SPRING 2024

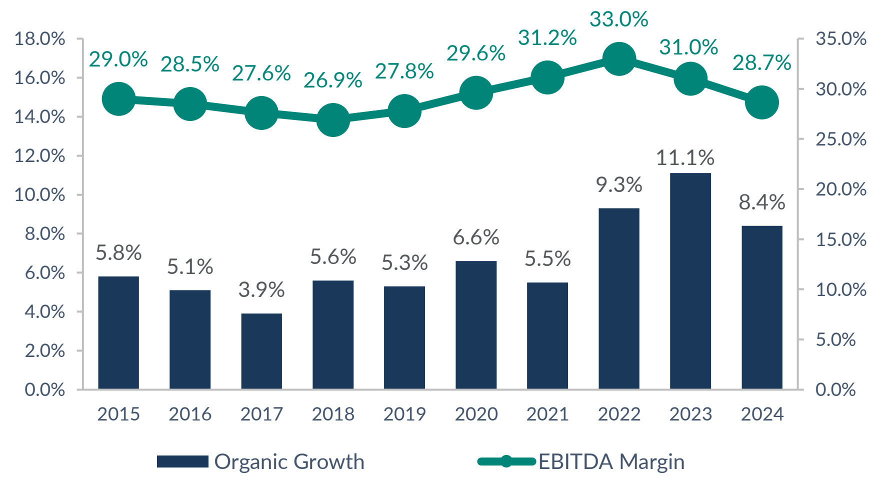
REAGAN QUARTERLY

REAGAN'S MARKET UPDATE

Q1 BROKER RESULTS

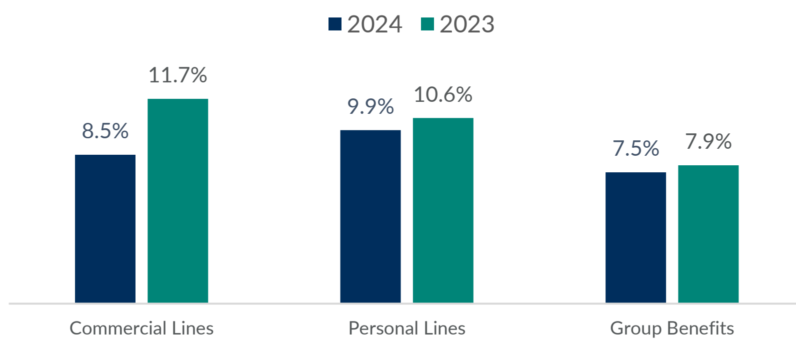
- Relative to historical standards, Q1 2024 organic growth of 8.4% was a great result for brokers. However, Q1 marks the lowest growth rate since Q2 2021 (almost three years ago).
- The industry has been on an incredible run of value creation largely driven by a hard property and casualty market. Things may be beginning to cool. While Q1 2024 marked the 26th consecutive quarterly P&C premium increase, the 7.7% rate growth (as provided in the CIAB's Q1 2024 P/C Market Survey) was 12.5% lower than the Q1 2023 increase of 8.8%.
- As growth goes, profitability usually follows. Q1 EBITDA margins dropped to 28.7%, down over two full percentage points from Q1 2023, and the lowest since 2019. While growth was a contributor, inflationary wage pressure and lower contingent / bonus income recorded from carriers also fueled the margin decline. Q1 EBITDA margins are typically inflated due to the timing of contingent and bonus income received from carriers.
- Brokers are projecting to finish 2024 with a median EBITDA margin of 21.1% compared to 23.8% in 2023. Persistent inflation is likely catching up with brokers who have controlled their costs well but competition for talent continues.
- Commercial P&C growth dropped to 8.5% in Q1 2024, down from 11.7% in Q1 2023. This drop was driven by the lower premium increases experienced in Q1 2024.
- Personal P&C led the way for growth by product line in Q1 at 9.9% which was a first in GPS history. Unlike many commercial lines, major personal lines of coverage, like home and auto insurance, continue to be pricing increase leaders driven by inflation, rising replacement and repair costs, and increased frequency of catastrophic weather events.
- Group Benefits continue to rebound. This line posted organic growth of 7.5% in Q1 2024, slightly below Q1 2023 but the second highest Q1 organic growth in 12 years, This was driven in part by strong new business opportunities, which have increased significantly for brokers since the pandemic.
- Even in the midst of a slow start, brokers still maintain confidence that they can reach double digit growth in 2024, projecting 10% organic growth by year end.
- Despite encouraging GDP results in 2023, the economy slowed down a bit in Q1 2024. A 1.6% real GDP growth rate was surprisingly low and likely contributed to the slower growth realized in Q1 2024.

Q1 PRIVATE BROKER ORGANIC GROWTH RATE & EBITDA MARGIN



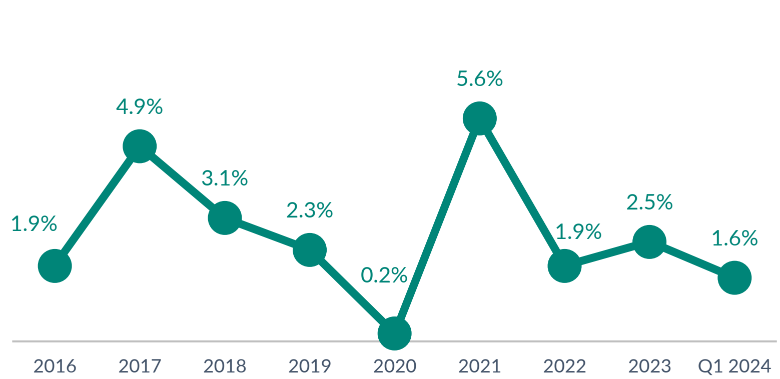
Source: Reagan's Growth & Profitability Survey ("GPS").

Q1 ORGANIC GROWTH BY PRODUCT LINE



Source: Reagan's Growth & Profitability Survey ("GPS").

REAL GDP (2016 – Q1 2024)



Source: Bureau of Economic Analysis.

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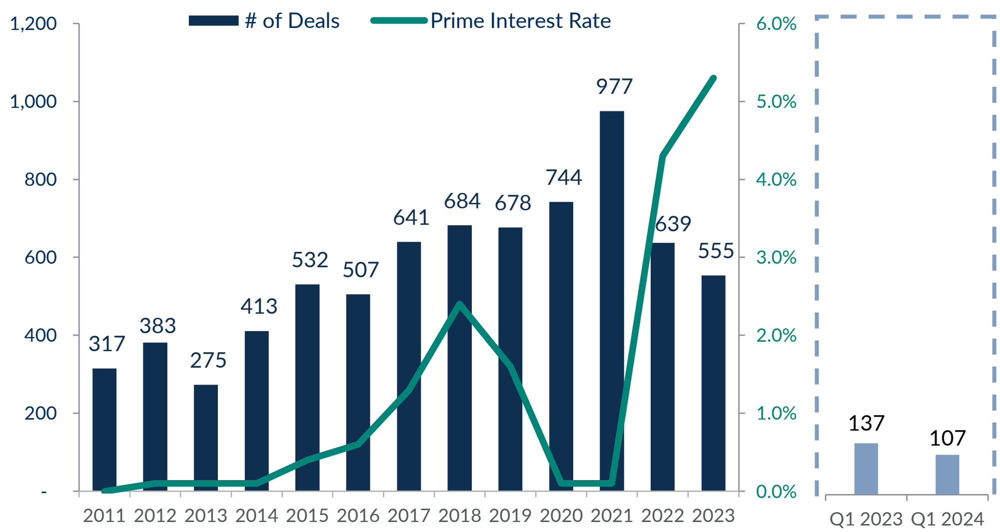
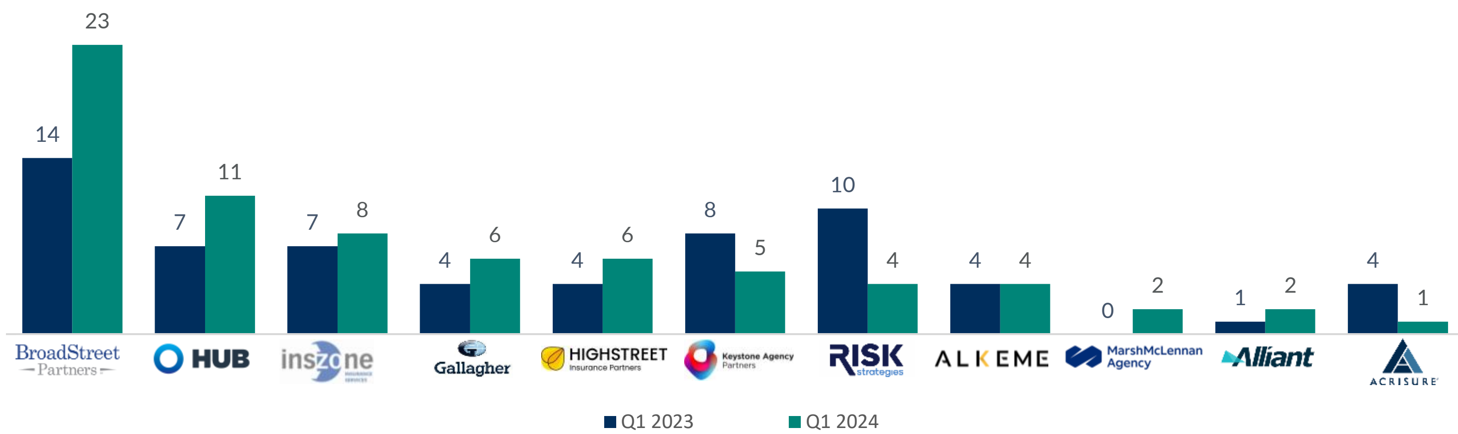
RECENT DEAL ACTIVITY BY THE NUMBERS



Source: jpmorganchase.com/about/our-business/historical-prime-rate; SNL Financial.

- Deal activity declined 22% in Q1 2024 vs. Q1 2023. Why more declines?
- Similar to 2023, the main culprit of the slowdown is the elevated interest rate, which remains at a 23-year high of 5.3% (Federal Funds Rate) as of 3/31/24.
- The industry pullback in 2023 and early 2024 is a temporary reaction to higher rates and economic concerns, not a change in strategy. We are still operating in a fragmented market with considerable benefits to scale.
- Buyers are also reloading capital because they can't afford to wait on the sidelines while others acquire.
- In a recent Reagan survey, the most active buyers confirmed that they expect more deals in 2024 vs. 2023. Q1 just represented a slow jump off the blocks.

YTD 2024 DEALS FOR MOST ACTIVE ACQUIRORS (Q1 2024 vs. Q1 2023)

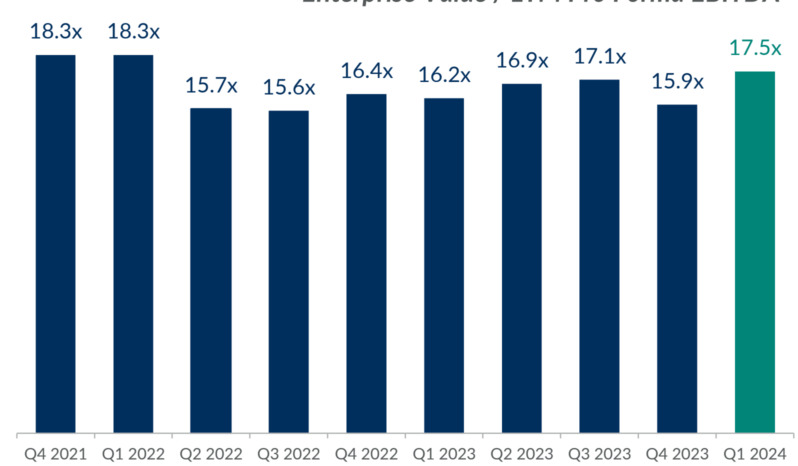


Source: SNL Financial.

- Public brokers continue to experience historically strong organic growth of 8.6% in Q1 2024 led by Arthur J. Gallagher at 9.4% organic growth.
- Public broker valuations bounced back in Q1 2024 to a median EBITDA multiple of 17.5x after brokers experienced a temporary slump in Q4 2023, primarily driven by the broader market decline.
- Stock prices were up for all public brokers compared to Q4 2023, posting median growth of 14.0%. Public brokers continue to outpace a strong economy as the DJIA was up 5.6%, the S&P 500 up 10.2%, and the NASDAQ was up 9.1%.
- High public broker valuations propel valuations in the private markets, allowing leading private acquirers to trade at high levels (generally a slight discount to public brokers).
- GSHD, BRP and RYAN are excluded from this analysis given their relatively new public broker status.

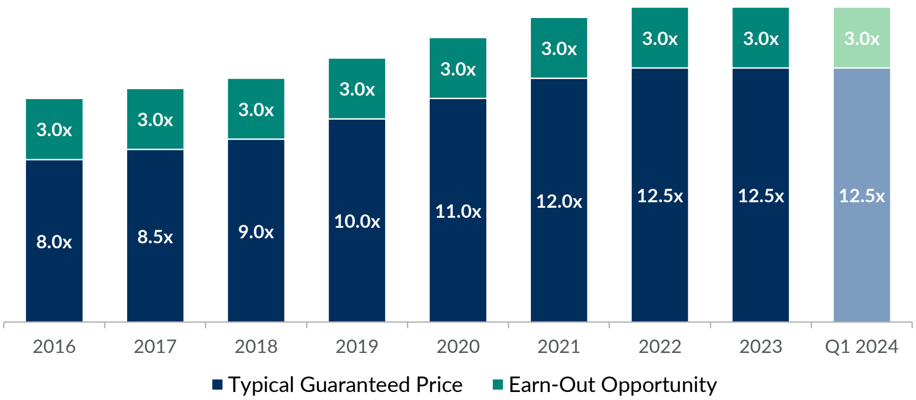
PUBLIC BROKER VALUATIONS

Enterprise Value / LTM Pro Forma EBITDA



Source: Public Broker SEC Filings, market data. Includes AON, AJG, BRO, MMC, WTW.

M&A Valuations (As a multiple of EBITDA)



Source: Reagan Consulting Analysis.

- Even in a down year for overall deal count, valuations remained steady at all-time highs for quality firms. The same is true in early 2024. Why? The sheer demand in the marketplace.
- There are over 50 well-capitalized acquirers in the industry today with new firms entering the market each year. Although some have slowed down, most acquirers are still very active.
- The fundamentals supporting consolidation remain intact and the need for larger acquirers to grow inorganically remains.
- The chart to the left details the typical guarantee and earn-out multiples being paid by strategic acquirers for a well-run agency with $3M - $10M in annual revenue.

DEAL SPOTLIGHT : WRM Group + Higginbotham

WRM THE WRM GROUP

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Higginbotham™

On November 1, 2023, Higginbotham acquired Alabama-based WRM Group, a consortium of three established independent insurance agencies across the state – Byars | Wright, Pritchett-Moore, and Flowers Insurance.

- WRM Group generated over $28 million in annual revenue with approximately 130 employees focused primarily on property & casualty business.
- The acquisition of WRM Group represents a continued expansion for Higginbotham into Alabama marking its third significant acquisition in the state since 2022.
- Higginbotham ranks as the 21st largest broker in the U.S. according to *Business Insurance's* Top 100 insurance broker listing (July 2023).

OTHER RECENT REAGAN TRANSACTIONS

REAGAN served as financial advisor to Ben Spurgin Insurance Agency, Dallas, TX, in its sale to Cross Pointe Insurance Advisors, LLC — 2024

REAGAN served as financial advisor to Strawn & Co. Insurance, McDonough, GA, in its sale to Oakbridge — 2024

REAGAN served as financial advisor to Michigan Insurance Associates, Midland, MI, in its sale to HUB — 2024

REAGAN served as financial advisor to RiskPoint Insurance Advisors, Portland, OR, in its sale to IMA — 2024

REAGAN served as financial advisor to Arbury Insurance Agency, Midland, MI, in its sale to HUB — 2024

REAGAN served as financial advisor to BRP Connected Risk Solutions, Tampa, FL, in the sale of Connected Risk Solutions to AMWINS — 2024

REAGAN served as financial advisor to ICC Industrial Coverage (a division of United Nations Federal Credit Union), Patchogue, NY, in its sale to Industrial Coverage's management team — 2024

REAGAN served as due diligence advisor to OneDigital, Atlanta, GA, in its acquisition of RiskSource Clark-Theders — 2023

REAGAN served as financial advisor to Akin Insurance Agency, Inc. (Local People. Local Service. For a Lifetime.), Vienna, GA, in its sale to Oakbridge — 2023

REAGAN served as financial advisor to Fountain Parker Harbarger & Associates, LLC Insurance, Huntsville, AL, in its sale to Higginbotham — 2023

Securities transactions offered through Reagan Securities, Inc., member of FINRA and SIPC.