

MERGERS & ACQUISITIONS

# Newsletter

## Acquisitions for Agency Owners: Sell Now or Later?

Valuations for insurance agencies have been increasing for years, incentivizing agency owners to sell their businesses in record numbers. As an agency owner, it can be tempting to allow valuations to be the primary consideration in your decision to perpetuate. However, as you are deciding whether to sell your agency or perpetuate internally, you need to ensure you have the right advisors in place, you've engaged with potential buyers, and are ensuring you've properly planned for the earnout.

## Get the House in Order

Prior to engaging in a sale process, check in with your accountant and engage with an attorney who has experience in insurance agency M&A. Your accountant can help organize your financial and tax records, which can significantly reduce excess time and effort spent during the Buyer's due diligence process. An attorney with the right experience can give you advice to screen potential buyers and assist in the overall management of the process. These two advisors will be your key professional support as you move forward with the sale of your agency.

### SUMMARY

Deciding when to sell is a key consideration agency owners face as they plan out the future of their businesses.

Though agency valuations are at an all-time high, there are many variables to consider when timing a potential sale.



# Get to Know Potential Buyers

Ensuring that you, your customers and your team are in the right hands after selling is often a concern for agency owners. To help alleviate those concerns, our team often starts by getting to know the agency owners and their business years before agreeing to purchase. Forming a personal and professional relationship over time can aid in alignment, which helps ensure a smooth integration, limits the possibility of adverse surprises post-close and better positions the agency to capitalize on the capabilities the buyer is bringing to the table.

# Leave Room for the Earnout

The earnout is one critical piece of the overall valuation that sellers often overlook. An earnout is typically based on either the Revenue or EBITDA earned for a defined period post-transaction (typically, 1, 2 or 3 years). Since there can be significant value available through growth during the earnout period, sellers should strive to ensure they have set up their team and business to increase throughout the earnout period and maximize the final purchase price.

## CONCLUSION

Clearly, many factors contribute to the decision on when to sell. Though valuations, personal matters and tax considerations play a factor, it is also important to consider your firm's growth trajectory, the time you have spent with potential buyers and the impact that the earnout can have on the ultimate purchase price earned when selling your agency.



## FOR MORE INFORMATION

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