

**NFP has a full M&A pipeline, CEO says**  
by Jeff Sheban in Chicago  
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**NFP**, a New York City-based insurance broker and benefits consultant, has a full M&A pipeline and seeks to bolster its property and casualty business in the Midwest and other North American regions, said CEO Doug Hammond.

At any given time, NFP's M&A pipeline consists of 250 to 300 prospects, which are "constantly being prioritized based on cultural fit and business mix," Hammond explained. Management expects to complete 30 to 40 transactions annually "of all shapes and sizes," he said.

The latest transaction was the December acquisition of Indianapolis-based **City Securities Insurance**, a full-service P&C and benefits consultant with a focus on commercial lines.

NFP wants to acquire other P&C brokers with expertise in a variety of specialty lines including management liability, professional sports, trucking, and medical/legal/accounting malpractice, according to Hammond, who said that many of these small specialty practices can be scaled nationally. Geographies of greatest interest are states in the Midwest as well as Florida and Texas, where P&C business lags benefits consulting, he indicated.

The size of targets will vary widely, ranging from EBITDA of USD 200,000 to USD 20m, with an average of USD 2m to 3m, Hammond said. Smaller targets sell for 3x to 4x EBITDA while the largest go for a 9x to 10x multiple, he said, adding that most "strong local competitors" are selling for 6.5x to 7.5x EBITDA.

Hammond estimated that 80% of deals are sourced internally. NFP does not have exclusive relationships, but hears from several mid-market bankers and brokers, among them Dowling Hales, MarshBerry, Sica Fletcher and OPTIS Partners.

NFP had TTM net revenue of USD 837m, with USD 600m derived from corporate benefits consulting and USD 230m from P&C insurance sales, Hammond said. "Our P&C business needs to be more balanced with our corporate benefits business," the CEO commented.

The company's organic growth rate is approximately 6% to 7% within the P&C segment, which has a revenue run rate of USD 250m, up from USD 60m when the company was taken private in 2013, the CEO noted. Corporate-wide net adjusted EBITDA margins approximate 28% with a goal for the "low 30s in the next several years," he said.

NFP also does business in Canada and the UK. Asked about international expansion, Hammond said there would be some near-term M&A in Canada, but the company is likely to hold off on significant moves in the UK for several years, "until the P&C business (in the US) is balanced with the corporate benefits business. The real focus is North America with the bulk of that in the US," he said, adding that no corporate disposals are under consideration.

#### **IPO potential?**

**Madison Dearborn Partners** took then-listed NFP private in 2013, and in December 2016 **HPS Investment Partners** acquired a minority stake in the business. The HPS investment was valued at approximately USD 750m, according to Hammond. Madison Dearborn retains a majority stake and management holds between 15% and 20%, he said.

Hammond tamped down speculation in a 20 January report by this news service that NFP could seek to go public in the next 12 to 18 months. Sector bankers told *Mergermarket* that a near-term listing for NFP and **HUB International** could be spurred by the holding periods of their financial sponsors and the overall size of their businesses, as both are so large it would be difficult to sell to another PE firm that would meet their price expectations.

For this report, Hammond said NFP has no plans to test the public markets for the foreseeable future, and that an IPO will be among the possible exits when the timing is right.

“We are certainly comfortable operating in a public environment, but we believe that (private ownership) will continue for the next four-to-five years,” he noted.

NFP, formerly called National Financial Partners, competes with large international brokers and consultants such as **Aon Hewitt**, **Arthur J. Gallagher** [NYSE:AJG] and **Marsh & McLennan** [NYSE:MMC], as well as small regional independent players, Hammond explained. All of NFP’s peers are pursuing rollups, he indicated.

**Ropes & Gray**, **Skadden Arps** and **Winget, Spadafora & Schwartzberg** provide legal services; **EY**, **KPMG** and **BDO** provide accounting services.