

ABC
www.ABCinsurance.com

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| Date: | December 20XX | Location: | XX |
| Deal Source: | LMN | Legal Structure: | NA |
| Primary Banker: | XYZ | Ownership: | NA |
| XXE I YYP Sales: | \$XX.Xmm \$XX.Xmm | XXE I YYP Adj. EBITDA: | \$XX.Xmm \$XX.Xmm |

Sweet Spot Characteristics

| | Yes | No |
|------------------------------|-----|----|
| Historical growth rate >7%? | X | |
| EBITDA (more than \$10.0mm?) | X | |
| Organic growth potential? | X | |
| Growing end market? | X | |
| Recurring revenue? | X | |
| Low technology risk? | | X |
| Industry concentrations? | | X |

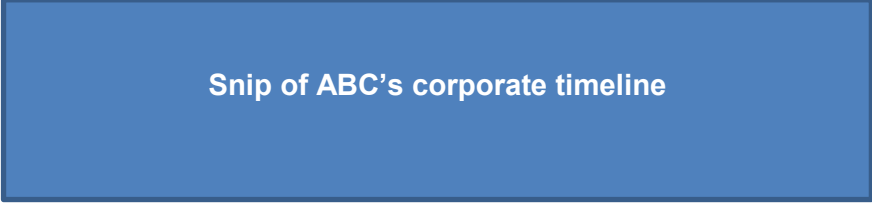
Transaction Overview

- ABC has engaged LMN as its exclusive financial advisor for a recapitalization of the Company
- The shareholders are seeking to sell YY%-YY% of their interest in the Company on a cash-free, debt-free basis assuming a normal level of working capital
- The Company’s management team will retain a significant equity interest

Company Overview

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| Business Description | <ul style="list-style-type: none"> • ABC (“The Company”) is an independent insurance brokerage headquartered in XX with XY additional office locations across YAZ and has XXX employees <ul style="list-style-type: none"> – All XX offices are leased, and the Company has XX branches • The Company is a licensed (Registered Insurance Brokers of YAZ) commercial managing general agent (MGA) specializing in transportation, large commercial real estate and providing smaller rural brokers access to large insurance carriers • The Company, is a member of NOP’s Main Broker Council and a member of DEF’s President’s Council • Historical growth has been driven by acquiring and integrating books of business and brokerages as well as organic growth • The Company has a strong pipeline of acquisitions that has grown rapidly in recent years, such that bolt-on opportunities now exceed the Company’s capacity to fund deals from internally-generated equity and available bank debt facilities |
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| Flagship Brands | <div style="display: flex; align-items: flex-start;"> <div style="margin-right: 20px;"> <div style="background-color: #4a7ebb; color: white; padding: 10px; text-align: center; width: 100px; height: 40px; margin-bottom: 10px;">XYZ Logo</div> <div style="background-color: #4a7ebb; color: white; padding: 10px; text-align: center; width: 100px; height: 40px;">LMN Logo</div> </div> <div> <ul style="list-style-type: none"> • ABC Insurance Brokers is the retail insurance arm of the business which focuses on commercial and specialty, as well as personal and group personal lines • XYZ and AQW are considered the MGA arm of the business (“MGA”) • XYZ Group (“XYZ”) is a commercial focused MGA, serving specialty and rural markets • XYZ was ranked under Top X MGA in Country1 in 20XX by YY Magazine • AQW Solutions controls three specialized trucking captives (“AQW”) </div> </div> <div style="background-color: #4a7ebb; color: white; padding: 10px; text-align: center; width: 200px; height: 60px; margin-top: 20px; margin-left: auto; margin-right: auto;">Snip of MGA mix for XYZ and LMN</div> |
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| Corporate Timeline |  |
| XYZ Overview | <ul style="list-style-type: none"> • XYZ does general insurance business with rural brokers that are too small to have a direct carrier relationship <ul style="list-style-type: none"> – Majority of XYZ's brokers are outside the XX area, where business is relationship-based versus the XX area where business is more price sensitive – XYZ earns additional commissions (in addition to general commissions) by performing underwriting for certain carriers |
| LMN Overview | <ul style="list-style-type: none"> • AQW controls three insurance captives that specialize in transportation <ul style="list-style-type: none"> – Expertise to create unique insurance programs that meet trucking clients' needs to efficiently insure their fleets – Drives almost XX% retention |
| Producer Acquisition Business Model | <ul style="list-style-type: none"> • Apart from organic growth, ABC's business model involves acquiring established producers by offering them a share of the operating profit in addition to their typical revenue-based commissions • Producer Benefits: <ul style="list-style-type: none"> – ABC compensates producers at rates above industry average – While ABC owns each book of business, acquired producers gain an equity interest in their office (and subsequently, the firm) – The producer acquisition model allows producers to focus on generating sales and not on administrative work • ABC Benefits: <ul style="list-style-type: none"> – Producer acquisitions are cleaner and more capital and time efficient than purchasing full brokerages – YY% of the YY% commission revenue growth from 20XX to 20XX has been driven by producer acquisitions |

Revenue Model



Business Model

Growth Plan

- **Producer Acquisition Strategy:** The Company acquires books of business, rather than entire brokerages, as books transact at a lower multiple
 - Create long-term relationships with acquired producers by providing the opportunity to own equity
 - Initially operate acquired books as a XX/YY joint venture between the new producer(s) and ABC
 - As the acquired book matures and consistently reaches or exceeds the organic growth and margin targets, the producers swap their interest in the JV for equity in ABC
- ABC has acquired several books of business and is well-known in the industry
 - Many established producers now contact the Company to inquire about joining
- **Acquisition Criteria**
 - Focus: Preference for acquiring high-performing producers (i.e. insurance agents) and books of business versus acquiring entire brokerages
 - Geography: Based in secondary markets (i.e. outside of the XX Area), where more profitable opportunities exist, and relationships tend to be longer-standing
 - Product: Preference for commercial or group personal lines, as opposed to personal lines, with a preference for niche commercial expertise
 - Process: When ABC acquires a producer, the Company typically negotiates with his or her former employer to buy the book of business, priced at a multiple of commission revenue

Management

XXX
President

- Has XX years of insurance experience and manages the Company and leads its growth initiatives
- Prior experience at XXX in YY area and YYY in ZZ area
- Started MGA side of business in XXX, specializing in trucking, and moved it to YYY
- Purchased MGA operation in XXX in 20XX and purchased first retail office in 20XX

XXX
VP Operations

- Joined ABC in January 20XX, has XX years of insurance experience and manages operations as well as assists on strategic projects and growth initiatives
- Prior to joining the ABC team, XXX was at YYY Insurance & Financial Services
- XXX is a Country1 Accredited Insurance Broker and has a Country1 Risk Management designation from YYY University

XXX
VP Finance

- Joined ABC in November 20XX, has XX years of insurance experience and manages the back-office functions of the company as well as assists on strategic projects including acquisitions
- Previously was the AVP, Management Reporting and Controller at XXX Financial, a subsidiary of XXX Insurance

XXX
President LMN Risk Solutions

- Joined ABC in January 20XX and has XX years of insurance experience
- Prior to joining the ABC team, he spent YY years at XX where he was the Assistant VP, Commercial Lines

Industry

Country1 Insurance Market Overview

- The Geography1 insurance market has the **highest direct written non-life premiums per capita globally of US\$X,XXX**
- The **Country2** is the **largest market** with **~US\$XXXbn in Non-Life direct written premiums in 20XX**
- The **traditional volume channels for Country2 carriers have changed as competition** has intensified leading to emergence of new channels such as call centers, mobile and web
 - **Country1 market** has been more **impervious to these changes** to the benefit of the insurance brokers

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| | <ul style="list-style-type: none"> • The Country1 insurance market was the eighth largest market globally with ~US\$XXbn of Non-Life direct written premiums in 20XX • The top five Country1 carriers (A,B,C,D,E) collectively wrote YY.Y% of all P&C direct written premiums <div data-bbox="669 310 1161 464" style="text-align: center; background-color: #4F81BD; color: white; padding: 10px;"> <p>Snip of P&C direct written premiums for Country1 carriers</p> </div> |
| <p>Country1 Insurance Broker Market Overview</p> | <ul style="list-style-type: none"> • Country1 non-life and re-insurance broker revenue increased from C\$X.Xbn in 20XX to C\$X.Xbn in 20XX at a CAGR of Y.Y% and is expected to increase from C\$X.Xbn in 20XXE to C\$X.Xbn in 20XXE at a CAGR of Y.Y% <div data-bbox="678 558 1198 705" style="text-align: center; background-color: #4F81BD; color: white; padding: 10px;"> <p>Snip of Non-life and Re-Insurance broker revenues</p> </div> <ul style="list-style-type: none"> • There are over XX,XXX brokerages in Country1 and industry consolidation is expected to continue over the next XY years • In Country1, brokers continue to control the greatest market share of direct written premiums due to high customer retention <ul style="list-style-type: none"> – Even when dissatisfied, Country1 people maintain their broker YY% of the time <div data-bbox="678 909 1190 1062" style="text-align: center; background-color: #4F81BD; color: white; padding: 10px;"> <p>Snip of Distribution marker share by direct premiums written</p> </div> <ul style="list-style-type: none"> • The YY area market accounted for ~YY% of the Country1 market in 20XX, of which YY% was distributed by brokers • Country1 insurance clients have the lowest global direct writer (carriers directly accessing the end customer through non-broker/non-agent channels) uptake of YY% in the last XX years <ul style="list-style-type: none"> – This is primarily due to the tough regulatory environment in Country1 regarding insurance technology |
| <p>Country1 MGA Market Overview</p> | <ul style="list-style-type: none"> • Carriers use MGAs because of their access to a larger number of brokers, as well as giving access to a block of premiums with similar risk • Gross written premiums transacted across Country1 exceeded \$X.Xbn in 20XX <ul style="list-style-type: none"> – The reduction in risk appetite in the standard market has diverted business to MGAs, broadening lines and risk profiles |
| <p>Competitive Landscape</p> | <ul style="list-style-type: none"> • A, B, C, D and E are the top Country1 insurance brokers by market share and collectively hold ~XX.X% of the Country1 insurance broker market with no competitor holding more than YY% of the market <div data-bbox="587 1566 1133 1759" style="text-align: center; background-color: #4F81BD; color: white; padding: 10px;"> <p>Snip of top Country1 insurance brokers by Market Share</p> </div> |

Investment Considerations

- **High Barriers to Entry and Strong Retention**
 - Wholly owned MGA creates barriers and drives retention
 - MGA performs all functions of an insurer and leverages its industry expertise to price and write policies that carriers find challenging to write profitably
 - YY%+ retention in commercial lines, personal lines and MGA
- **Attractive Financial Performance and Future Growth Opportunities**
 - Management has driven a YY% XX-year sales CAGR from 20XX to 20XXA with EBITDA margins stabilizing at YY.Y% in 20XXPF
 - ABC benefits from a favorable shift in mix as producer books mature with YY% commissions being paid to producers on new businesses and YY% on renewals
 - The Company will continue producer acquisitions and leverage MGA operations for cross-selling opportunities
- **Producer Acquisition Model**
 - Aligns the interests of both ABC's shareholders and producers to generate revenue and EBITDA growth
 - Reduces the time and cost of acquired growth and
 - The Company is able to add scale faster and at lower costs than its competitors, increasing leverage with insurance carriers
- **A Market Leader in High Margin Niches through Proprietary Specialty Programs**
 - Leading motorsports insurance broker in Country1
 - Leading standardbred horse mortality insurance broker in Country1 (~YY% of the market)
 - One of the largest transportations and trucking insurance brokers and independent MGAs in Country1
 - Leader in other specialty programs such as fairs and festivals; and towing and garage
- **XYZ is a top five-rated MGA**
 - Major carriers outsource the underwriting function to XYZ, which writes business directly for Aviva and Economical (meaning they have access to underwrite directly into their insurance IT systems)
 - Strong margins as XX underwriters have no commission (Other underwriters receives commission)
- **Strong Management Team**
 - Experienced senior management with XX+ years of insurance experience