SunCoast
MERGERS AND ACQUISITION
CONSULTANTS

HOW DOES A BUYER DETERMINE YOUR EBITDA MULTIPLE?

Why the Same Amount of EBITDA Can Produce Very Different Agency Valuations.



There Is No Universal Multiple

If an agency has $1 million of Adjusted EBITDA, the next question is often: what multiple will a buyer apply? There is no universal number. Buyers generally start with market conditions and their own acquisition criteria, then evaluate the quality, growth, predictability, and risk of the agency's earnings.



Quality of Revenue

Recurring or renewal revenue, customer and policy retention, revenue predictability, and diversification can influence perceived risk. Buyers generally place greater value on earnings they believe are durable and likely to continue after closing.

Growth and Sustainability

Consistent revenue and EBITDA growth can support a stronger valuation, but buyers also ask whether that growth is sustainable. They are investing not only in what the agency earned last year, but in what they believe it can earn in the future.

Concentration and Diversification

Heavy dependence on one carrier, product, customer source, or distribution relationship can create concentration risk. A diversified mix of products, carriers, and revenue sources may make earnings more resilient.

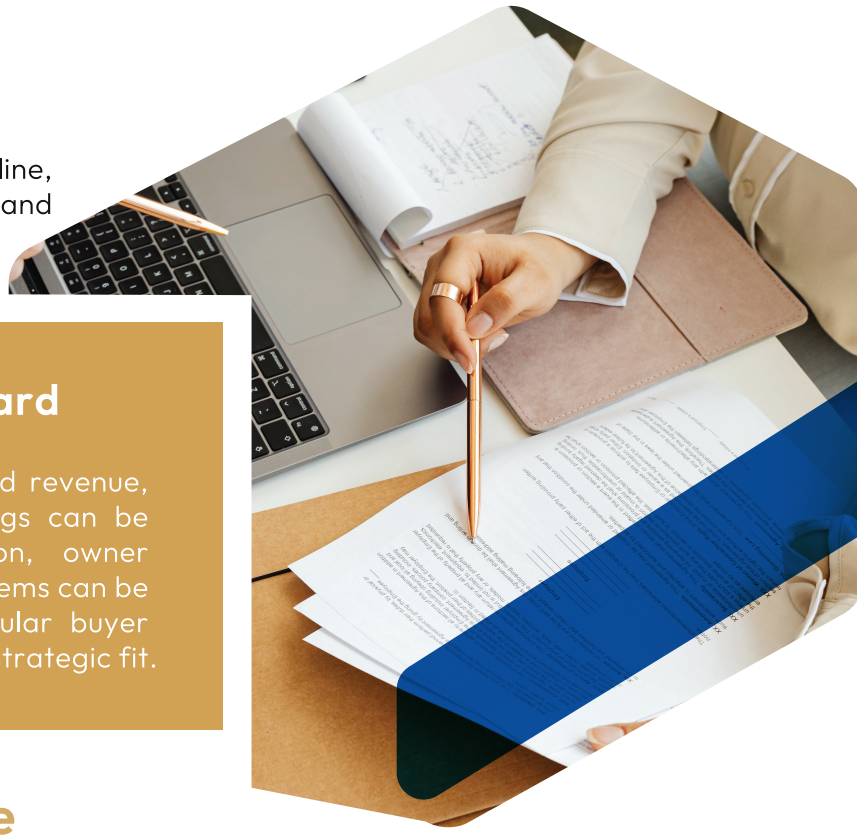


Owner Dependency and Transferability

If the owner personally controls sales, relationships, staff, and key decisions, the buyer may see transition risk. Experienced management, documented processes, institutional relationships, and a business that can operate without constant owner involvement can improve transferability.

Operational Quality

Buyers may evaluate EBITDA margins, expense discipline, financial records, technology, compliance, staffing, and operating systems. A well-run agency can represent less integration work and lower perceived risk after closing.



Think of the Multiple as a Scorecard

Strong retention, sustainable growth, diversified revenue, capable management, and predictable earnings can be positives. Concentration, declining production, owner dependency, weak records, or operational problems can be negatives. The multiple reflects how a particular buyer weighs those factors along with the market and strategic fit.

Same EBITDA, Different Value

At $1 million of Adjusted EBITDA, a 6x multiple implies $6 million of enterprise value, 8x implies $8 million, and 10x implies $10 million. These are illustrative examples only, but they demonstrate why improving the quality of the business behind EBITDA can be as important as increasing EBITDA itself.

The Multiple Is Not the Whole Deal

A higher multiple can come with more earnout, rollover equity, retention requirements, or other contingencies. Sellers should evaluate the entire structure, not simply the headline multiple.



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.