PE Deals

HGGC buys PCF Insurance, setting aggressive M&A agend

The commercial brokerage firm has struck 18 add-ons since 2018 and has another 10 on its radar in the near term with a new capita from HGGC, the firm's Steve Young told PE Hub.

By **Sarah Pringle** - 2 hours ago

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HGGC scooped up PCF Insurance as the commercial brokerage market sits insulated from covid-19-fueled economic volatility and is poised for consoli senior members of the firm told *PE Hub*.

HGGC, a Palo Alto, California-based middle market buyout firm, joins BHM Investments, management and employee owners, all of which will retain mi investments in the company.

PCF, headquartered in Woodland Hills, California, is a retail insurance broke with a diverse offering of commercial lines, personal lines and employee benefits products. Led by CEO and Chai Peter Foy, PCF has more than 400 employees across the U.S. and serves more than 40,000 customers.

Having grown by more than 17x since 2017 — buoyed by 18 add-ons since 2018 — M&A will remain a crucial driv growth for PCF, HGGC said.

The company is looking at 10 additional acquisition opportunities in the near term across what remains a highly fragmented market, Steve Young, HGGC co-founder and president, told *PE Hub*.

“Peter has been doing this for a while and has shown that M&A is something he can handle, and we’re going to accentuate that,” Young said. “I call this a very athletic business.”

The commercial brokerage market in which PCF operates has historically proven less impacted by economic cycle other industries, added Rich Lawson, CEO and chairman of HGGC. “[Corporates] don’t stop buying insurance in cycles.”

“In the midst of a crisis, we feel like PCF is very defensible,” Young added.

Beyond M&A, PCF also is poised for organic growth. When interest rates are low, insurance carriers have less inte income, leading big carriers to offset that by charging more for their insurance products, Lawson explained. “Risi insurance prices means higher premiums and thus higher revenue for brokers like PCF.”

More generally, insurance services companies like PCF encompass characteristics deemed attractive by private eq Lawson said. Such companies are asset light, have high customer retention rates, strong recurring cash flow and r minimal capital expenditure and strong EBITDA margins, he said.

On average, insurance brokers have 90 percent retention rates and PCF exceeds that level, Lawson noted.