



## HOW NAVACORD IS DRIVING M&A DURING COVID-19

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As the Coronavirus pandemic continues to grip the global economy, many businesses have slowed or halted M&A activity altogether.

Reports from firms such as Deloitte had already forecasted a global downturn in 2020, mostly due to trade and economic uncertainties, but the realities of COVID-19 have made M&A even more difficult. Among Canada's insurance industry, M&A activity has slowed substantially, and while some weren't able to adjust quickly enough to the new business environment, at Navacord we continue to successfully drive M&A activity.

Part of the reason for our M&A success during COVID-19 is Navacord's unique, decentralized model, which resonates highly among entrepreneurial brokers who want to maintain their individual integrity while partnering and growing together with a larger organization. These brokerages maintain their own brand, office, staff and client relationships, while leveraging Navacord's national scale, infrastructure and stability, which are particularly attractive during times of uncertainty.

More than ever, entrepreneurial brokers across Canada recognize our value proposition and, over the long-term, these businesses will also continue to grow and add value for Navacord. We have already made commitments to a number of potential partners and, with the financial stability, capital and vision to build the 'great Canadian brokerage,' we intend to stand by those commitments.

Another factor in our ability to continue advancing M&A opportunities throughout the pandemic is by proactively approaching deal sourcing, and due diligence, in a different way.

PIVOTING OUR STRATEGY IN A PANDEMIC

While due diligence has always been a digital function for us in some way, we've still had to pivot and adapt how we approached the process. Social distancing requirements have eliminated face-to-face meetings, at least for the near future, so we have worked successfully to source deals and conduct due diligence processes in a fully virtual manner, facilitated mainly by Zoom video calls.

Of course, this took some getting used to and while we do miss the in-person interaction and collaboration involved with getting to know our future partners, we have easily transitioned to professional and effective video conferencing presentations. But this process has also meant looking even more closely at the data and conducting deeper due diligence on broker clients; the make-up of their book of business and any exposures that may arise from that. As a result, more time has been spent studying the economic impacts due to COVID-19, as well as the impact on their portfolios in the short/medium and long-term.

The new reality moving forward for conducting M&A activity points to a hybrid mode, with virtual meetings becoming part of the ongoing process. The COVID-19 crisis has tested agility among all businesses but in the process we found we have been able to mobilize and deploy strategic plans at extraordinary speeds. It has also underscored the importance of effective communication. The ability to tell your story clearly and efficiently, to clearly articulate your value proposition in a way that people can quickly digest on a short video call has been essential.

## WHAT HAVE WE LEARNED?

More than ever our M&A process has focused on people even if only virtually. We believe that great entrepreneurs will find a way to be successful in any situation and we are well positioned to find those great entrepreneurs and partner with them.

While nothing quite replaces personal interaction, virtual communication can successfully replace face-to-face meetings in many cases. They can be hard to get right and need a different approach from regular meetings, but with proper planning, preparation and a little help from IT, virtual meetings can be extremely effective.

In addition, we've adapted how – and what – data we collect and analyze. Where we've quickly mobilized and adapted our business operations for COVID-19, we also continue to be prudent and thoughtful through the M&A process.

We've taken a deeper dive into client lists, which are an area of particular importance for understanding the potential implications of a prolonged economic slump on the business.

## LOOKING TO THE FUTURE

As Canada's fourth largest commercial insurance brokerage and a leader in risk management services, Navacord will continue to attract entrepreneurial broker partners who are interested in growing as part of something bigger. We will continue to:

- Focus on our people, developing the best risk advisors and account managers in the industry
- Build our sophistication around data and digitizing our business
- Invest in our people to grow the business despite economic pressure to cut costs

In the short term, we fully expect to meet our 2020 financial plan, while exceeding the M&A plan originally forecasted at the start of the year. Over the long term, we are confident that Navacord will continue its strong growth, both organically and through the addition of new partners across Canada.