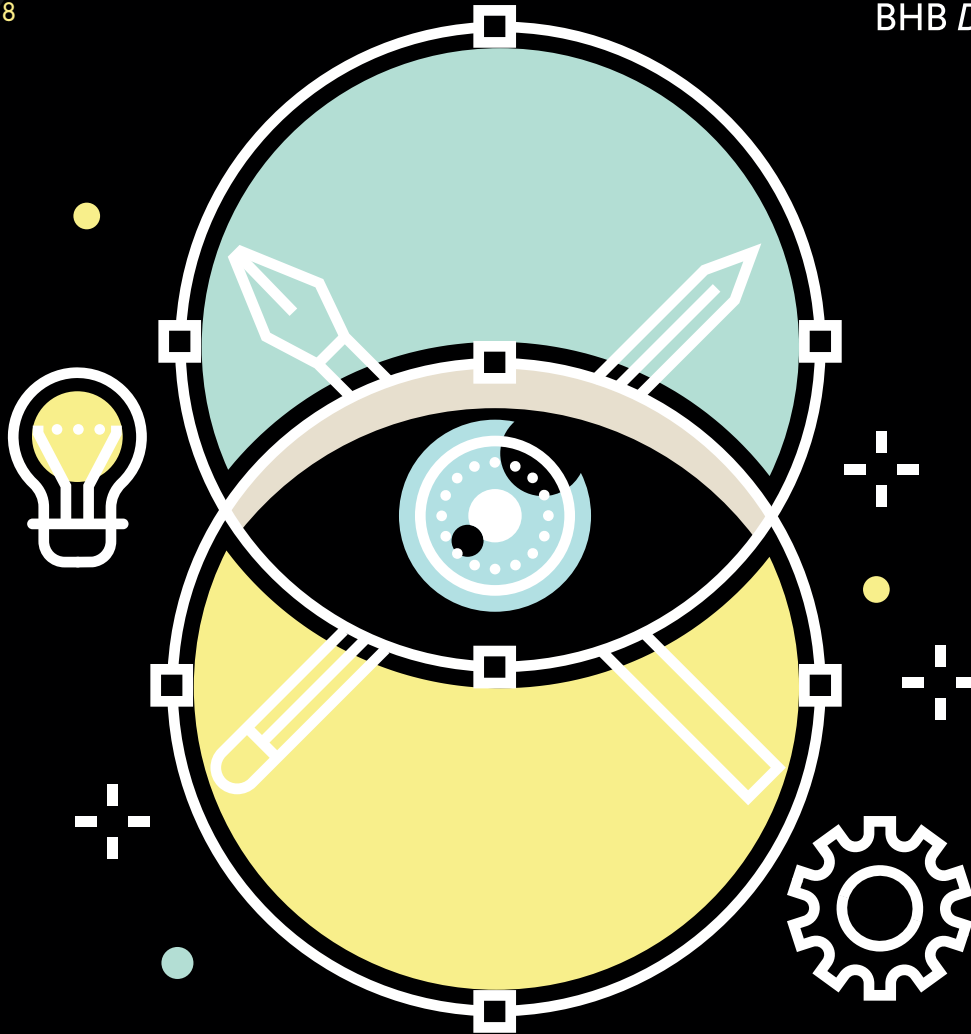


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Acquisition Monitor

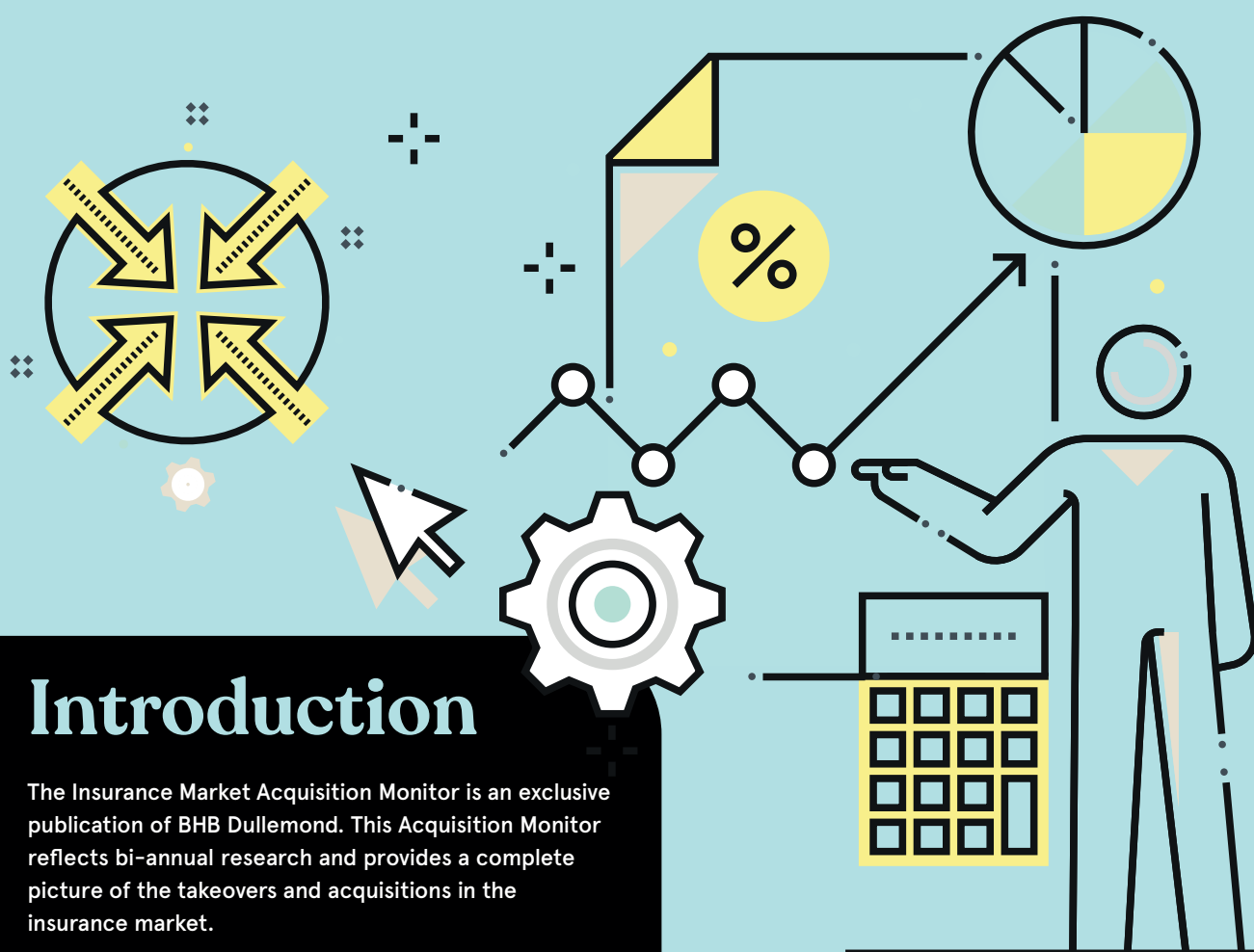
Insurance market

**The appetite for takeovers in
the insurance market remains**

H1-2021

September 2021

Acquisition Monitor Insurance market



Introduction

The Insurance Market Acquisition Monitor is an exclusive publication of BHB Dullemond. This Acquisition Monitor reflects bi-annual research and provides a complete picture of the takeovers and acquisitions in the insurance market.

This Market Acquisition Monitor also provides insights in various trends such as price setting, shifts in the market and new entrants to the market. The figures and trends discussed in the Acquisition Monitor are meant to provide better understanding and more transparency with regard to the current and future developments in the insurance market.

Foreword

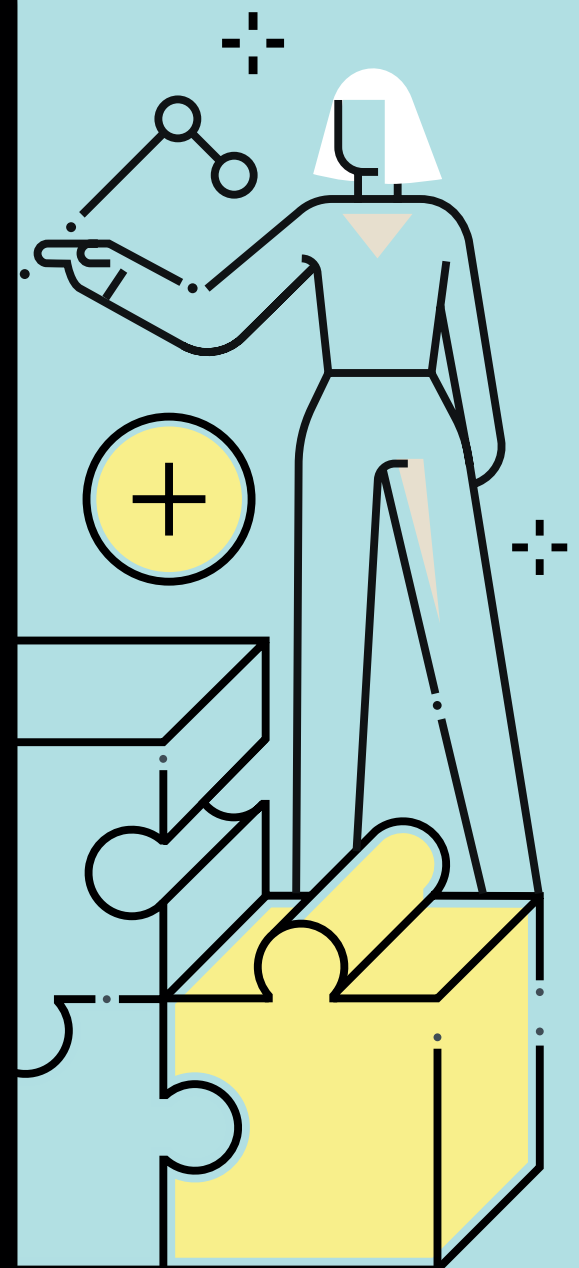
The appetite for takeovers in the insurance market remains

Similar to other market segments in the Netherlands, there remains a lot of movement in the insurance market with regard to takeovers and acquisitions (FD, 08-09-2021). A few appealing examples from the past 6 months are the merger between Voogd & Voogd and Heilbron and the acquisition of Heinenoord by Nationale-Nederlanden. Besides these large deals, there is a lot of activity concerning the smaller brokers. What jumps out the most when looking at these transactions are the high multiples that are paid for brokers in comparison to other sectors.

The 'Brookz overnamebarometer H1-2021' mentions ebitda multiples of 6.5 at most (Brookz overnamebarometer H1-2021, September 2021 p.8). Within the market for insurance brokers such multiples can be considered to be the lower limit. In the Insurance Market Acquisition Monitor H2-2020 an ebitda multiple between 6 and 15 was mentioned. In 2021, this trend continues and more large deals find themselves at the upper part of this range.

Due to the high multiples and large number of transactions, the market seems to be in its heydays. Still, we observe (foreign) parties willing to enter to the Dutch insurance market and pay the necessary prices in order to do so. For a well-functioning broker, more than 20 interested buyers can be lined up. Even for aberrant or exotic brokers there is broad interest. As a consequence of the increased amount of buyers, the position of sellers has improved. Nevertheless, finding the best deal (with regard to price and long-term value) becomes increasingly difficult. How can a seller be assured that the interested party is the best buyer or strategically the best partner? Especially when more shareholders are involved there are a great variety of interests to take into careful consideration. We at BHB Dullemond see our role developing and provide more and more strategic advice in the takeover and acquisition process.

Drs. Edwin Bosma
Managing Partner BHB Dullemond



Content

Chapter 1

The trend within the market for insurance brokers continues

5

Chapter 2

Increased concentration in the market for brokers

7

Chapter 3

The impact of the more powerful brokers

9

Chapter 4

**Concentration in the market for insurance brokers,
risk or blessing?**

10

Chapter 5

Geographic analysis takeovers in the Netherlands

13

Chapter 6

Accountability

12

Chapter 7

About BHB Dullemond

14

Chapter 1

The trend within the market for insurance brokers continues

Over the past years, continuing in the first half of 2021, we observe an increase in the number of transactions and the size of the transactions.

As mentioned in the previous Insurance Market Acquisition Monitor (H2-2020) this indicates consolidation in the market for insurance brokers with a larger group focussing on the longtail (i.e. the large group of small brokers). The increased focus is due to the large profits and efficiency gains that can still be obtained (e.g. by incorporating the portfolio within the own proxy). Following the purchase of small, (independent) brokers by a few parties, the market concentration increases.

Transaction size in EUR	H1 2021		H2 2020		H1 2020		H1 & H2 2019	
	Deal value	%	Deal value	%	Deal value	%	Deal value	%
0 - 250.000	€ 12.620.000	3%	€ 15.340.000	3%	€ 13.416.750	6%	€ 28.327.500	4%
250.000 - 1.000.000	€ 22.706.000	6%	€ 25.420.000	5%	€ 20.637.250	9%	€ 46.282.500	7%
1.000.000 - 5.000.000	€ 50.940.000	14%	€ 61.920.000	13%	€ 60.300.000	28%	€ 51.615.000	8%
5.000.000 - 10.000.000	€ 105.050.000	28%	€ 72.250.000	15%	€ 47.700.000	22%	€ 39.600.000	6%
> 10.000.000	€ 934.325.000	49%	€ 90.210.000	63%	€ 76.700.000	35%	€ 498.925.000	75%
Total	€ 1.125.641.000	100%	€ 264.140.000	100%	€ 218.754.000	100%	€ 664.750.000	100%

Tabel 1. Dealsize per category

Compared to the Insurance Market Acquisition Monitor H2-2020 the total deal value for the category >10.000.000 turns out to be lower (200.000). This is due to the canceled merger between Willis Towers Watson and Aon. Please also see H2. The total dealvalue in the Insurance Market Acquisition Monitor exceeds 1 billion for the first time due to the merger of Voogd & Voogd and Heilbron. N.B. in the remained of this Insurance Market Acquisition Monitor we will not take this merger in consideration.

Takeovers with a deal value in excess of 1 billion Euro

On February 8th 2021 Voogd & Voogd and Heilbron groep announced their merger. This merger results in an organisation with more than 1600 employees and 40 offices throughout the Netherlands and Belgium. With this merger, both companies expect to provide better services and more products to their customers. Additionally, they expect the new organisation to provide international insurance companies access to the Dutch market. We assign a deal value of approximately EUR 750,000,000 to this merger.

Chapter 2

Increased concentration in the market for brokers

As a consequence from the increased (foreign) interest in the Dutch Insurance brokers and the increased number of transactions, larger brokers arise that in its turn acquire smaller, regional players.

This results in an increased concentration within the market of insurance brokers. Our expectation is that the independent brokers will be forced to give up market share in favour of the larger brokers. This development is strengthened by a number of foreign companies afraid of arriving too late at the party and do not want to wait until all nice girls have already found a dancing partner. In the insurance broker market there are a number of large players active, the 10 largest buyers (in arbitrary order) are:

Transaction size in EUR	H1 2021		H2 2020		H1 2020		H1 & H2 2019	
	Number	%	Number	%	Number	%	Number	%
0 - 250.000	51	38%	69	44%	61	47%	126	53%
250.000 - 1.000.000	35	26%	45	28%	38	29%	86	36%
1.000.000 - 5.000.000	24	18%	30	19%	22	17%	12	5%
5.000.000 - 10.000.000	15	11%	10	6%	6	5%	5	2%
> 10.000.000	8	6%	4	3%	4	3%	9	4%
Total	133	100%	158	100%	131	100%	238	100%

Tabel 2. Number of deals per category

Buyer	Type	Investor
Soderberg	Private Equity	KKR
Heilbron Voogd & Voogd	Private Equity	Five Arrows
Heinenoord	Family Office Insurance Agency	Nationale Nederlanden
Perree	Family Office	
Quintes	Private Equity	Aquiline
Veldsink	Family Office	
VLC & Partners	Insurance Agency	Goudse
VKG	Insurance Agency	ASR
Nedvest	Family Office Private Equity	LGIT
You Sure	Private Equity	IK

Tabel 3. Largest buyers in the insurance market

For each company we indicated what type of company it concerns and who finances it.

Rectification Insurance Market Acquisition Monitor

The previously mentioned pending merger of Willis Towers Watson and Aon was cancelled due to objections by the American antitrust regulators (BHB Dullemond Insurance Market Acquisition Monitor H2-2020, March 2021 p.5) Despite the cancellation of this large deal, the conclusions from the previous Market Acquisition Monitor hold up.

Chapter 3

The impact of the more powerful brokers

The increased concentration does not only affect the market of the insurance brokers but also impacts the chain of Insurance company – Broker – Customer. The larger and more powerful brokers more often search beyond national borders for insurance companies in order to strengthen their own position.

The acquisition of Heinenoord group by Nationale-Nederlanden group demonstrates that insurance companies watch this development with suspicion. Whereas previously it was (almost) exclusively private equity that was interested in the insurance brokers, insurance companies now try to secure their position by obtaining a share of this market.

In addition to the impact of this development for insurance companies, the shift of power from the insurance companies to the brokers also impacts the customer. This impact is so large that it is presumably the reason the American antitrust regulator prohibited the merger between Willis Towers Watson and Aon. The American antitrust regulator labelled the merger as a distortion of healthy competition and therefore not benefitting the customer. A remarkable detail is that the American antitrust regulators finds itself in a unique position and is first in drawing a line and defining when a player in this market becomes “too large”. As a consequence of this decision, the deal between Willis Towers Watson and Gallagher (worth USD 3.57 billion) is also terminated. The American antitrust regulator is obviously more strict than their European counterpart which approved the merger on the condition of various divestitures by Aon.



IMPACT POWERFUL BROKERS

Acquisition of Heinenoord door Nationale-Nederlanden

NN Group has reached agreement with Qmulus Invest B.V. and AS Holding B.V. on the acquisition of a 70% share in Heinenoord. To acquire this share, Nationale-Nederlanden pays a total of EUR 175 Million, corresponding to a valuation of more than 250 million (based on 100% of the shares). Additionally, NN refinances the current debt for a total of 129 million. This refinancing will immediately result in a significant saving. Furthermore, the deal contains an option package by which Nationale-Nederlanden will be able to obtain the remaining 30% of the share within four years after closure.

Chapter 4

Concentration in the market for insurance brokers, risk or blessing?

Even though the larger concentration in the market of insurance brokers is not without risk for the customer (e.g. less choices / depletion of the services offered), does the increased concentration not necessarily result in higher premiums. Yet it will result in a change in the relationship between insurance companies and brokers.

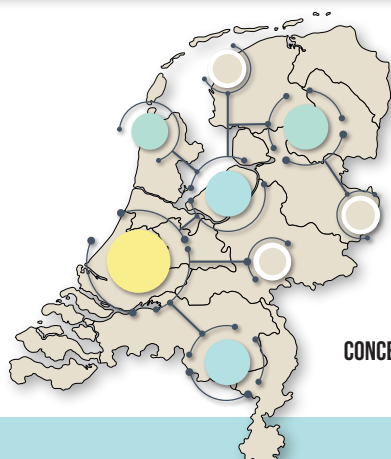
The relation between the insurance companies and brokers has been dominated by the insurance companies, determining the playing field in which the brokers could operate. The (often) small brokers had little influence and marched by the beat of the insurance companies' drum. With the arrival of the larger and stronger brokers, the power shifts from insurance companies to brokers.

In comparison to the previous situation with small, dependent brokers, the new status quo will not necessarily be of negative impact to the customer. Larger brokers will primarily try to obtain a better position at the expense of the insurance companies. We do not expect the premiums for the customer to become more competitive due to this development. Since an important share of the buyers in the market are financed by private equity, they will put their economic interest first. In the long run, however, there are potential positive effects. As the brokers will interact with foreign insurance companies, the line of services offered to their business customers may increase.

	H1-2021			H2-2020			H1-2020		
	Number	%	Value	Number	%	Value	Number	%	Value
Portfolio	82	62%	€ 42.161.000	97	61%	€ 48.050.000	94	72%	€ 54.279.000
Shares	51	38%	€ 333.480.000	62	39%	€ 216.090.000	37	28%	€ 164.475.000
Total	133	100%	€ 375.641.000	159	100%	€ 264.140.000	131	100%	€ 218.754.000

Tabel 4: Allocation portfolio and share transactions.

The lion's share of the transactions of brokers concern portfolio transfers (asset transactions). Even though the percentage of portfolio transfers decreases in percentage for a number of years, the amount of portfolio transfers versus share transfers seems to balance out. The total value of share transfers in H2-2020 is adjusted downwards. This is due to the cancelled merger between Willis Towers Watson and Aon.



CONCENTRATION DUTCH MARKET

Chapter 4

Despite the share of 'besloten vennootschappen' (a limited liability company) being responsible for 65% of the takeovers and acquisitions, they account for almost 95% of the deal volume. Notwithstanding the number of 'vof's' transferring their portfolio in comparison to 'eenmanszaken' being twice as large, the total deal value is similar.

Legal Entity	H1-2021	Percentage %	Deal value	Deal Value %
Besloten Vennootschap	87	65%	€ 355.777.000	95%
Eenmanszaak	32	24%	€ 9.603.000	3%
V.O.F.	14	11%	€ 10.261.000	3%
Total	133	100%	€ 375.641.000	100%

Tabel 5. Transactions per legal entity



Chapter 5

Geographic analysis takeovers in the Netherlands

Over the past half year, a relative large number of deals took place in the Dutch provinces of Noord-Brabant, Noord-Holland and Zuid-Holland. The largest deal value is concentrated in the province of Noord-Brabant. This results from a number of acquisitions of Heilbron (e.g. Claeren Adviesgroep) and VLC (e.g. Mutsaerts).

Province	H1 2021		H2 2020		H1 2020		2019	
	Number	Value	Number	Value	Number	Value	Number	Value
Drenthe	3%	3%	1%	0%	5%	1%	4%	7%
Flevoland	4%	1%	3%	0%	1%	0%	0%	0%
Friesland	3%	1%	5%	2%	5%	2%	5%	10%
Gelderland	12%	5%	15%	11%	17%	16%	9%	4%
Groningen	1%	0%	5%	3%	1%	1%	5%	2%
Limburg	8%	3%	8%	4%	8%	14%	9%	7%
Noord-Brabant	20%	46%	10%	6%	13%	8%	21%	32%
Noord-Holland	19%	14%	11%	47%	21%	37%	21%	19%
Overijssel	6%	7%	8%	2%	10%	4%	4%	1%
Utrecht	8%	4%	11%	4%	3%	5%	9%	6%
Zuid-Holland	17%	14%	21%	21%	16%	11%	13%	12%
Zeeland	1%	2%	1%	0%	1%	0%	1%	0%

Tabel 6. Transactions per province



Internationalisation continues

Albeit the aforementioned analysis provides good insights in the regional development over the past six months, a second trend occurs that is not visible in these numbers. This concerns the internationalization of the (Dutch) insurance market. Not only the larger brokers are financed by international (private equity) funds but the brokers more often act as a proxy company for foreign insurance companies. The possibilities foreign insurance companies (by means of bonus structures and incentives) stimulate the brokers operating in the Dutch market to look beyond the country's borders.

Chapter 6

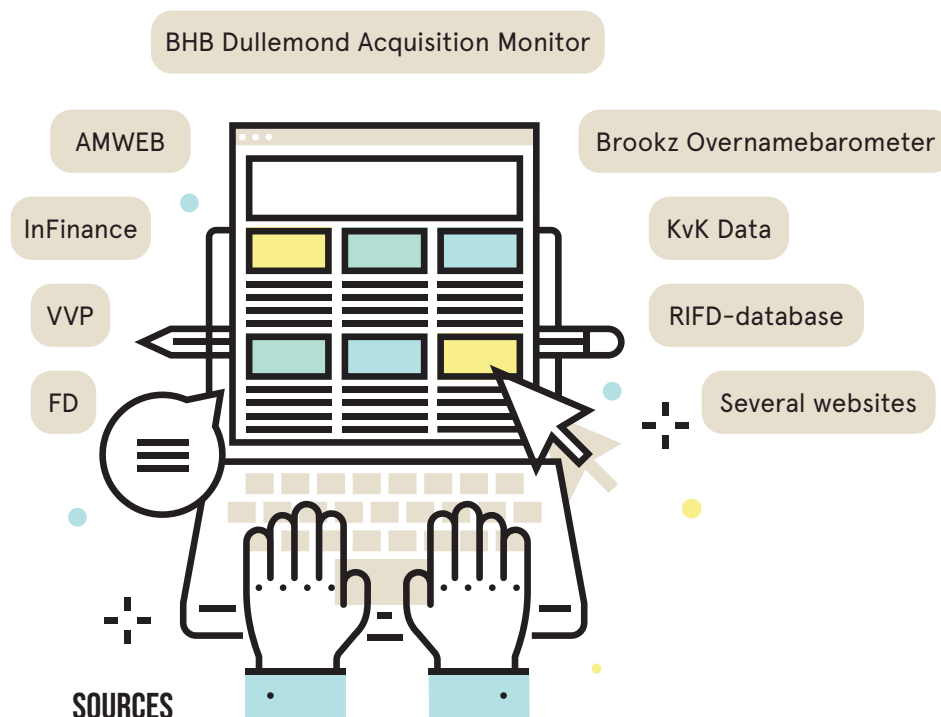
Accountability

In this Acquisition Monitor a takeover has been defined as a business transfer to another party which was not legally nor family-related. Business succession within the family and management buy-outs are therefore not included. There are three types of acquisitions: share transfers, portfolio transfers and participations (mostly by private equity). Mergers are included in the share transfers.

Transfers are signalled by changes in the registers of the Dutch Chamber of Commerce with regard to shareholders, AFM registrations, the articles of association, directors and/or policymakers. In addition to this, checks are carried out in publicly available reports (including websites) on whether a takeover had indeed taken place and per which date.

The number of FTEs (often available from the annual report) of the selling party, has been obtained from the RiFD (Ratinginstituut Financieel Dienstverleners) database. This has been used to estimate the deal volume. Based on the number of FTEs, the turnover has been estimated, as has the EBITDA. The larger the size of the business, the higher the ebitda multiple on which the deal value is based. Subsequently we corrected based on our own benchmark and the duplicate numbers in mergers were removed.

Consultants who have withdrawn, mostly sole traders, fall into the (portfolio) category of transfers up to EUR 250,000. These have been included for 70%, as consultants without a portfolio of value have also withdrawn. In this category one may think of mortgage portfolios and liquidations.



Chapter 7



About BHB Dullemond

We are an independent compass in every acquisition process

For over 23 years we have been working for entrepreneurs and companies in financial services. We are a specialist M&A boutique active in five niche markets: Insurance brokers and mga's/proxy companies, real estate agents, mortgage brokers, health and safety service providers and accounting firms.

Due to our niche approach we have thorough knowledge of these markets, resulting in better deals with higher deal value. Our large network perfectly equips us to find the right match, even when it concerns aberrant or exotic companies within these niches. The team consists of 18 M&A specialists with expert knowledge of the fields of business valuation, strategic advisory and negotiation. We also provide fiscal advisory and in-house legal services.

We advise and convoy entrepreneurs in handing over the helm of their company. With great personal involvement and a sharp eye for all the stakeholders' interests we find the perfect match every time and create the highest value for all involved.

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