

European Expansion



A MARSHBERRY INTERNATIONAL STATE OF THE INDUSTRY REPORT

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MarshBerry
International
connects brokers
in European
countries with
specialty financial
advisory and
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successful M&A
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investigate strategic
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along with strategy
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The U.S. insurance market wrapped up another dynamic year with record merger and acquisition (M&A) activity, driven by progressive firms with expanding operations and private equity that continues to hold an interest in industry investment.

Across the pond in Europe, a similar environment with high pricing and valuations is peaking demand. It's a seller's market with buyer advantages, too—specifically for brokers wanting to create an international footprint.

Then came COVID-19, with an unknown impact on the economy moving forward. What we do know, however, is that during the financial crisis in 2008, the insurance market, like every other industry, was stress-tested, but unlike other industries, proved to be resilient and anti-cyclical. It was these insights that caused the spike in market activity that has been carrying on until late into the first quarter. The pandemic is a different crisis with other drivers and effects, and the insurance market surely will be affected. Yet, the question is to which extent. Although market activity has slowed over the last 45 day, it surely didn't stop and we have yet to see the larger acquirers in the M&A market lose much of their appetite. If anything, buyers are eager to move forward and seize market opportunities.

MarshBerry International connects brokers in European countries with specialty financial advisory and perpetuation services to guide successful M&A transactions, investigate strategic opportunities, along with strategy consultancy.

U.S. and Euro Market Forces Driving M&A

With 2019 in the books, and a new annual record of 621 announced transactions across the industry, MarshBerry tracking shows the deal count in the United States for the past five years (2015 – 2019) has exceeded the prior 10 years (2005 – 2014) by 112 transactions or 4.5%¹.

MarshBerry, specifically, posted a record M&A deal count completing 91 transactions (60 sell side/31 buy side) in 2019 leading the industry in total clients advised and the number one sell side adviser.²

Consolidation is not news in the U.S. insurance market, and activity has not slowed. Now, more U.S. brokers are looking beyond the border and seeking opportunities in Europe, where most countries have not experienced the same roll-up effect. While the United Kingdom and France have comparably mature insurance markets, in terms of the buy/sell activity and increased consolidation, most other European countries are populated with smaller family-owned independent brokers and tied agents exclusively linked to a specific carrier. There is exponential opportunity in Europe for regional brokers and US investors to increase their market share.

Trendspotting in Europe

UNTAPPED EUROPEAN MARKETS

Large U.S.-based brokers and private equity companies are entering the European market with an eye on growth. There's an evident consolidation riptide that is moving across the globe, and already has impacted the United Kingdom insurance market. There, roughly 4,000 brokers and agents represent about \$300 billion in premium. However, in the untapped Netherlands market for example, there are about 6,500 brokers and agents with 80 billion in premium while in Germany there are 45,000 brokers and agents while their market in premium is roughly equal to the market in the UK.

TIED AGENTS

Countries like Germany and France apart from numerous independent brokers also have a large number of agents that are tied to a specific insurance brand. Case in point: of the 45,000 brokers and agents in Germany, 20,000 of them are "tied." This presents a significant opportunity for independent brokers to expand their portfolios through acquisition, which ultimately provides clients more choices.

PRICING & PERPETUATION

Europe's attractive pricing so far has modeled the payouts high-performance U.S. brokers have been realizing from M&A transactions, which creates a supple environment for European agencies that have an eye on perpetuation and growth. Meanwhile, firms in the United States and Europe recognize that sustainability is dependent on evolution especially under the current circumstances. Regardless of the dynamic M&A activity, growth and investment in talent and technology is critical to succeed in the modern marketplace. Many businesses could use advising to adopt a focused strategy to grow and change—or sell and capitalize on the current market's appealing valuations.

Passport to Success

Partnership with MarshBerry International helps American and European brokers plan for the future and achieve growth goals.

NAVIGATE A NEW MARKET

Currently, there are limited consulting resources specifically aimed at insurance brokers. For European agencies, MarshBerry is uniquely positioned as a specialist in insurance industry

transactions. Historically, European countries interested in advisory support would seek guidance from large consultancies that operate more as generalists. With that comes a knowledge gap that can introduce potential risk. MarshBerry International extends a legacy of focused insurance consultancy to European brokers that want to do more business in their regions and beyond.

CONSCIOUS ACQUISITIONS

With the market's high prices and steep valuations, buyers must take care to invest thoughtfully as they acquire brokers in Europe. While high-quality platforms demand high prices, the overheated marketplace can create somewhat of a mirage effect. The key is to stay focused on your goals and understand exactly what you're buying and why. How will the business add value to your overall strategy? What will you accomplish as a result of the transaction? In an exciting M&A environment, there's a tendency to buy because everyone else is buying.

THE POWER OF A PARTNER

Guidance from MarshBerry International assures that European and U.S. brokers:

- Make data-driven decisions
- Benefit from experienced financial advising that focuses on strategic growth and long-term sustainability
- Build a perpetuation plan with a balance of organic growth and expansion through M&A
- Establish a resilient, high-performance operation that can lead the market
- Perform deep due diligence to inform the buy/sell process

Beyond Borders

Learn how MarshBerry International is advising insurance brokers so they can elevate performance, access new markets, achieve goals and plan for perpetuation. *Contact us today at www.MarshBerry.com/contact.*

¹Annual 2019 count is preliminary as of 1/3/20. Subsequent announcements may affect 2019 totals in future publications. All transactions are announced deals involving public companies, private equity backed brokers, private companies, banks as well as others including private equity groups, underwriters, specialty lenders, etc. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not necessarily been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that historically, a low percentage of transactions were publicly announced, but we believe that this has risen to over 50% today. Past performance is not necessarily indicative of future results. Source: S&P Global Market Intelligence, Insurance Journal, and other publicly available sources.

²Source: S&P Global Market Intelligence, data pulled as of January 8, 2020; showing the top six advisers with the largest number of deals in 2019. "Clients Advised" represents the number of different buyers or sellers advised during 2019.