SunCoast
MERGERS AND ACQUISITION CONSULTANTS

WHAT IS EBITDA - AND WHY DOES IT MATTER WHEN SELLING YOUR INSURANCE AGENCY?

A Practical Guide For Health, Life, Medicare, And Employee Benefits Agency Owners.



EBITDA in Plain English

If you're considering selling your insurance agency, EBITDA is one of the financial terms you're likely to hear repeatedly. EBITDA stands for **Earnings Before Interest, Taxes, Depreciation,** and **Amortization**. Buyers use it as one way to evaluate the operating earning power of a business before financing decisions, taxes, and certain non-cash accounting expenses.



A Simple Agency Example

Suppose an agency generates $1 million of annual revenue and $250,000 of EBITDA. Its EBITDA margin is 25%. That number helps a buyer begin evaluating how efficiently the agency converts revenue into operating earnings.

Why Adjusted EBITDA Matters

Privately held agencies often have owner-related, discretionary, or one-time expenses that may not continue after a transaction. Appropriate adjustments can produce **Adjusted EBITDA**, which is intended to present a normalized view of ongoing earnings.

Examples may include excess owner compensation, certain personal or discretionary expenses, compensation for a family member who will not remain with the company, or legitimate non-recurring expenses. Adjustments should be reasonable, supportable, and documented.

Why Small Adjustments Can Matter

If $250,000 of EBITDA includes $50,000 of legitimate adjustments, Adjusted EBITDA could be $300,000. At an illustrative 7x multiple, that difference could represent $350,000 of enterprise value. The point is not to inflate earnings; it is to make sure the financial picture accurately reflects the business a buyer is evaluating.



EBITDA Is Only the Beginning

Buyers also evaluate retention, growth, revenue quality, carrier and product concentration, management depth, technology, compliance, owner dependency, and other risks. Two agencies with identical EBITDA can receive very different valuations because the quality and durability of those earnings can be very different.

Prepare Before You Go to Market

After years of building an agency, an owner should understand the numbers before a buyer defines the story. Clean financials, documented adjustments, and a clear understanding of earnings can make the transaction process more informed and more efficient.

SunCoast Consulting Group

Helping Agency owners understand their true value, prepare for transactions, and make informed decisions.

Educational content only. Illustrative examples are not valuations or guarantees of transaction value.
Actual deal terms and valuations vary.