

WINDSOR DRAKE

Insurtech Valuation

JANUARY 2026

Market Stabilization

Following the volatility of the "Great Correction," the global insurtech sector has found a sustainable floor:

- **Steady Funding:** Global investment has stabilized at ~\$1.1 billion per quarter for 11 consecutive quarters.
- **Disciplined Capital:** The speculative fervor has dissolved, replaced by a robust, metrics-driven capital environment.

The Profitability Paradigm

The era of "growth at all costs" has been definitively superseded by a "precision and profitability" mandate:

- **Quality of Revenue:** Valuations are no longer driven by GWP growth alone but by underlying unit economics.
- **Gatekeepers:** Loss ratio stability and Net Dollar Retention are now prerequisites for premium multiples.

Valuation Bifurcation

A massive valuation gap has emerged based on business model efficiency and technology leverage:

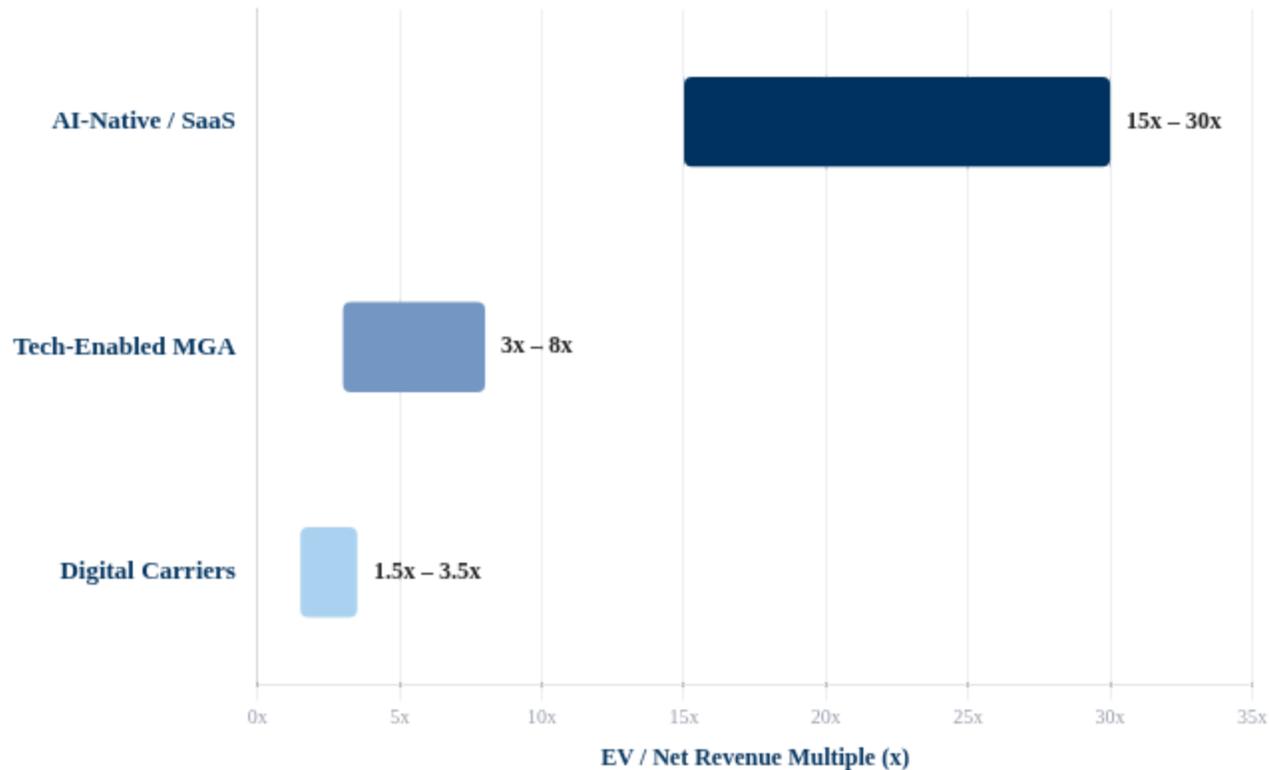
- **AI-Native & SaaS:** Commanding software-like revenue multiples of **15x–30x**.
- **Carriers & Brokers:** Capital-intensive models trading at compressed multiples of **1.5x–3.5x**.

Strategic Capital Anchors

The investor base has shifted from generalist VCs to deep-pocketed strategic incumbents:

- **Record Participation:** (Re)insurers backed 51 tech investments in Q3 2025, setting a credible pricing floor.
- **M&A Focus:** Valuation logic is increasingly reverse-engineered from strategic acquisition targets rather than IPO outcomes.

Executive Summary — Valuation Drivers



Premium Metrics

Valuations are gated by the **Rule of 40** (Growth + Margin) and loss ratio stability. Investors demand loss ratios <55% to unlock upper-tier multiples.

Retention Gatekeepers

For B2B models, **NDR >120%** is the new standard for premium valuation, proving product stickiness and upsell capability in a tighter market.

Exit Pathways

The IPO window remains selective (requiring >\$200M ARR), making strategic M&A the primary exit route for mid-market players.

Founder FAQs — Exits and Valuations

Q1 What multiple should we benchmark against?

Benchmark against **Net Revenue** multiples tailored to your model: **15x–30x** for SaaS/Infrastructure; **3x–8x** for MGAs; and **1.5x–3.5x** for Carriers. Avoid GWP metrics as they are disregarded by sophisticated investors.

Q3 How do we maximize our exit multiple?

Drive valuation via efficiency: hit the **Rule of 40** (Growth + Margin), maintain **NDR >115%**, secure a diversified capacity panel to reduce key-man risk, and demonstrate durable unit economics with gross margins >60% (SaaS) or sliding-scale commissions.

Q5 Should we target EBITDA or Revenue multiples?

It depends on maturity and model. Early-stage, high-margin infrastructure plays trade on **EV/Revenue**. Mature businesses, especially digital brokerages and lending platforms, are priced on **EV/EBITDA** (12x–18x) as cash generation becomes the primary value driver.

Q2 Who are the most likely acquirers?

Traditional FIs seeking AI/embedded capabilities, **Private Equity** firms targeting cash-flow platforms for roll-ups, and large **Tech Platforms** consolidating ecosystem dominance. Incumbents are actively buying to modernize legacy stacks.

Q4 When is the right time to run a process?

Launch a process after **4–6 quarters of predictable performance** and with 12–18 months of runway remaining. Time your exit ahead of major catalysts like product expansion, geographic entry, or regulatory clearance to capture future value.

Q6 How do we position for strategic acquisition?

Demonstrate **Capability Fit** by filling specific buyer gaps (e.g., proprietary data rails, AI models). Ensure **Integration Ease** with clean APIs and minimal legacy dependencies. Finally, quantify **Synergy Density** by mapping revenue cross-sell opportunities and cost efficiencies pre-diligence.

Q8 How has AI changed valuation multiples?

AI is no longer just a narrative; it drives a **30-50% premium** for proven **Operational Leverage**. Investors look for "AI-Native" workflows where Gross Written Premium (GWP) growth is decoupled from headcount growth, signaling structurally superior long-term margins.

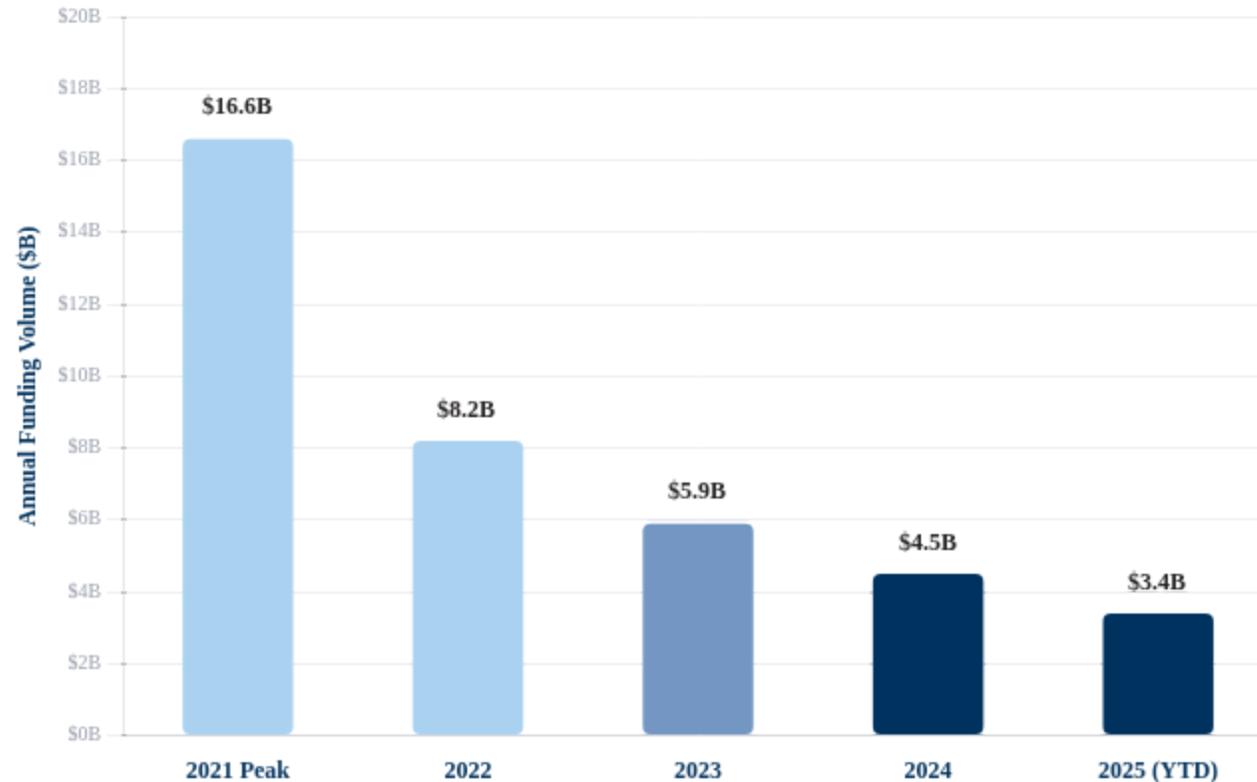
Q7 What metrics matter most for premium valuations?

Loss Ratio Stability (40-60% gross with low volatility) is paramount. Operational metrics must show **LTV:CAC >3x** (ideally >5x), **NDR >110%**, and adherence to the "Insurtech Rule of 40" (Revenue Growth % + (1 - Combined Ratio %)).

Q9 What are the red flags that discount valuations?

Primary valuation killers include **Gross Loss Ratios >75%** (or high volatility), dependency on a **single capacity provider** (Key Man Risk), lack of proprietary data ownership, and regulatory risks within "black box" AI underwriting models.

Market Overview — From Great Correction to Plateau



The "New Normal" Baseline

Funding has stabilized at **~\$1.1B per quarter** for 11 consecutive quarters, signaling the end of the "Great Correction" freefall and the establishment of a disciplined capital environment.

Market Maturity

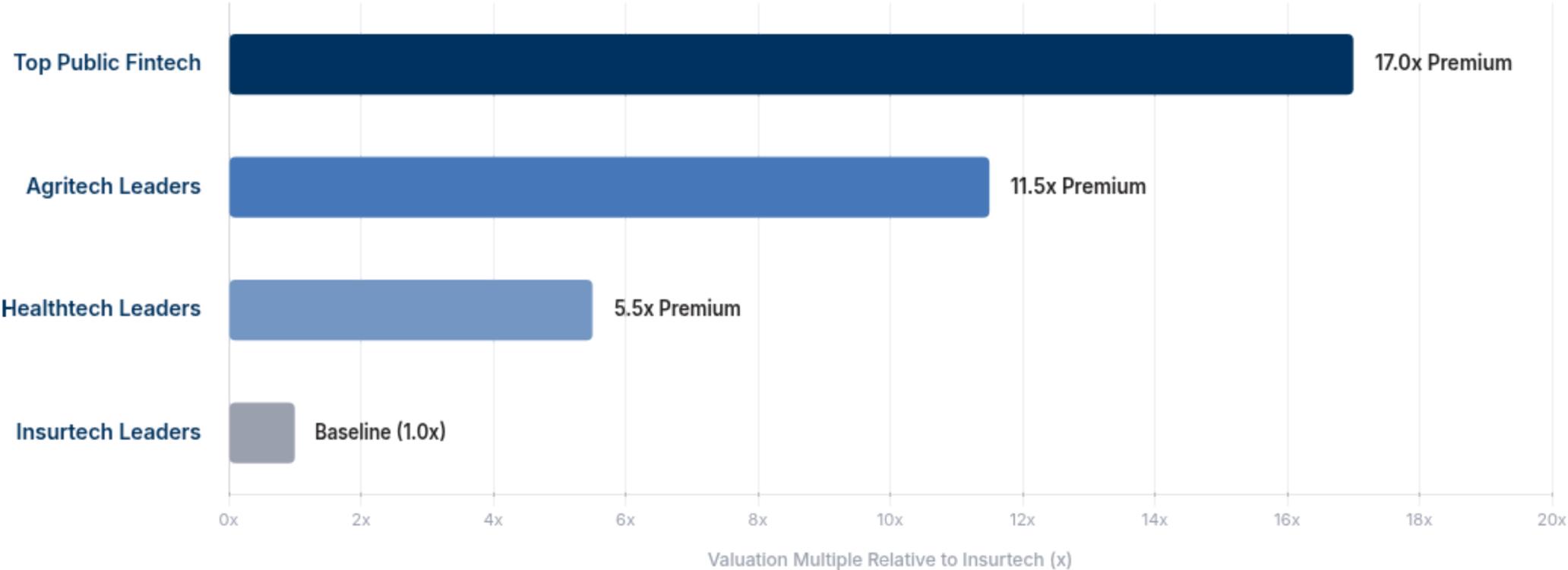
With **\$60B cumulative capital** invested since 2012, the sector has transitioned from chaotic discovery to industrialization, prioritizing unit economics over GWP growth.

Capital Allocation Shift

While total volume is down >60% from the 2021 peak, strategic (re)insurer participation has hit record highs, replacing speculative VC money with informed, long-term capital.

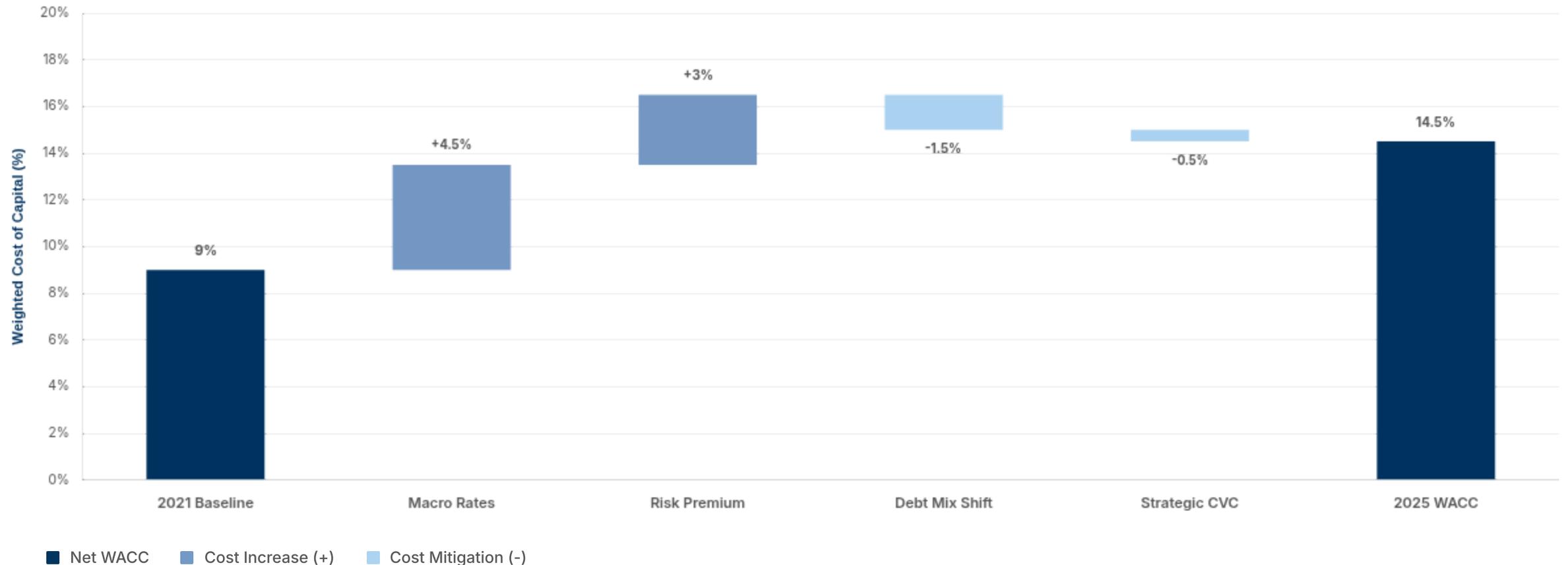
The Valuation Gap: Insurtech vs Other Verticals

The "Tech Premium" remains elusive for insurers due to **balance sheet intensity**. Top fintechs trade at ~17x the multiples of insurtech leaders, driven by software's near-zero marginal cost of scaling.



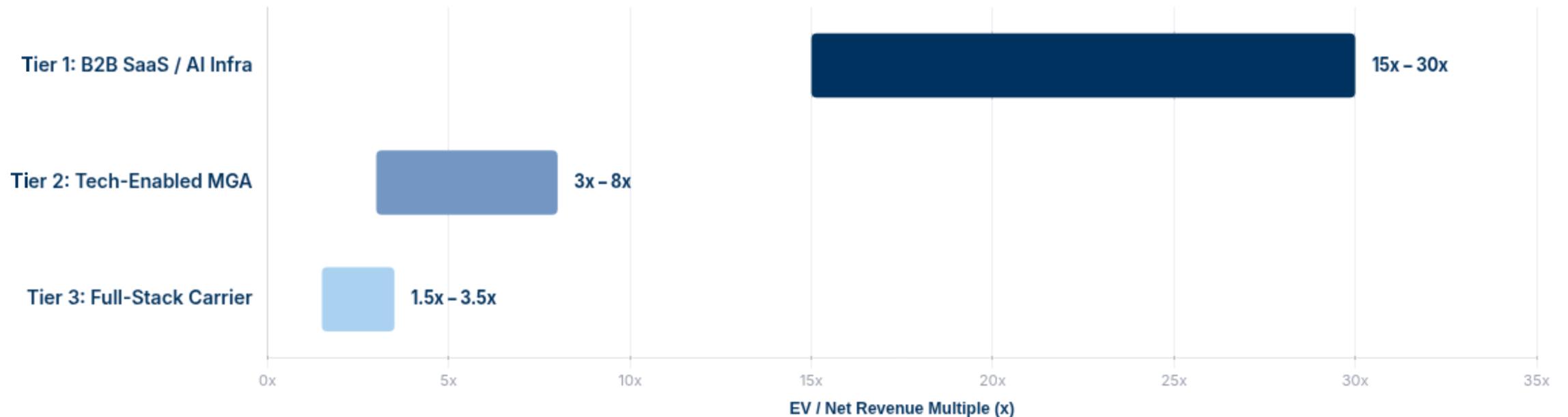
Capital Mix & Cost of Capital Evolution

Founders are actively avoiding equity dilution, driving a 97% CAGR in debt financing since 2021. This shift, combined with record strategic participation from (re)insurers (51 deals in Q3 '25), has anchored the weighted cost of capital at 14.5% despite macro interest rate headwinds.



Revenue Multiples by Business Model

Valuations are heavily bifurcated by **margin profile** and **capital intensity**, creating three distinct asset classes within insurtech.



Tier 1: B2B SaaS / AI Infra

Gross Margin: 80% – 90%

Capital Intensity: Low (Software Only)

Valued on Recurring Revenue & Scalability

Tier 2: Tech-Enabled MGA

Comm. Margin: 20% – 35%

Capital Intensity: Medium (Working Cap)

Valued on Underwriting Alpha & Cash Flow

Tier 3: Carrier / Broker

U/W Margin: Variable / Volatile

Capital Intensity: High (Reg Surplus)

Valued on Book Value, ROE & Scale

The Pivot to Profitability

As insurtechs mature beyond Series C, the valuation lens shifts decisively from top-line hypergrowth to bottom-line durability. This transition happens earlier in 2025 than in previous cycles.

- **Late-Stage Shift:** Investors cease crediting pure GWP growth, prioritizing Free Cash Flow and EBITDA generation.
- **Brokerage Focus:** Digital brokerages and scaled distribution platforms are the primary targets for this methodology.

The 12x – 18x Standard

Mature assets with predictable renewal commissions now trade on healthy EBITDA multiples, reflecting the annuity-like nature of insurance:

- **Valuation Range:** High-quality assets command **12x–18x EBITDA**.
- **Stability Premium:** Consistency in retention rates (>90%) drives multiple expansion toward the upper end of the range.

Private Equity Roll-Up Strategy

PE firms are aggressively consolidating fragmented digital agencies, utilizing specific financial engineering tactics:

- **Pro Forma EBITDA:** Valuations are frequently based on "Adjusted EBITDA" that accounts for post-acquisition synergies and cost-outs.
- **Synergy Credit:** Sellers must demonstrate clear paths to operational consolidation to capture full value.

The 20% Margin Floor

Premium multiples are strictly reserved for efficient operators who can prove their technology delivers leverage:

- **Margin Threshold:** A clear path to **20%+ EBITDA margins** is now a prerequisite for premium exits.
- **Operational Leverage:** Tech stacks must demonstrate reduced Loss Adjustment Expense (LAE) compared to legacy peers.

DCF Reality Check in 2025

High interest rates have crushed terminal value contributions, shifting valuation weight to near-term cash flows.

Startups projecting burn beyond 24-36 months face massive discounts (-2.0x), while those hitting the Insurtech Rule of 40 earn a distinctive efficiency premium.

VALUATION SENSITIVITIES

Loss Ratio Stability

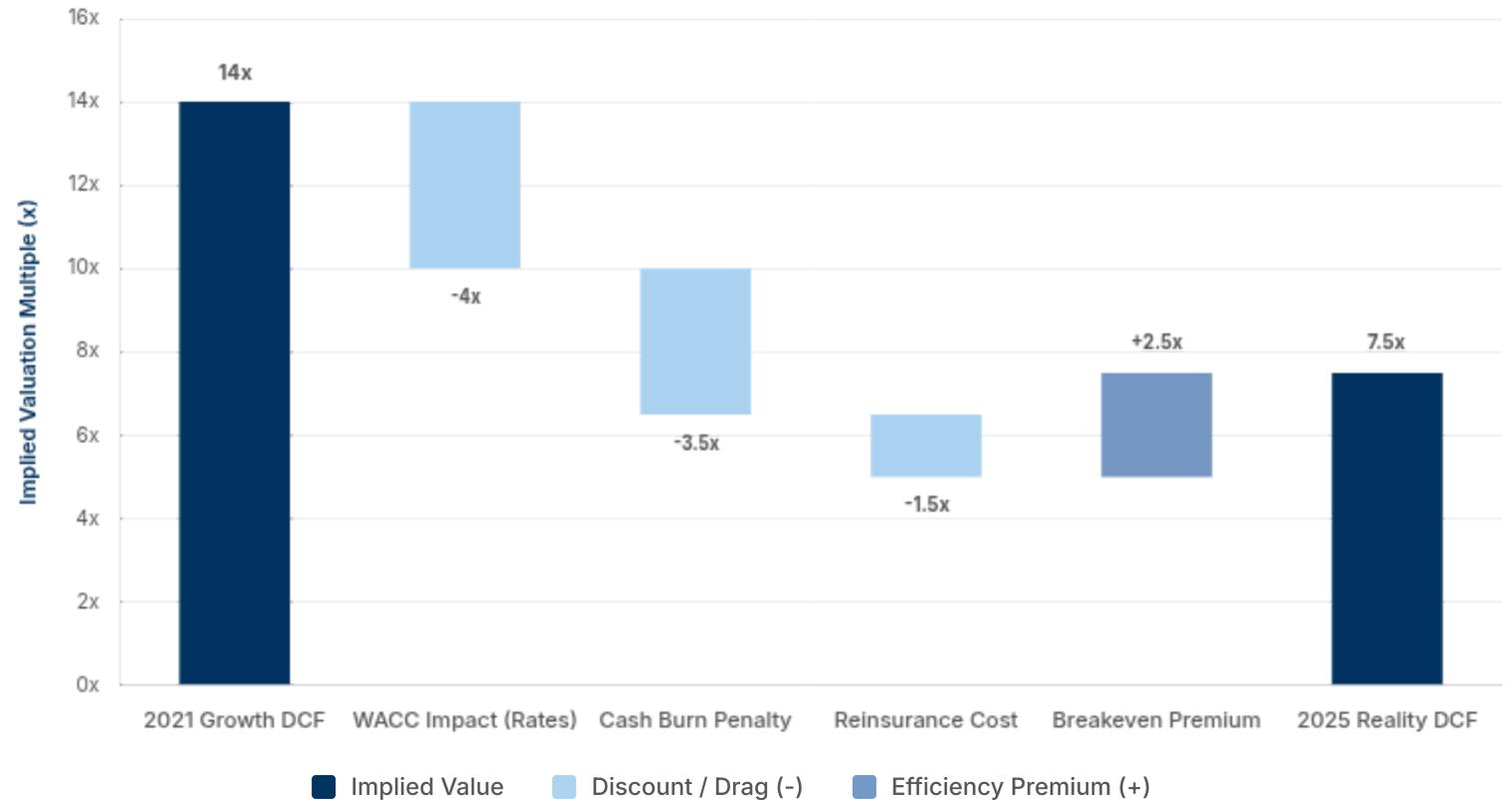
100bps volatility = 5-10% valuation discount due to reinsurance capital cost.

Reinsurance Hard Market

Quota share costs directly reduce Gross Margin, compressing LTV/CAC ceilings.

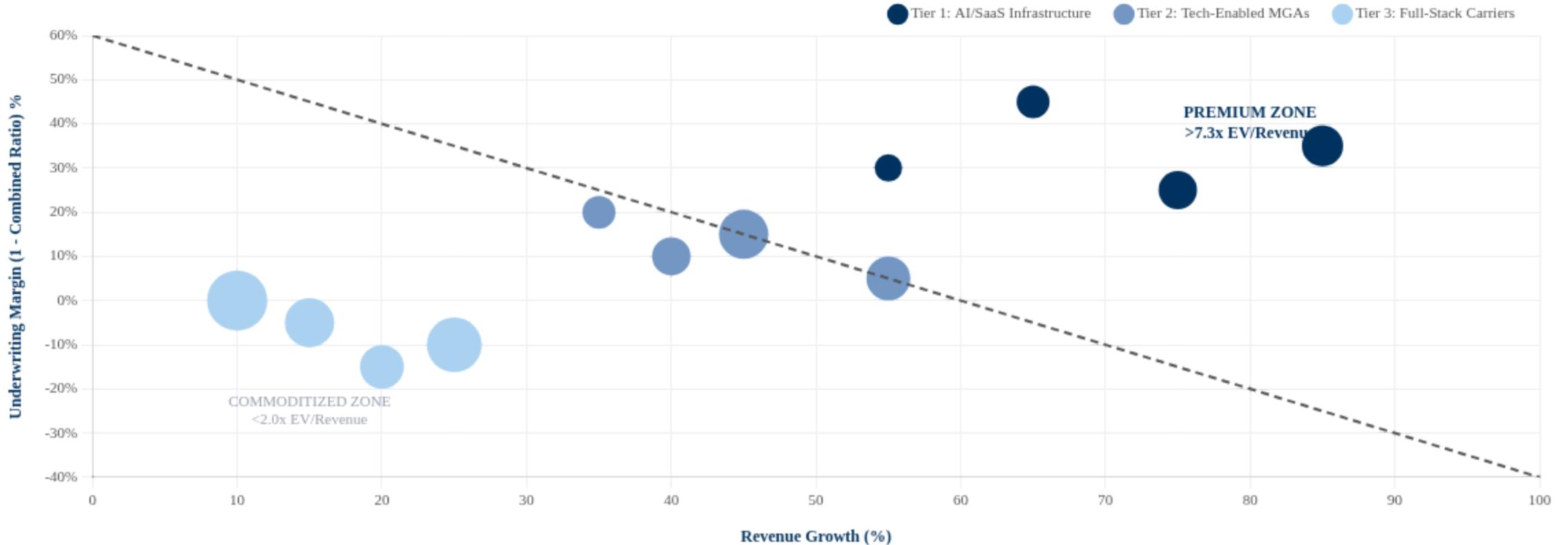
Rule of 40 Adaptation

$\text{Growth \%} + (1 - \text{Combined Ratio \%}) > 40$ is the new gatekeeper.



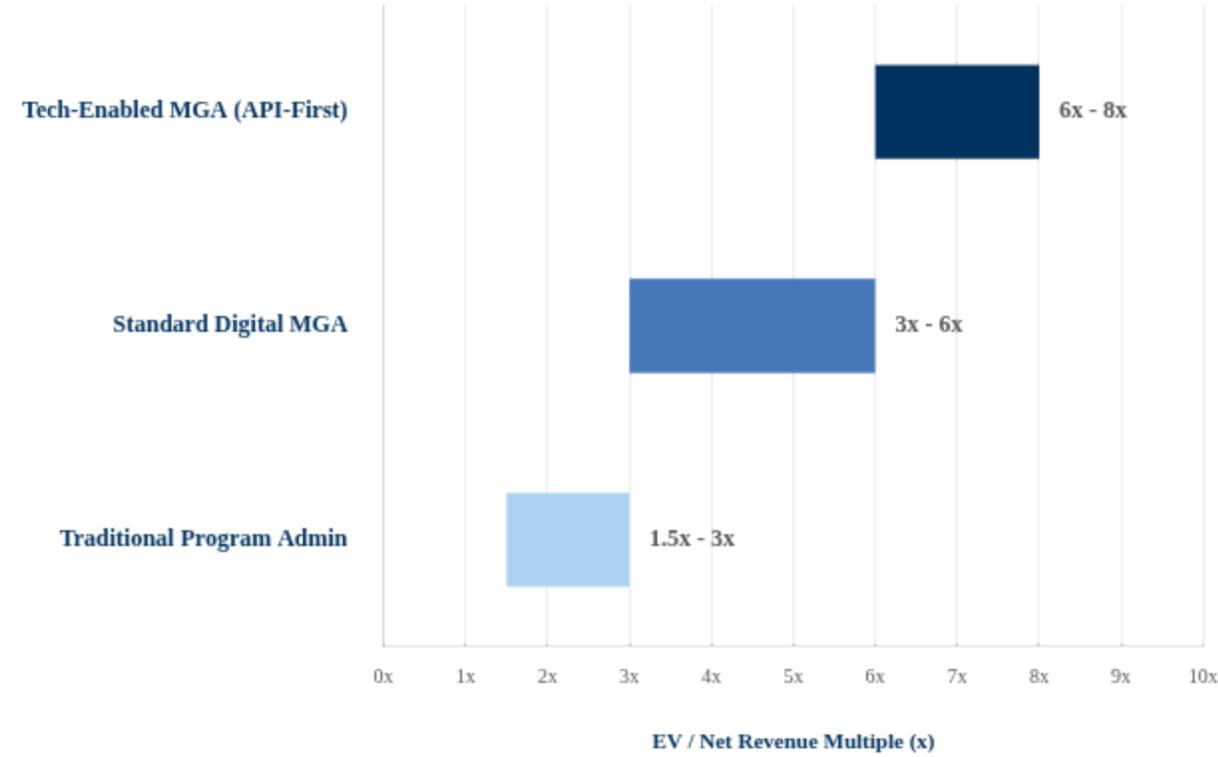
The Insurtech Rule of 40: Growth vs Efficiency

Elite insurtechs achieving the **Rule of 40** (Revenue Growth + Underwriting Margin > 40%) command valuation premiums **>7.3x**. While AI-Native and Infrastructure players cluster in the efficient growth quadrant, traditional carriers often struggle with combined ratios >100%, trapping them in the commoditized valuation zone.



Managing General Agents (MGAs): Capital-Efficient Darlings

Tech-enabled MGAs command premiums (3x–8x) by blending underwriting discipline with SaaS-like distribution, capturing economics without balance sheet drag.



■ Top-Tier Tech MGA ■ Standard MGA

Valuation Drivers

- **Underwriting Alpha**
Loss ratios consistently **10pts better than market** average prove algorithmic superiority and ensure capacity longevity.
- **Capacity Moat**
Diversified panels of **A-rated carriers** minimize "key man" risk, stabilizing revenue quality and valuation floors.
- **Unit Economics**
Sliding-scale commissions allow high-performing MGAs to capture **40–50% of economics**, rivaling carrier margins without the capital drag.
- **Tech Distribution**
API-first architecture enables embedded reach, lowering CAC vs direct models.

Full-Stack Digital Carriers: Balance Sheet Penalty

Despite tech-enabled front ends, capital intensity constrains multiples to **1.5x–3.5x Net Revenue**, heavily tethering valuations to book value logic.



Valuation Mechanics

- **Capital Intensity Drag**
Growth consumes cash: approximately **30 cents of regulatory surplus** is required for every dollar of written premium growth, diluting ROE.
- **The Hybrid Pivot**
Leaders like Lemonade and Root utilize heavy quota-share reinsurance to offload risk while retaining the customer relationship ("owning the glass").

Resilient Funding
Despite compression, full-stack models attracted **40% of funding** in 2024/25, validating the long-term disruption thesis for massive TAMs.

B2B Insurtech SaaS: The Infrastructure Premium

The "Picks and Shovels" strategy commands the highest sector multiples (15x–30x), driven by deep workflow integration and AI-native operational leverage.

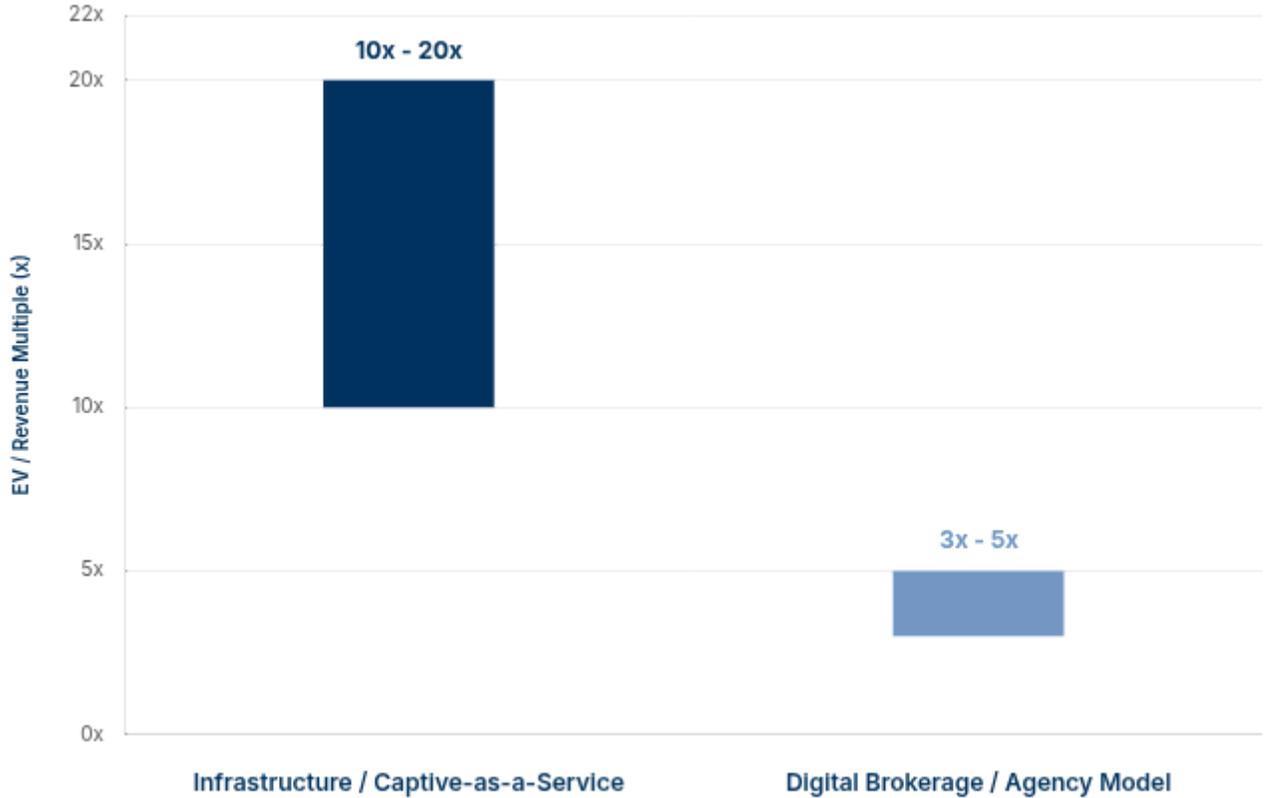


Valuation Drivers

- **Perpetual Annuity Value**
NDR >120% signals compounding growth without new customer acquisition costs, justifying premium software multiples.
- **AI-First Pricing Power**
Players like **Instabase** are valued as AI companies first, applying automation to unstructured claims data to unlock massive efficiency gains.
- **Mission-Critical Stickiness**
Deep integration into core policy admin and claims workflows creates near-zero churn and high switching costs.

Embedded Insurance: Distribution as Product

A massive bifurcation exists between **infrastructure players** enabling "Captive-as-a-Service" (10x–20x) and standard **digital brokerages** (3x–5x).



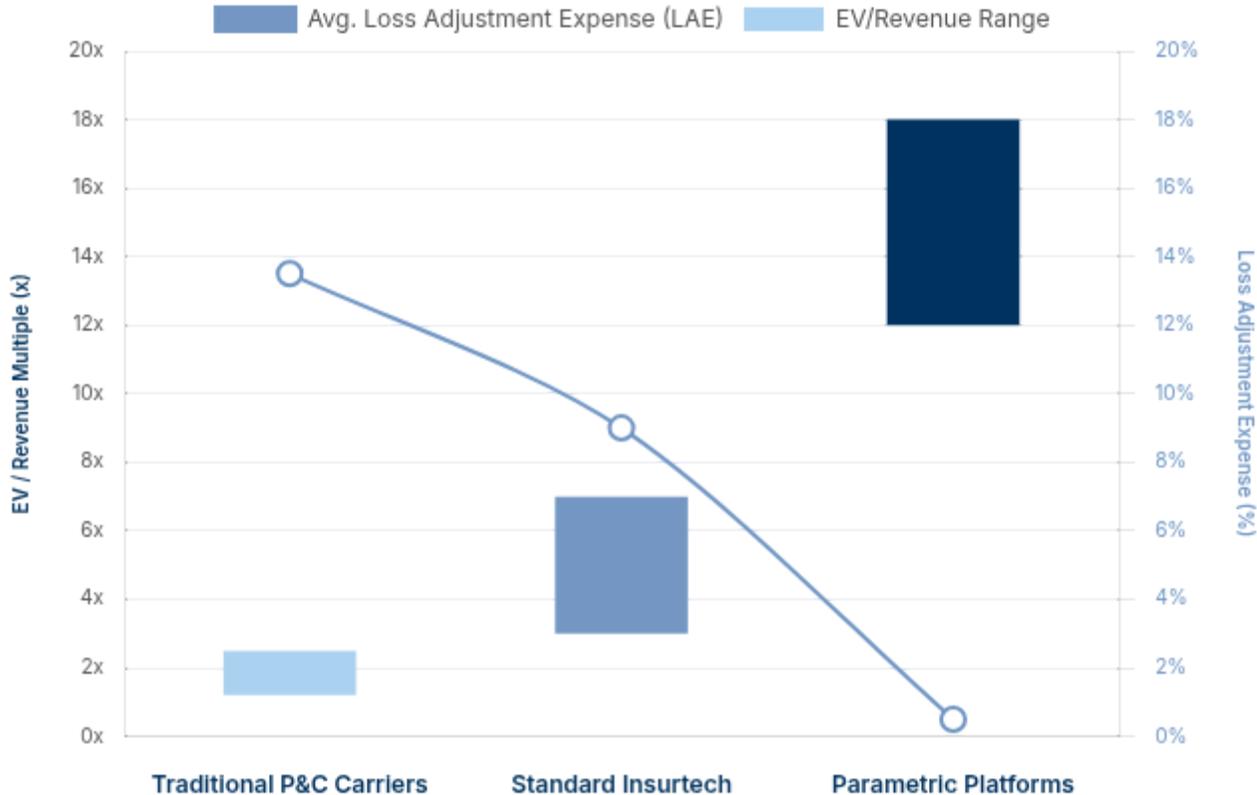
■ Infrastructure (Premium) ■ Brokerage (Standard)

Strategic Value Drivers

- **Near-Zero CAC**
Leveraging partner traffic (e.g., Vertical SaaS, E-commerce) eliminates marketing spend, driving superior unit economics.
- **Contracted ARR Valuation**
Exclusive multi-year partnership contracts are valued as annuity streams. Platform lock-in creates structurally lower churn.
- **Infrastructure Scale**
Players like **Authentic Insurance** enable platforms to own risk (Captive-as-a-Service), commanding infra multiples vs. simple commission aggregation.
- **Market Velocity**
Projected to reach **\$700B GWP by 2030**, driving aggressive strategic M&A from legacy carriers seeking distribution rails.

Parametric Insurance: Zero-LAE Scalability

Automated trigger mechanisms eliminate 10-15% of claims processing costs (LAE), unlocking software-like gross margins and premium valuations.

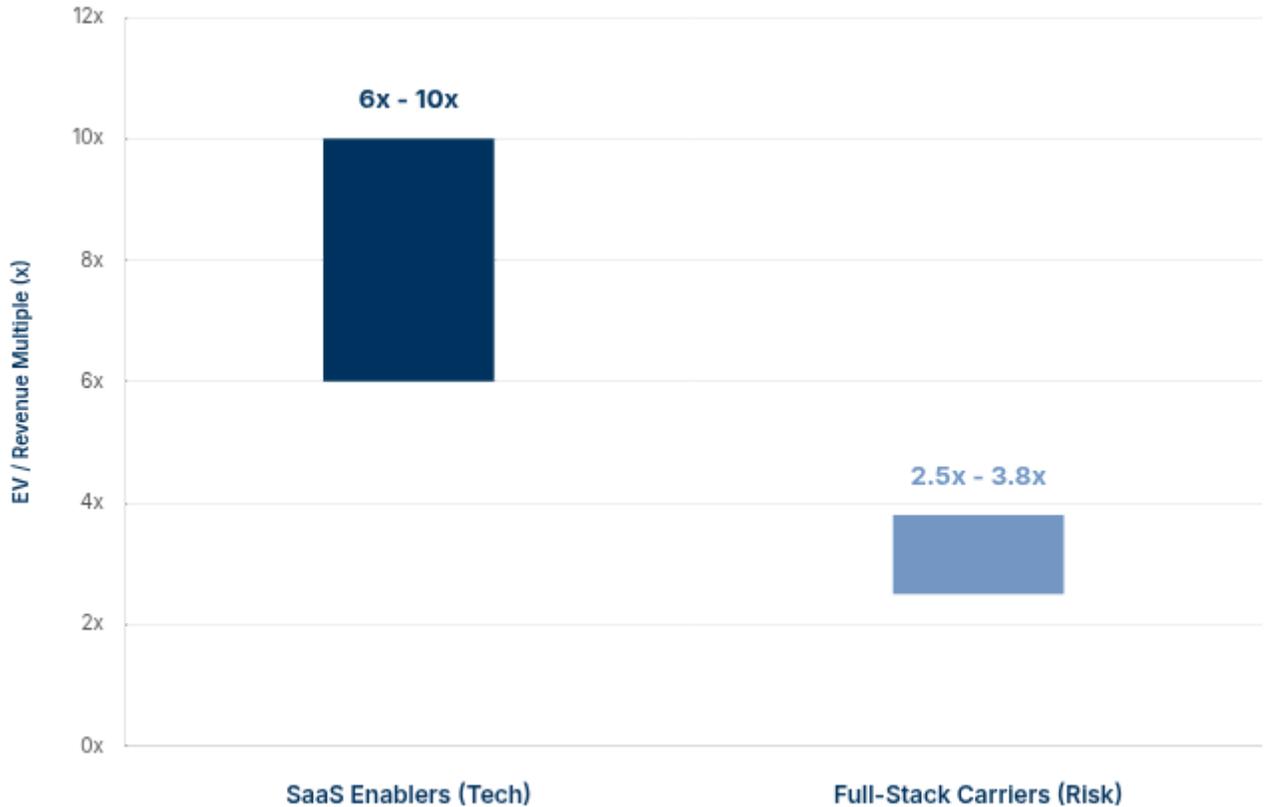


Key Drivers

- **The Zero-LAE Advantage**
By paying on objective data triggers (e.g., wind speed, API downtime) rather than assessments, parametric models remove the 10-15% cost layer of traditional claims handling.
- **New Risk Frontiers**
Rapid growth driven by protection gaps in Climate/NatCat volatility and Digital Cloud dependency —risks where indemnity models struggle with speed and quantification.
- **Market Validation**
Leaders like **Parametrix** (Cloud) and **Pula** (Agri) are proving scalability, commanding valuations closer to SaaS (12x+) than carriers.

InsurTech: Enablers vs. Carriers

Market bifurcates between capital-light SaaS enablers (6.0x–10.0x) and balance-sheet carriers (2.5x–3.8x) exposed to underwriting risk.



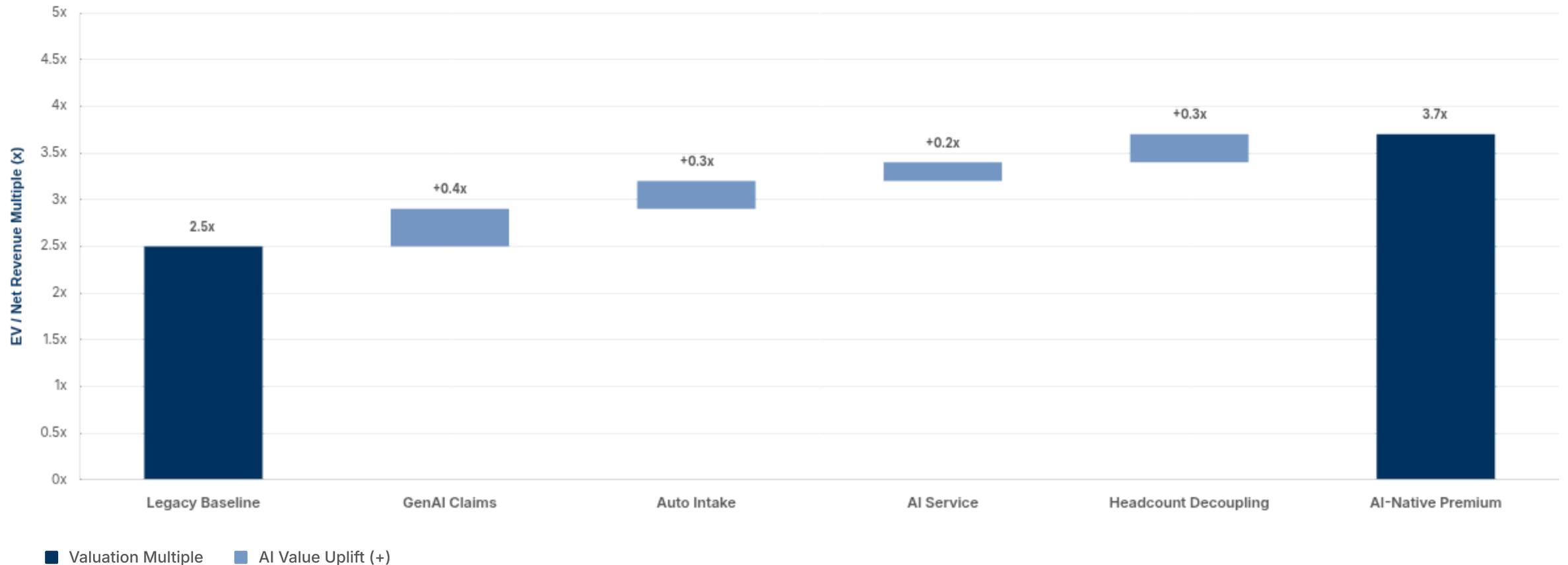
■ SaaS Enablers (High Range) ■ Carriers (Low Range)

Valuation Drivers

- **SaaS Premium Logic**
Investors reward zero balance-sheet risk and high recurring revenue models with enterprise software multiples (8-10x).
- **Carrier Discount**
Despite tech front-ends, full-stack carriers trade with traditional incumbents due to regulatory capital drag and loss ratio exposure.
- **Buyer Priorities**
Strategic interest focuses on AI-driven claims automation and fraud detection tools that improve incumbent loss ratios.

AI-Native Operations: The Operational Leverage Premium

AI-Native insurtechs break the linear relationship between GWP growth and headcount. By deploying GenAI in claims and automated settling (e.g., Lemonade, VetyFinder), these firms unlock structural margin advantages, commanding a 30-50% valuation premium over legacy peers.



In the 2025 landscape, defensibility is bifurcated between **Material Intelligence** (Data) and **Operational Leverage** (AI). However, premium valuations are contingent on mitigating "Hallucination Risk" through robust Explainable AI (XAI) frameworks to prevent regulatory discounts.



Data Moats & Material Intel

BARRIER: HIGH

Proprietary signal ingestion vs. public data

- Ingesting real-time signals (telematics, IoT, cyber probes) creating defensible IP.
- **Example:** Nirvana's use of fleet sensor data.
- **Impact:** Creates "Material Intelligence" that incumbents cannot easily replicate.



AI-Native Operations

SCALE: HIGHEST

Decoupling GWP growth from headcount

- GenAI-driven intake, underwriting, and claims handling.
- Achieves non-linear margin expansion (approaching SaaS gross margins).
- **Requirement:** Human-in-the-loop workflows to validate AI outputs.



Regulatory Licenses

BARRIER: MED-HIGH

Hard-to-acquire charters and approvals

- Direct access to rails without renting balance sheet.
- "Compliance-by-Design" architecture reduces regulatory friction.
- **Value:** Defensibility against pure-play tech entrants.



Network Effects

GROWTH: HIGH

Two-sided platform value creation

- Participant data aggregation improves collective pricing accuracy.
- Lowers CAC through organic ecosystem growth loops.
- **Outcome:** Increasing returns to scale as user base expands.

Strategic Motives

Incumbents are shifting from experimental partnerships to defensive capability acquisition:

- **Capability Buys:** Prioritizing AI/ML underwriting engines and real-time payment rails to modernize legacy stacks.
- **Defensive Strategy:** Acquisitions serve as a hedge against digital disruption, securing proprietary tech before competitors.

Acquisition Patterns

Deal flow is characterized by caution and structured entry points:

- **Bolt-On Focus:** Strong preference for targets valued under \$2B that can integrate into existing business lines.
- **Partnership Prelude:** Many deals initiate as JVs or commercial agreements to de-risk culture fit before full buyout.

GS Insurance Survey 2025 Insights

Integration Approach

Moving towards "Semi-Autonomous Units" to preserve tech agility while overlaying bank-grade compliance and risk management frameworks.

AI Capability Focus

17% of all Q3 2025 deals were primarily driven by AI technology acquisition.

Infrastructure Priorities

Modernization of Legacy Stacks ranks as the #1 capital allocation priority, driving demand for cloud-native policy admin and claims systems.

Deployment Pressure

With ~\$2.6T in uncommitted dry powder, sponsors face intense pressure to deploy capital into mature assets. Focus has shifted to larger platform acquisitions (\$1B+) capable of absorbing significant equity checks.

Public-to-Private Thesis

Public fintechs trading below intrinsic value remain prime targets. Sponsors capitalize on the disconnect between public market sentiment and private market long-term value creation potential, executing take-privates at premiums to recent trading.

Value Creation Playbook

The modern PE playbook emphasizes operational engineering over financial leverage:

- **Pricing Optimization:** Shifting to value-based pricing models.
- **Software Transition:** Migrating service revenue to high-margin SaaS.
- **Buy-and-Build:** Aggressive consolidation of fragmented verticals.

Ideal Target Characteristics

Financial Rigor

Strict adherence to efficiency metrics is a prerequisite for premium multiples:

- **Rule of 40:** (Growth % + EBITDA Margin %) must exceed 40%.
- **Revenue Quality:** >80% recurring revenue mix with low churn.
- **Retention:** Net Revenue Retention (NRR) >120% to prove upsell.

Secondary Buyout Wave

50% of PE holdings are now >5 years old. This aging vintage suggests a looming wave of secondary buyouts as funds seek liquidity for LPs, creating opportunities for new sponsors to acquire pre-packaged platforms.

\$2.6T
DRY POWDER

>80%
RECURRING REV.

50%
ASSETS >5 YEARS

Ecosystem Monetization

Tech giants are pivoting from pure software revenue to capturing financial flows within their existing user bases. The strategic imperative is "Embedded Everything":

- **Vertical SaaS:** Integrating insurance into workflow platforms (e.g., Toast, Shopify) to expand ARPU.
- **Orchestration Layers:** Acquiring middleware that connects legacy carriers to modern digital front-ends.

Valuation Premium Drivers

Platforms will pay strategic premiums (often >10x revenue) for assets that offer immediate "Plug-and-Play" capabilities:

- **Integration Readiness:** Clean APIs that require minimal refactoring to deploy at scale.
- **Ecosystem Fit:** Proprietary data assets that enhance core platform underwriting or personalization.

Primary Focus Areas

M&A activity is concentrated on infrastructure that removes friction from the transaction lifecycle:

- **New Rails:** Payment and settlement infrastructure specific to insurance (e.g., premiums, claims payouts).
- **Data Assets:** Enrichment tools that allow platforms to pre-fill applications and instant-quote users.

Distribution Leverage Value

The core arbitrage opportunity for tech buyers is applying their massive, zero-marginal-cost distribution to acquired products:

- **CAC Arbitrage:** Acquiring a product with high standalone CAC and distributing it via push notification to millions.
- **Retention Multiplier:** Adding insurance increases platform stickiness, justifying acquisition costs beyond simple revenue multiples.

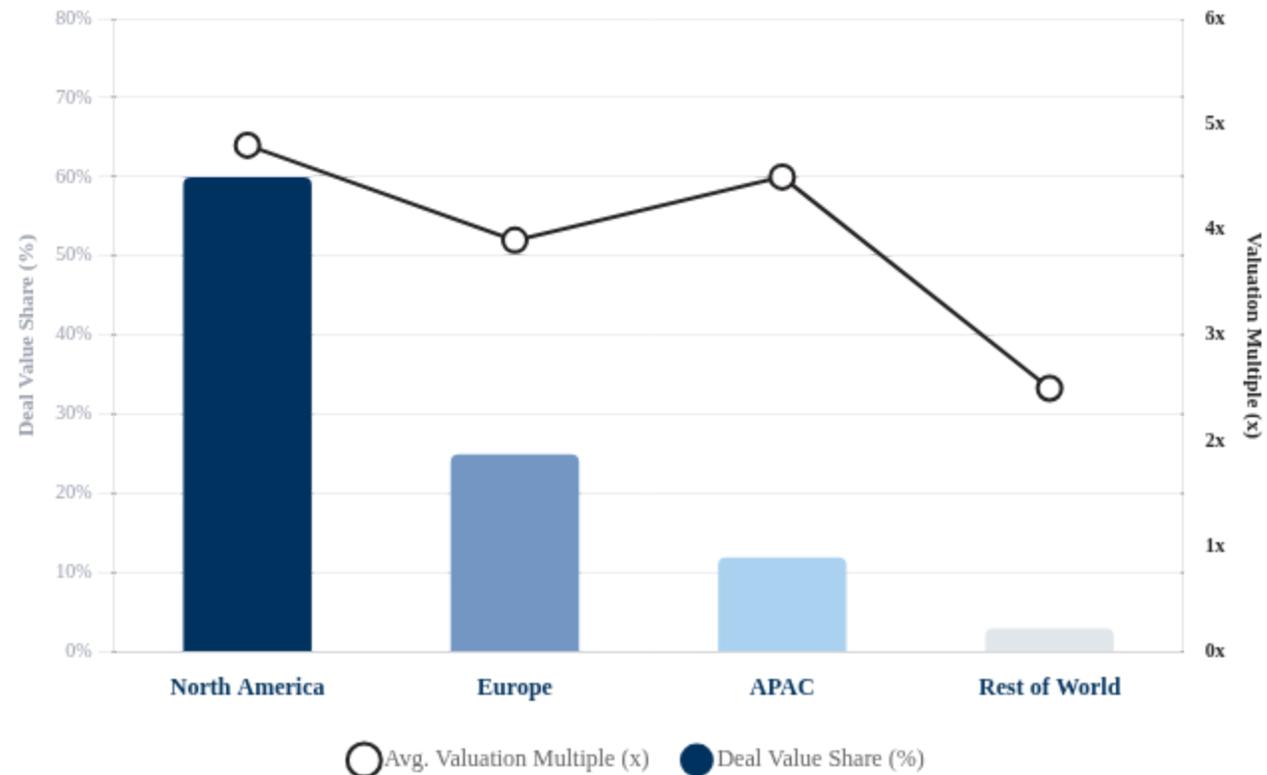
Strategic Acquirer Appetite by Sector

Deal flow intensity varies by buyer mandate: Traditional FIs prioritize modernization capabilities, PE firms hunt for cash-flow efficient roll-ups, while Tech Platforms seek ecosystem lock-in.

	<u>Traditional FIs</u>	<u>Private Equity</u>	<u>Tech Platforms</u>
Payments	<p>MODERATE</p> <p>Cross-border rails & B2B treasury tools. <i>Deals: \$200M - \$1B</i></p>	<p>HIGH</p> <p>Take-privates of processors; margin play. <i>Deals: >\$2B</i></p>	<p>HIGH</p> <p>Embedded integration into ERP/SaaS. <i>Deals: Strategic Premiums</i></p>
WealthTech	<p>HIGH</p> <p>Gen-AI advisory & wealth transfer defense. <i>Deals: Capability Bolt-ons</i></p>	<p>MODERATE</p> <p>Roll-up of fragmented RIA platforms. <i>Deals: \$500M - \$1.5B</i></p>	<p>LOW</p> <p>Selective D2C; focus on HNW infrastructure. <i>Deals: <\$100M</i></p>
Lending	<p>MODERATE</p> <p>Niche asset classes (SME, Specialty). <i>Deals: Balance Sheet Driven</i></p>	<p>MODERATE</p> <p>Distressed assets & specialty finance. <i>Deals: Opportunistic</i></p>	<p>LOW</p> <p>Regulatory capital aversion limits interest. <i>Deals: Minimal Activity</i></p>
InsurTech	<p>MODERATE</p> <p>Carriers acquiring MGAs/distribution. <i>Deals: \$50M - \$300M</i></p>	<p>HIGH</p> <p>Brokerage roll-ups; recurring revenue focus. <i>Deals: Platform Scales >\$1B</i></p>	<p>LOW</p> <p>Partner-first approach vs. acquisition. <i>Deals: Embedded Partnerships</i></p>
Blockchain	<p>MODERATE</p> <p>Infrastructure focus (Custody, Clearing). <i>Deals: Tech/Team Acquihires</i></p>	<p>LOW</p> <p>Venture-style bets only; proven utility needed. <i>Deals: Minority Stakes</i></p>	<p>HIGH</p> <p>Web3 infra & tokenization layers. <i>Deals: Strategic Integ.</i></p>
Vertical SaaS	<p>LOW</p> <p>Outside core competency unless finance-heavy. <i>Deals: Rare</i></p>	<p>HIGH</p> <p>Prime target for buy-and-build platforms. <i>Deals: High Multiples</i></p>	<p>HIGH</p> <p>Deep integration (ERP + Finance). <i>Deals: Ecosystem expansion</i></p>

High Activity / Priority Target
 Moderate Activity / Opportunistic
 Low Activity / Niche Only

Valuation & Liquidity by Region



North America: Liquidity Premium

Deepest capital markets drive a **4.8x valuation premium**. Despite maturity, NA commands 60% of global deal value due to robust exit pathways.

Europe: Arbitrage Opportunity

Fragmented markets create a discount (3.9x), offering US acquirers a strategic **valuation arbitrage** to buy high-quality tech talent at lower multiples.

APAC: Growth Bifurcation

Market split between high-growth SE Asia/India (up to 6.0x) and mature stagnant hubs. Local conglomerates drive liquidity rather than global PE.

Deal Snapshot: Series D

Nirvana secured a \$100M extension at a **\$1.5 Billion valuation**, achieving a 2x step-up in a constrained capital market.

- **Vertical AI Thesis:** Validates market appetite for specialized models that dominate a specific niche (Commercial Trucking) over generalist insurers.
- **Growth Profile:** Valuation justified by exponential growth in premiums coupled with superior unit economics.

The "Material Intelligence" Moat

Unlike incumbents relying on historical loss runs, Nirvana prices risk using real-time IoT data:

- **Billions of Miles:** Ingests vast telematics datasets to create a proprietary risk model that improves with scale.
- **Precision Pricing:** Granular visibility allows for identifying "profitable needles" in the risk haystack that competitors miss.

Performance Drivers

The premium valuation is underpinned by concrete operational metrics rather than pure growth hype:

- **Loss Ratio Outperformance:** Demonstrated ability to maintain loss ratios significantly below the commercial auto industry average.
- **Safety Platform:** Reduced claims frequency by embedding safety coaching directly into the fleet workflow.

Founder Takeaways

- **Niche > Broad:** Depth of data in a single vertical commands a higher premium than breadth across multiple commoditized lines.
- **Underwriting Alpha:** In 2025, valuation is correlated to "Material Intelligence"—the proven ability to use data to fundamentally rewrite the risk curve.

From Payer to Partner

Alan justifies its premium by shifting the relationship from transactional claims to daily health engagement. High app usage significantly reduces churn compared to legacy insurers.

Bancassurance 2.0

The strategic investment from Belfius unlocks a massive distribution channel. Leveraging the bank's trust and reach lowers Customer Acquisition Cost (CAC) dramatically, solving the core unit economic challenge of B2C insurance.

ARPU Expansion

By cross-selling wellness, optical, and mental health services, Alan expands Average Revenue Per User (ARPU) beyond commoditized premiums, increasing Lifetime Value (LTV).

Deal Economics & Valuation Logic

Deal Structure

- **Raise:** Series F — €193 Million
- **Valuation:** €4.0 Billion (~\$4.5B)
- **Lead Investor:** Belfius (Strategic)

Scale Metrics

Reached **€505M ARR**, demonstrating rare ability to scale complex health products across European regulatory borders.

Why the Premium?

Investors priced the asset on "Ecosystem Stickiness" and technology-enabled retention rates rather than standard GWP multiples, viewing Alan as a SaaS-like health operating system.

Proprietary Infrastructure

Secured a **\$65M Growth Extension** to expand its Synthetic Aperture Radar (SAR) satellite constellation.

Unlike optical imagery, SAR satellites can see through clouds, smoke, and at night—providing the only reliable "ground truth" for real-time flood and catastrophe monitoring.

Owning the Data Source

Investment thesis shifts from "modeling data" to "generating data."

- Owning the hardware (satellites) creates a massive CAPEX barrier to entry that software-only competitors cannot replicate.
- Transforms the company from a service provider into a critical utility for the entire insurance value chain.

Strategic Value Drivers

APPLICATION

Parametric Trigger Utility

ICEYE provides the objective "ruler" for flood depth measurement. This data enables parametric policies to pay out automatically (zero LAE) within hours of an event, solving the fundamental speed/cost problem in NatCat claims.

VALUATION RATIONALE

The "Hard Tech" Premium

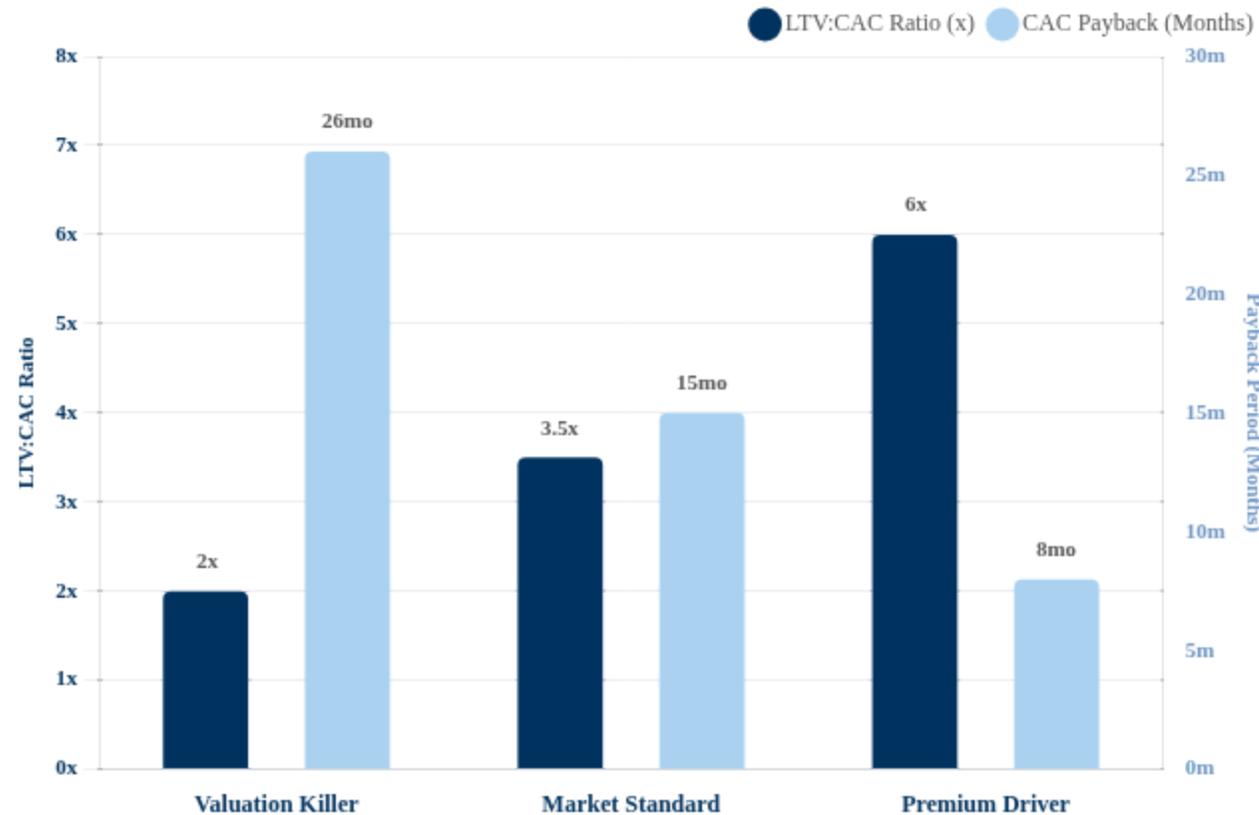
Valuation is decoupled from standard SaaS revenue multiples due to the scarcity of the asset. Investors pay a premium for "sovereign-grade" capabilities sold to the commercial insurance sector.

MARKET SIGNAL

Data Generation > Aggregation

Signals a flight to quality where deep-tech assets with physical moats outperform aggregators relying on commoditized public data sources.

Unit Economics: LTV:CAC Benchmarks



The Valuation Cliff

Companies falling into the **Valuation Killer** zone (<2.5x LTV:CAC) see multiples compress to <1.5x revenue. A payback period >24 months is viewed as unsustainable in the current high-cost-of-capital environment.

The Net Revenue Trap

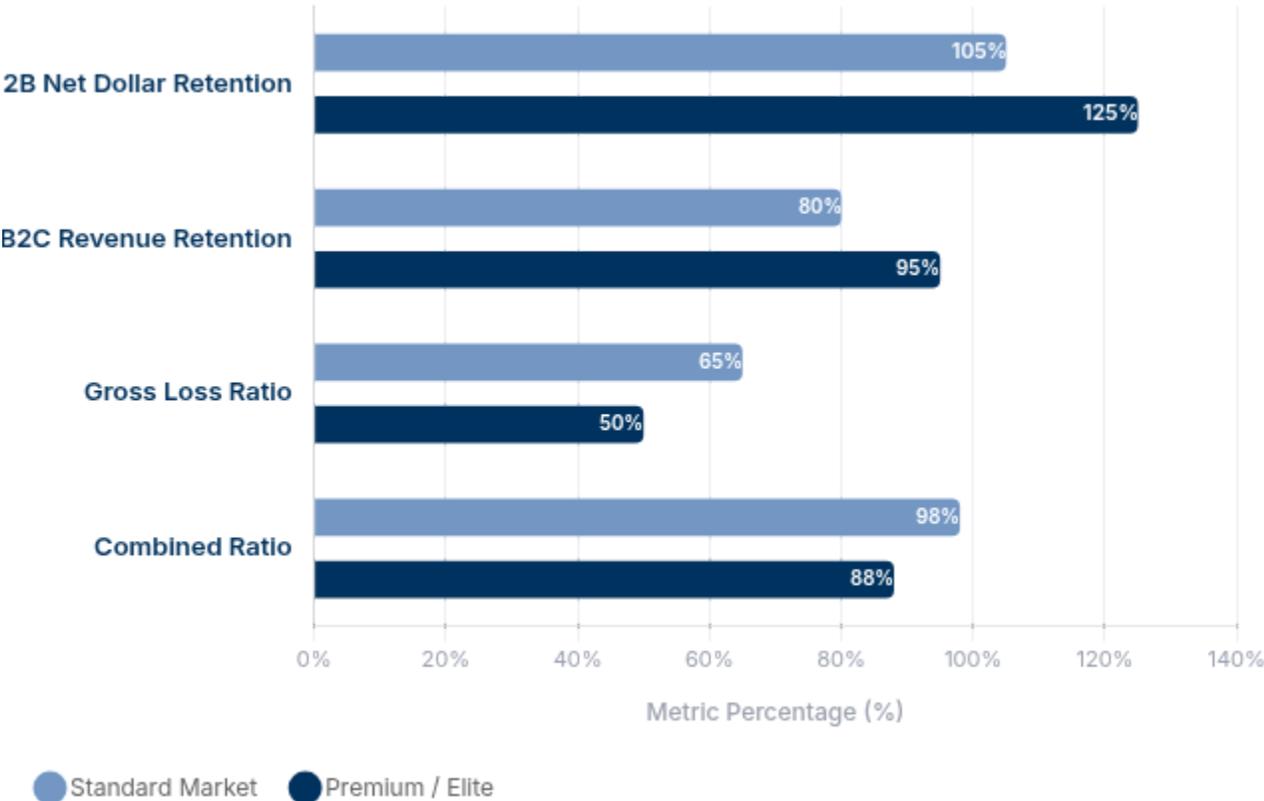
Founders often inflate LTV by using GWP. Smart investors recalculate using **Net Revenue** and true Contribution Margin (post-loss & reinsurance) to assess long-term viability.

B2B vs B2C Nuance

While 3x is standard, B2B models are afforded more leniency on payback (up to 18 months) due to higher retention, whereas consumer models face strict <12 **month** requirements.

Retention & Loss Ratio: The Quality Gatekeepers

Operational discipline drives valuation premiums. Investors prioritize **stability and efficiency** over raw growth in the current cycle.



Volatility Penalty

Investors heavily discount loss ratio volatility. A consistent 60% loss ratio is valued higher than one fluctuating between 40-80%, as volatility implies a lack of underwriting control.

Reinsurance Arbitrage

Stable underwriting (<55% loss ratio) secures lower reinsurance costs, directly expanding contribution margins and improving unit economics.

VALUATION IMPACT RANGES

B2B Net Dollar Retention	<90% Disc. 100-110% Std >120% Prem
Gross Loss Ratio	>75% Disc. 60-70% Std 40-55% Prem
Combined Ratio	>105% Disc. 95-100% Std <90% Elite

M&A vs IPO: Strategic Decision Framework

Strategic M&A Exit

Optimal for niche leaders and specialized infrastructure.

Revenue Threshold	\$10M – \$100M Net Revenue
Valuation Range	3x – 6x Synergy-Based
Timeline	6 – 12 Months
Primary Risk	Integration / Culture

IDEAL CANDIDATE PROFILE

Niche MGAs, Specialized SaaS, or Point Solutions solving a specific capability gap for incumbents.

Focus: Strategic Fit & IP

Public Listing (IPO)

The gold standard for scaled platforms and market leaders.

Revenue Threshold	> \$200M ARR / Net Revenue
Profitability	EBITDA Positive Clear Path Required
Timeline	12 – 24 Months
Primary Risk	Market Volatility

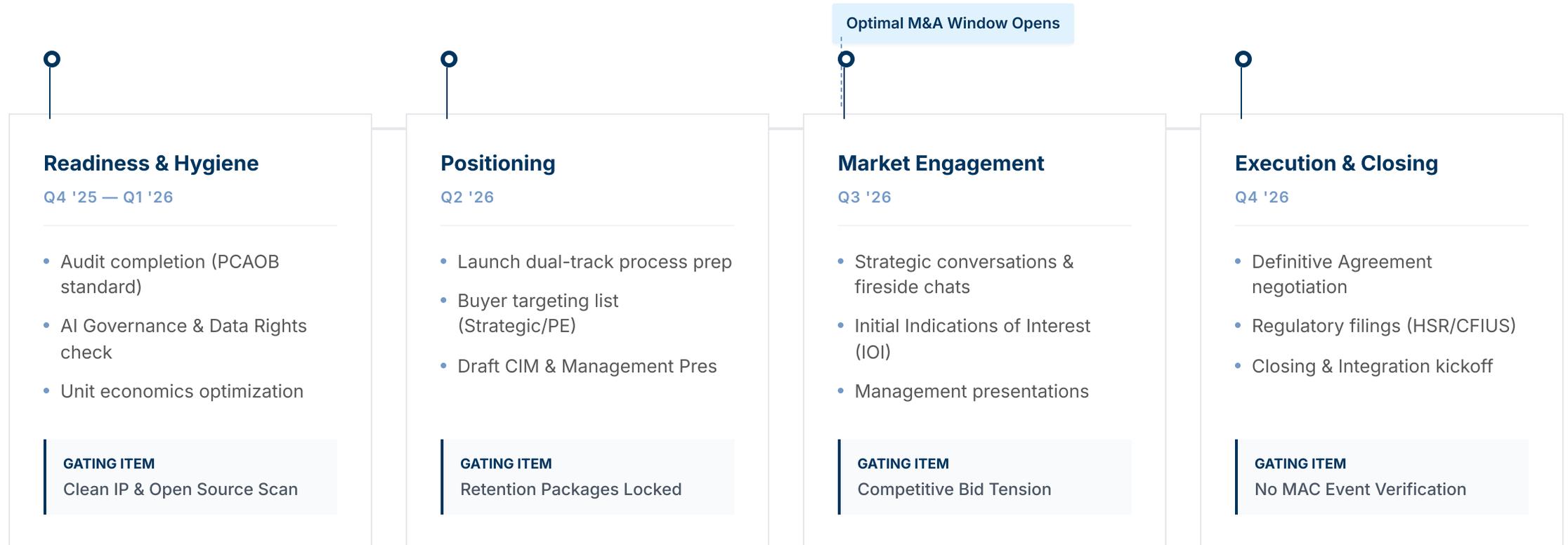
IDEAL CANDIDATE PROFILE

Full-Stack Carriers, Large Platforms, or Category Kings with "Rule of 40" adherence.

Focus: Predictability & Scale

Exit Preparation: 12-18 Month Roadmap

Strategic milestones and gating items to maximize valuation in the 2026 exit window



2026 Valuation Outlook: Scenario Analysis

Valuation multiples face a widening range of outcomes in 2026. While the baseline has stabilized at **4.2x**, divergent macro drivers could push multiples to **5.5x** in a "Bull" AI-supercycle or compress them to **3.0x** under geopolitical or regulatory stress.



BULL CASE

5.5X

Drivers: Aggressive Fed Cuts (>150bps)

- AI "Supercycle" drives 12% M&A growth
- IPO window fully reopens for >\$200M ARR
- Capital rotation into risk assets

STRATEGY: ACCELERATE GROWTH

BASE CASE

4.5X

Drivers: Steady Normalization (75bps)

- 7% M&A volume growth year-over-year
- Selective IPOs for profitable leaders
- Focus on operational efficiency

STRATEGY: BALANCE GROWTH & PROFIT

BEAR CASE

3.0X

Drivers: Inflation / Regulatory Shock

- Regulatory crackdown on AI/Crypto
- Geopolitical shock freezes M&A activity
- Rate holds or hikes compress multiples

STRATEGY: CASH PRESERVATION

Appendix — Sources & Methodology (Part 1)

Institution	Report Title	Published
Goldman Sachs	"2025/2026 M&A Outlook"; "GSAM Global Insurance Survey 2025"	Q3-Q4 2025
McKinsey & Company	"Global Insurance Report 2025"; "AI in Insurance 2025"	Oct 2025
BCG	"Insurance Value Creators 2025"; "State of Insurtech 2024"	Nov 2025
Bain & Company	"Global Private Equity Report 2025"; "Technology Report 2025"	Sep 2025
Deloitte	"2025 Insurance Outlook"; "Insurance Tech Trends 2025"	Nov 2025
PwC	"Insurance Deals Outlook 2026"	Dec 2025
EY	"Global IPO Trends 2025"	Q3 2025
Morgan Stanley	"Global Payments & FinTech Strategy Research"	Nov 2025
J.P. Morgan	"North American Equity Research: FinTech & Insurance"	Q4 2025

Appendix — Sources & Methodology (Part 2)

Institution	Report Title / Data Source	Published
Gallagher Re	<i>"Global InsurTech Report Q3 2025"</i>	Nov 2025
Finro Financial Consulting	<i>"Fintech & Insurtech Valuation Multiples 2025"</i>	Mid-2025
First Page Sage	<i>"EBITDA Multiples for Insurance Companies"</i>	2025
NTT Data	<i>"Insurtech Global Outlook 2025"</i>	2025
Mapfre / Dealroom	<i>"The State of Global Insurtech 2025"</i>	2025
SkyQuest	<i>"Parametric Insurance Market Forecast"</i>	2025
FinTech Global	<i>"Deal Analysis: Nirvana, Instabase, Alan"</i>	Q4 2025
Sica Fletcher	<i>"Insurance Broker M&A 2025"</i>	2025
Qubit Capital	<i>"LTV:CAC Benchmarks for Seed Rounds"</i>	2025
Wall Street Prep	<i>"Net Dollar Retention (NDR) Benchmarks"</i>	2025