



Leveraging your business for future value



Leveraging your business for future value

Many brokerages simply choose to grow organically.

Some consider leveraging their value to borrow money for acquisition and/or succession.

This presentation illustrates the value potential derived from each growth strategy.

**Organic
Growth**

**Acquisition
or Merger**

Succession

Broker Profile

Let's take a look at the broker profile below as an example:

Broker



- Single owner
- GWP \$5,000,000
- Commission \$1,000,000
- Profit \$250,000

Current value
\$3,000,000*

NOTES: commission margin 17%, profit margin 25%
* Value based on 3 times commission multiple

Organic Growth | 10 Year Forecast

Organic Growth

- 8% annual growth
- No debt
- GWP \$11,800,000
- Commission \$2,000,000
- Profit \$590,000



Future value in 10 years
\$6,000,000*

NOTES: commission margin 17%, profit margin 25%
* Value based on 3 times commission multiple

Acquisition | \$2MM Acquisition / 100% Loan Funded

Acquisition



- Additional \$700K comm. in year 2
- 7 year loan / fully repaid
- 8% annual growth
- GWP \$18.5MM / comm. \$3.1MM
- Profit \$790,000

Future value in 10 years
\$9,400,000*

NOTES: commission margin 17%, profit margin 25%
* Value based on 3 times commission multiple

Succession | 10% Equity Sold / 100% Loan Funded

Succession

- Equity sold in year 5
- 7 year loan / limited security
- Annual growth >8% after sale
- GWP \$14.8MM / comm. \$2.5MM
- Profit \$630,000



10% value year 5 - \$410K
90% value year 10 - \$6.8MM
Total value \$7,200,000*

NOTES: commission margin 17%, profit margin 25%

* Value based on 3 times commission multiple

10 Year Comparative Analysis

**Organic
Growth**

Acquisition

Succession

Commission

\$2.0MM

\$3.1MM

\$2.5MM

Total Value

\$6.0MM

\$9.4MM

\$7.2MM

Funding

No

Fully secured.
Fully repaid.

Limited security.
Profit share
repayments.



Leveraging your business | Summary

- Determine your long-term target
- Develop strategic options
- Understand your funding needs / options
- Develop a cash flow forecast



FIRST Canada | Funding for a wide range of purposes

- Refinance of existing bank or carrier loans
- Mergers & Acquisitions
- Succession Planning
- Employee Buy-In
- Property and Equipment



FIRST Canada | Customized Broker Loans

- Customized loans of all sizes tailored to each broker's specific business structure
- Highly competitive rates – as low as Prime*
- Flexible terms – amortization periods up to 10 years
- Lend up to 5 times EBITDA
- Flexible security structure and covenants
- No ties to specific carriers
- No trust deposits required – no need to disrupt existing day to day banking

*Subject to assessment of risk



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