5%	9.7%	n/a	n/a
24	(27)	Aston Scott / Lark Group (2,4)	Dec-17	£56,302	11.9%	£40,969	£72	£15,333	12.6%	27.2%	n/a	n/a

[1] Figures extracted from US SEC Form 10K for UK business
[2] Annualised figures to reflect material acquisitions in current financial year
[3] Annualised figures to reflect material changes in current financial year
[4] Management provided information
[5] Annualised for changed year end
[6] Excludes non general insurance business

Total Liabilities	Share-holders Funds	Goodwill to EBITDA %	Highest Paid Director	Total Directors Emoluments	Employee Numbers	Employee Cost	Average employee cost	Average Employee cost change	Head-count Inc	T/O per employee
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
£2,310,919	£397,705	379.6%	£3,361	£7,255	6,254	n/a	n/a	n/a	1.3%	£169.2
£1,806,243	£1,220,152	0.0%	£4,647	£11,020	3,161	£457,213	£145	18.8%	-0.6%	£261.9
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
£4,393,333	£922,764	0.0%	£3,615	£9,860	3,207	£470,732	£147	0.0%	0.0%	£208.4
£1,119,200	£(357,300)	360.3%	£800	£4,500	3,403	£143,300	£42	5.0%	1.0%	£184.0
£1,466,431	£(125,177)	506.5%	£1,599	£3,641	3,794	£290,240	£76	9.3%	5.8%	£142.8
£1,440,551	£172,571	555.0%	n/a	£9,585	6,196	£279,900	£45	-28.1%	44.4%	£86.5
£311,635	£82,534	0.0%	£500	£1,905	2,339	£71,092	£30	0.0%	0.0%	£143.4
£377,609	£20,253	0.0%	n/a	n/a	2,474	£207,475	£84	5.3%	7.5%	£121.5
£1,420,300	£1,223,500	360.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
£124,218	£200,611	1.0%	£505	£1,090	3,090	£95,429	£31	-2.9%	-18.0%	£72.1
£195,062	£58,670	18.4%	£585	£5,067	833	£84,603	£102	16.6%	57.2%	£190.4
£87,556	£54,706	n/a	n/a	n/a	1,912	£33,825	£18	-37.0%	68.2%	£78.4
n/a	n/a	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
£519,149	£138,502	0.0%	N/A	N/A	423	£4,010	£9	-88.8%	-3.4%	£275.7
£156,505	£(8,945)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	£99,238	n/a	n/a	n/a	1,103	n/a	n/a	n/a	65.9%	£88.3
£375,048	£6,249	n/a	£1,494	£4,307	318	£51,712	£163	11.3%	11.4%	£255.0
£130,633	£44,573	0.0%	n/a	n/a	642	£20,840	£32	-23.6%	-0.2%	£119.0
n/a	n/a	n/a	n/a	n/a	1,240	n/a	n/a	n/a	7.8%	£58.1
£141,457	£42,209	0.0%	n/a	n/a	450	£41,866	£93	0.8%	2.3%	£159.1
n/a	n/a	n/a	n/a	n/a	875	n/a	n/a	n/a	0.0%	£75.8
n/a	n/a	n/a	n/a	n/a	634	£29,176	£46	0.2%	5.7%	£88.8

DATA SOURCE: IMAS-insight

[1] Figures extracted from US SEC Form 10K for UK business
[2] Annualised figures to reflect material acquisitions in current financial year
[3] Annualised figures to reflect material changes in current financial year
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2018	2017	Company Name	Current Year	Brokerage	Brokerage Change	Costs	Investment Income net	EBITDA	EBITDA Growth	EBITDA Margin %	Net Current Assets	Total Debt
25	(42)	Granite / Acorn Insurance	Dec-17	£53,160	64.0%	£28,007	£(651)	£25,423	94.4%	47.8%	£35,212	£15,428
26	(30)	First Central	Dec-17	£52,658	13.0%	£44,591	£331	£8,391	53.2%	15.9%	£5,640	£-
27	(49)	Broker Network (2, 4)	Dec-17	£52,300	142.6%	n/a	n/a	n/a	n/a	N/A	£(211)	£22,220
28	(32)	Stackhouse Poland (2, 4)	Dec-17	£50,600	19.6%	n/a	n/a	£16,000	18.5%	31.6%	n/a	£45,000
29	(31)	United Insurance Brokers	Dec-17	£50,563	8.7%	£44,620	£579	£7,276	27.1%	14.4%	£36,081	£-
30	(24)	Brightside	Dec-16	£49,389	-16.9%	£54,863	£-	£(2,627)	-79.5%	-5.3%	£5,401	£22,199
31	(29)	Simply Business	Dec-16	£48,004	0.0%	£40,644	£(24)	£8,351	0.0%	17.4%	£15,574	£3,259
32	(35)	Besso Insurance Group	Dec-16	£44,637	18.6%	£39,362	£(312)	£7,076	154.6%	15.9%	£(2,914)	£6,435
33	(36)	RFIB Group	Dec-17	£43,793	22.7%	£45,419	£221	£(976)	-7.0%	-2.2%	£11,284	£-
34	(39)	Berry Palmer & Lyle	Mar-17	£42,126	27.1%	£26,150	£39	£16,491	24.9%	39.1%	£14,446	£-
35	(41)	CFC Underwriting	Sep-17	£41,172	25.8%	£26,735	£-	£15,195	41.4%	36.9%	£3,761	£74,680
36	(37)	Complete Cover	Dec-16	£38,218	11.0%	£36,114	£15	£4,322	-5.7%	11.3%	£(28,977)	£-
37	(34)	MCE Insurance	May-17	£36,195	22.8%	£25,187	£3	£12,757	14.7%	35.2%	£8,278	£-
38	(43)	Nexus Underwriting (2,4)	Dec-17	£35,000	9.5%	£21,900	£-	£13,100	-0.3%	37.4%	£15,332	£25,000
39	(40)	Be Wiser	May-17	£32,746	0.0%	£31,653	£10	£924	0.0%	2.8%	£1,093	£-
40	(45)	Crispin Speers (4)	Mar-18	£31,406	22.2%	£23,284	£20	£8,142	44.4%	25.9%	£20,023	£-
41	(N/A)	Vantage Insurance (2, 4)	Dec-17	£29,400	199.8%	£24,300	£-	£5,400	305.3%	18.4%	£1,215	£1,750
42	(N/A)	iGO4 (4)	Jun-18	£27,229	13.4%	£26,620	£-	£3,969	15.3%	14.6%	£(3,873)	£7,442
43	(N/A)	Bollington (2, 4)	Dec-17	£26,270	106.8%	£18,149	£41	£8,121	353.9%	30.9%	£2,152	£-
44	(46)	Miles Smith (4)	May-18	£23,962	3.6%	£22,090	£(31)	£2,563	-19.5%	10.7%	£6,049	£(947)
45	(N/A)	One Call Insurance Services	Oct-16	£23,043	16.8%	£17,235	£107	£5,872	2935.1%	25.5%	£8,179	£18
46	(N/A)	Right Choice Ins (4)	Dec-16	£22,889	21.2%	£14,566	£9	£8,899	10.4%	38.9%	£1,665	£-
47	(48)	Alan Boswell Group (2, 4)	Mar-18	£22,245	17.8%	£19,027	£73	£4,646	-42.4%	20.9%	£2,873	£-
48	(49)	Barbon Insurance	Dec-17	£21,843	15.7%	£18,998	£-	£6,052	-25.0%	27.7%	£10,205	£-
49	(N/A)	Clear Insurance (4)	Oct-17	£21,500	52.9%	£16,192	£-	£5,308	130.5%	24.7%	£(2,512)	£5,781
50	(50)	Lycetts	Dec-17	£20,567	3.4%	£19,590	£(90)	£1,973	-32.6%	9.6%	£7,598	£-

Total Liabilities	Share-holders Funds	Goodwill to EBITDA %	Highest Paid Director	Total Directors Emoluments	Employee Numbers	Employee Cost	Average employee cost	Average Employee cost change	Head-count Inc	T/O per employee
£77,052	£22,613	60.7%	£134	£277	558	£15,724	£28	1.4%	31.9%	£95.3
£162,425	£10,818	0.0%	£343	£1,086	664	£25,507	£38	6.9%	4.6%	£79.3
£51,183	£13,130	n/a	n/a	n/a	570	n/a	n/a	n/a	146.8%	£91.8
n/a	n/a	281.3%	n/a	n/a	500	n/a	n/a	n/a	25.0%	£101.2
£17,726	£36,343	n/a	£263	£1,236	530	£31,114	£59	1.2%	7.9%	£95.4
£41,241	£57,257	n/a	£415	£1,640	696	£20,937	£30	-6.1%	-18.9%	£71.0
£19,910	£20,035	39.0%	£396	£1,078	340	£16,106	£47	0.0%	0.0%	£141.2
£33,070	£4,549	90.9%	£339	£642	233	£20,712	£89	5.9%	7.4%	£191.6
£24,850	£4,452	n/a	£396	£1,210	202	£22,921	£113	18.7%	-12.2%	£216.8
£13,412	£11,867	0.0%	£1,115	£7,542	79	£20,165	£255	17.7%	9.7%	£533.2
£147,168	£141,830	491.5%	£534	£24,841	197	£17,790	£90	-5.4%	28.8%	£209.0
£93,611	£(39,337)	0.0%	£250	£489	477	£14,624	£31	0.0%	0.0%	£80.1
£35,763	£10,842	n/a	£167	£646	314	£7,705	£25	6.5%	17.6%	£115.3
£55,503	£20,665	190.8%	£326	£1,080	125	£11,731	£94	-1.3%	30.2%	£280.0
£14,643	£1,603	n/a	£339	£1,372	620	£12,992	£21	0.0%	0.0%	£52.8
n/a	£21,462	0.0%	n/a	n/a	381	n/a	n/a	n/a	10.8%	£82.4
£11,139	£1,362	32.4%	n/a	n/a	378	£11,927	£32	-20.6%	246.8%	£77.8
£20,583	£429	n/a	£193	£376	355	£10,285	£29	17.2%	-1.9%	£76.7
£68,230	£634	n/a	£286	£781	383	£11,890	£31	n/a	128.0%	£68.6
£(74,421)	£7,472	-37.0%	£422	£1,427	215	£14,815	£69	5.1%	1.9%	£111.5
£27,594	£8,470	0.3%	£111	£502	402	£8,627	£21	8.5%	10.7%	£57.3
£11,847	£3,400	0.0%	£176	£276	285	£6,820	£24	-4.2%	25.6%	£80.3
£20,558	£12,141	0.0%	£-	£597	322	£13,705	£43	70.4%	41.9%	£69.1
£7,135	£24,269	0.0%	£264	£616	372	£10,302	£28	10.9%	63.9%	£58.7
£31,239	£6,131	108.9%	£228	£475	200	n/a	n/a	n/a	36.1%	£107.5
£19,705	£5,200	0.0%	£269	£304	257	£12,749	£50	1.5%	5.3%	£80.0

DATA SOURCE: IMAS-insight

Your exit strategy is key in determining your development strategy

● Olly Laughton-Scott takes an in-depth look at the drivers of broking and MGA mergers and acquisitions

Olly Laughton-Scott is founding partner at mergers and acquisitions (M&A) specialist IMAS. He is a qualified accountant with 25 years' experience in M&A across financial services

We often get asked to talk to people about their development strategy – in particular, acquisitions – and we are delighted to do this. They arrive armed with questions about valuation and multiples, potential targets, offers of funding from various sources and a determination to have something done in the next three months. Our first question however is typically, "what is your exit strategy?" More often than not they don't have an answer and are perplexed by the question.

Most buyers are looking to enhance their own value by making acquisitions but very often they have not thought through what this really means. In most cases, value is what the business can be sold for, and hence their focus should be on what will make the business more attractive to a buyer. Lack of awareness of this means businesses can often make acquisitions that ultimately reduce value.

We always say we don't sell businesses but find buyers who want to buy the businesses we are selling. Businesses sell for a premium if they solve a need/problem for a buyer and for a discount if they bring problems. It is also important to remember that in an auction you never discover what the bidder was ultimately willing to pay, just what the limit of the underbidder was. When thinking about your exit, it is critical to have competitive tension: ideally two interested parties, so you can play them off against each other.

Profitability has always been important in valuations, but this is truer today than ever before

Solving issues for a buyer

An acquisition may be attractive to you, but not the buyer of your business when you come to sell. Focus on the issue you are likely to be solving for the buyer. A larger company may want to achieve growth by acquisition but will not want to buy a business with numerous small offices. If you can't rationalise your own offices you may run the risk of reducing value. A wholesaler may be keen to buy another wholesaler but if the target has a retail operation then the buyer may struggle with that potential conflict.

Our job is to get our clients the best deal and we are often compared to estate agents. People assume that this is a comparison that we would be unhappy with. But estate agents have a developed sense of what adds value to a property and what does not. Swimming pools in the UK typically impair the value of a property, although 2018 may be the exception to this. Even if the prospective buyer wants the pool he probably knows he will not have to pay for it as the likelihood is that the competing bidder sees it as an expensive overhead.

We talk to owners who are keen to acquire to diversify their business and hence reduce its operational risk. However, most potential buyers will already be carrying on a broad range of activities; they will value specialism and capability, not a general spread of activities which overlap with existing parts of their business and hence introduce conflicts and additional rationalisation work/risk.

Before a private equity investor will buy a business, they carry out a formal exit review to establish who is likely to buy the business when they exit and why. Not only will this determine if they make their investment but will also shape the development/acquisition strategy.

Owners of businesses typically talk to us when they are thinking of selling. They should talk to us well before that especially if they are thinking about buying or contemplating major changes to avoid taking a "bath".

Profit over turnover

And whilst it may sound obvious, we continue to drum home the importance of profit over turnover. If a business is only making 10% margin then an acquirer making 20% will always be able to pay more for a acquisition target as it will have superior cashflow and better ability to raise the margin of the target and therefore see greater value in the deal.

Profitability has always been important in valuations, but this is truer today than ever before. Firstly, many of the buyers are private equity-backed and in this world there is no sentimental attachment to size. They are about margins and cashflow as this is what drives value. Smaller brokers have also been able to get better terms from insurers, decreasing the uplift that consolidators could achieve. It has not gone away but is far less significant. This change may have in part been driven by a realisation by insurers that in disadvantaging the smaller broker they were driving the consolidation that they so disliked.

So central to every acquisition strategy should be the drive to increase margins, both before and after an acquisition.

Strategy is a long-term game whether it be focused on development or exit. Successful business leaders have the confidence to talk to us about their plans and in doing so gain insights into the likely demand and act accordingly.