

Initiated 2026-09-28 · Price \$31.85 (close 2026-09-25, stockanalysis.com) · Mkt cap \$4.50bn as-converted (141.3mm adjusted diluted shares incl. Class B; \$4.44bn on stockanalysis) · Financials / insurance brokerage · Model: verified

Rating: Sell — Conviction: Low

Baldwin has just doubled in size by buying CAC Group, and the adjusted numbers look healthy: Q2 adjusted EBITDA +37% at a 23.7% margin. Underneath, organic growth has slowed to 2%, and net leverage sits at 4.5x, the top of the target range, which has stopped buybacks. \$657mm of earnouts, deferred consideration and tax-receivable claims sit on top of \$2.5bn of debt. Once stock pay and the integration charges that recur every year are counted, the model's base case is well below the price, and the bear case leaves almost nothing for equity. Conviction is Low because the thesis turns on how much of the "one-time" cost really goes away.

MODEL VALUE RANGE VS PRICE



Business overview

Baldwin distributes insurance and earns commissions and fees. H1 2026 revenue was \$1,025mm, up 29%. The business has four parts:

- **Insurance Advisory Solutions:** retail brokerage.
- **Underwriting, Capacity & Technology Solutions:** MGA programs and Juniper Re.
- **Main Street Insurance Solutions:** embedded mortgage and homebuilder insurance, and Medicare.
- **CAC Group:** specialty and middle-market brokerage, merged in H1 2026 for \$1.026bn upfront plus up to \$250mm of earnout and a \$70mm deferred payment.

Segment revenue mix is n/a (unverified); the release gives growth rates but not shares. Three variables drive earnings: organic growth, which depends on P&C rates, exposure units and new business; how much integration and deal cost converts into lasting margin; and leverage and interest cost.

Competition

- **Rivals.** Baldwin competes with Brown & Brown, Arthur J. Gallagher, Ryan Specialty and private-equity-backed roll-ups (Hub, Acrisure) for clients, producers and acquisitions.
- **Where pressure shows first.** It is showing in price. Rate and exposure took 240bp off Q2 organic growth, concentrated in cat-exposed property renewals, and Juniper Re revenue fell \$4mm on softer reinsurance pricing (Q2 call, August 2026). The legacy brokerage segment's organic growth was -2% reported (8% on management's normalized basis). CAC grew 23%.

- **Valuation.** On forward P/E (stockanalysis, 2026-09-28), Baldwin trades at 14.0x, against 13.1x for Brown & Brown, 16.5x for Gallagher and 16.7x for Ryan Specialty. All three peers are down 24–35% over the past year; Baldwin is up 11%.

Bull case

1. **Organic growth re-accelerates.** Management says the headwinds are "largely lapped" and cites ~8–10% normalized organic growth. CAC grew 23% with new business +43%. Plays out if H2 2026 reported organic growth returns to mid-to-high single digits. *Model: rev_growth*
2. **Integration costs roll off.** The adjusted margin rose 110bp to 23.7%. If transaction, integration and transformation charges fade after the CAC year, the GAAP margin converges toward adjusted less stock pay. Plays out if those charges fall below ~\$20mm a quarter in 2027. *Model: ebitda_margin*
3. **Deleveraging re-rates the equity.** At 4.5x, each turn of leverage paid down moves value from debt to equity. Plays out if net leverage falls below 4.0x by end-2027. *Model: exit_ev_ebitda*

Bear case

1. **The soft market persists.** Q2 organic growth was 2%, with rate and exposure down 240bp. Commissions follow premiums down. Plays out if property and reinsurance rates keep falling into 2027. *Model: rev_growth*
2. **"One-time" costs recur.** In H1 2026, transaction, closing, earnout, transformation, severance and other charges were ~\$82mm, and stock pay another \$33.5mm, against \$254.0mm of adjusted EBITDA. GAAP operating income was negative on a TTM basis. Plays out if charges stay near FY2024–FY2025 levels. *Model: ebitda_margin*
3. **The balance sheet leaves no slack.** Debt is \$2.5bn and other claims \$657mm (earnouts \$346.8mm, deferred consideration \$165.2mm, TRA \$144.6mm). Buybacks have stopped, and earnouts (\$120.9mm current) absorb cash first. Plays out if organic growth stays low and leverage does not fall. *Model: other_claims, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus adjusted EPS \$2.01 FY2026)	14.0x	n/a (unverified)	BRO 13.1x · AJG 16.5x · RYAN 16.7x	stockanalysis.com, 2026-09-28
EV/EBITDA, model basis (EV \$7,474mm = as-converted market cap + \$2,502mm face debt – \$184.5mm cash + \$656.6mm other claims; leases excluded; GAAP EBITDA after SBC and charges)	34.9x FY2025 · 64x TTM (FY2025 excludes CAC)	GAAP EBITDA margin FY2021–FY2025 8.9–14.2%	n/a on this basis	model - inputs.json
EV/EBITDA (aggregator, TTM)	58.5x	n/a (unverified)	BRO 9.5x (acquisition-distorted) · AJG 16.8x · RYAN 14.7x	stockanalysis.com, 2026-09-28
EV / pro forma 2026 adjusted EBITDA (>\$470mm, merger announcement)	~15.9x	n/a	n/a	The Insurer, 2025-12-02

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$1.82 · Base \$22.99 · Bull \$47.40 per share, i.e. implied returns of –94.3% / –27.8% / +48.8% vs \$31.85. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** It sits about a third of the way from base to bull. The market is valuing Baldwin close to its adjusted EBITDA, which excludes stock pay and recurring deal costs.
- **Re-rating.** The base exit multiple is 14.0x, a large de-rating from the distorted 34.9x FY2025 figure but in line with peers. The two methods differ by 14% (Gordon \$24.45, exit \$21.52). The Gordon method is higher, so its terminal value embeds a richer multiple than 14x.

- **Tail.** No separate sensitivity was run: the bear case is already near zero (\$1.82), because \$3.2bn of debt and claims sit ahead of equity.
- **Floored cases.** None is floored at \$0, but the bear case is close to it.

Balance sheet:

- Debt: \$1.6bn term loan B (SOFR plus a margin, due 2031; \$500mm swapped to fixed), \$600mm of 7.125% senior secured notes due 2031, and a \$302mm revolver due 2029.
- Leverage: management's net leverage is 4.5x adjusted EBITDA. On the model's GAAP basis it is 6.9x in Y1, falling to 2.9x by Y5 in the base case, and Y1 EBITDA covers interest 2.0x.
- Liquidity: \$184.5mm of cash and \$259.4mm of revolver capacity. The nearest material maturity is the revolver in 2029.
- Ratings: n/a (unverified).

Model note: tier **full**, status **built**, verification **verified** (LibreOffice matched every formula cell). There are no unverified inputs and no assumptions without basis. Scenario consistency is **OK** on all 14 rows; S6 was corrected from – to ± because the lower discount rate offsets the revenue loss.

- **Estimates.** The term-loan margin and blended 7% cost of debt are estimates, affecting EPS only. The 20% cash tax rate is a judgment.
- **EBITDA** is GAAP operating income plus D&A: after stock pay and all integration and earnout charges.
- **EPS.** Base Y1 EPS is –\$0.29, against the \$2.01 consensus, which is adjusted. The model's EPS is after ~\$190mm a year of intangible amortization, stock pay and charges.

Scenario stress test

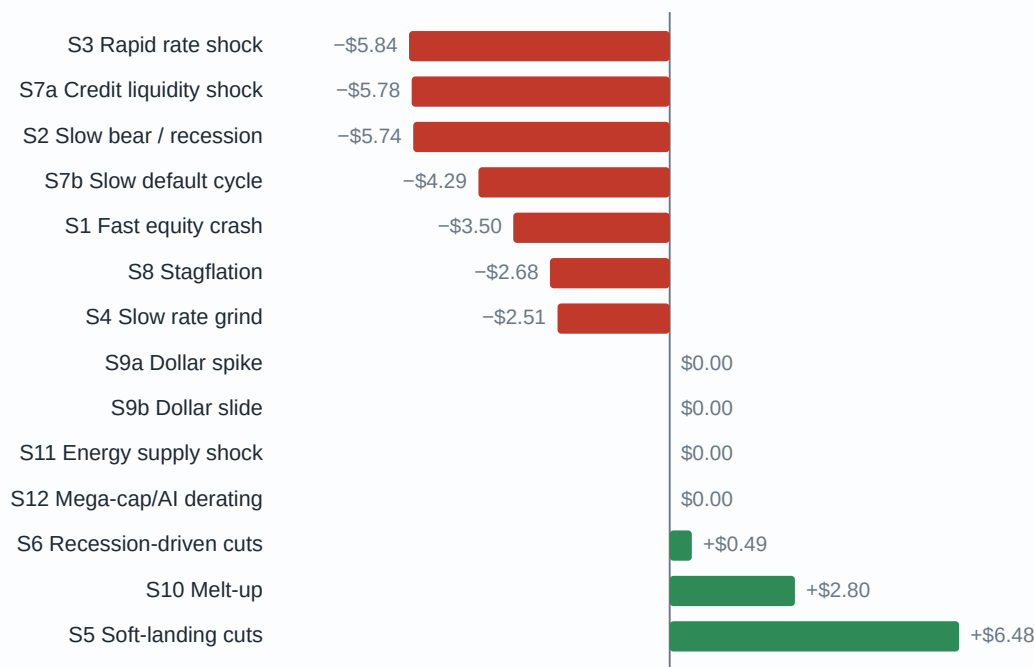
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Levered small-cap financial de-rates; commissions unaffected without recession	Med	–\$3.50
S2 Slow bear / recession	–	Exposure units and housing-linked revenue shrink; leverage amplifies. Milder than Base – Bear (\$21.17) because it lasts two years, while the bear case is a permanent soft market with recurring charges	High	–\$5.74
S3 Rapid rate shock	–	Higher discount rate on a levered equity; mortgage and homebuilder volumes fall	High	–\$5.84
S4 Slow rate grind	–	Higher discount rate; floating debt costs more	Low	–\$2.51
S5 Soft-landing cuts	+	Lower rates help housing-linked revenue and the levered equity	High	+\$6.48
S6 Recession-driven cuts	±	Exposure units shrink, roughly offset by a lower discount rate	Low	+\$0.49
S7a Credit liquidity shock	–	Secured-loan spreads gap wider on a 4.5x borrower; the M&A model stalls	High	–\$5.78
S7b Slow default cycle	–	Refinancing risk for the 2029–2031 maturities; higher discount rate	Med	–\$4.29
S8 Stagflation	–	Premium inflation lifts commissions, but higher rates weigh more	Low	–\$2.68
S9a Dollar spike	0	No material effect, not modeled; domestic broker	Low	\$0.00
S9b Dollar slide	0	No material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Risk appetite favours levered roll-ups	Low	+\$2.80
S11 Energy supply shock	0	No material effect, not modeled	Low	\$0.00

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S12 Mega-cap/AI derating	0	No material effect, not modeled	Low	\$0.00

Currently active/on watch per the playbook: S3 is partially active per `state.md`, and the macro log records all three legs crossed (10Y 5.17% on 2026-09-25). S3 costs Baldwin \$5.84 in the model. S8, S10 and S11 are on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- H2 2026 reported organic growth reaches 6% or more; or
- Quarterly non-SBC adjustments (transaction, integration, transformation, severance, earnout, other) fall below \$20mm; or
- Net leverage falls below 4.0x without equity issuance.

Downgrades if: (i.e. conviction in the Sell rises)

- Reported organic growth stays at 3% or below in Q3 2026; or
- Earnout liabilities are revalued up again; or
- The revolver draw rises further.

Watch items

- **W1:** Reported organic growth in Q3 2026, against 2% in Q2. Source: Q3 2026 release (late October 2026). *Model: rev_growth*
- **W2:** Sum of non-SBC adjustments in the adjusted EBITDA reconciliation, against ~\$46mm in Q2 2026. Source: Q3 2026 release. *Model: ebitda_margin*

- **W3:** Net leverage and revolver balance, against 4.5x and \$302mm. Source: Q3 2026 10-Q. *Model: none*
- **W4:** Contingent earnout liability, against \$346.8mm. Source: Q3 2026 10-Q. *Model: other_claims*

Sources

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- Peer statistics: Brown & Brown <https://stockanalysis.com/stocks/bro/statistics/> · Arthur J. Gallagher <https://stockanalysis.com/stocks/ajg/statistics/> · Ryan Specialty <https://stockanalysis.com/stocks/ryan/statistics/> — accessed 2026-09-28
- Daily macro log, 2026-09-25 (10Y 5.17%, S3 legs) — `logs/macro-2026-09.md`

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.