

Initiated 2026-09-28 (re-initiation of the same-day aggregator-built report) · Price \$38.12 (as of 2026-09-28 close, stockanalysis.com) · Mkt cap \$9.75bn · Financials / insurance intermediaries (wholesale and delegated authority) · Model: verified

## Rating: Hold — Conviction: Low

Ryan Specialty is a good franchise. It still grows organically at 6.7% while the largest listed wholesale competitor's specialty unit shrinks. But on filed numbers the stock is not cheap: 18.2x GAAP EBITDA, with net debt 4.5x that EBITDA. The model's base case lands on today's price, so the market is already paying for mid-single-digit growth and a margin recovery. The earlier same-day Buy rested on an aggregator EBITDA about 14% above what the 10-K reports.

Conviction tests (3a-v-c): T1 fail — Hold → Buy at  $-1pp$  (base  $+17.8\%$ );  $-16.5\%$  at  $+1pp$  stays Hold · T2 pass · T3 pass · T4 pass

### MODEL VALUE RANGE VS PRICE



## Business overview

Ryan Specialty places hard-to-place commercial risks for retail brokers. Wholesale brokerage was about 55% of Q2 2026 revenue. It also underwrites for insurers through MGUs and programs (underwriting management, ~34%) and binds small risks under delegated authority (binding authority, ~11%). Filed revenue grew about 20% a year from FY2021 to FY2025, to \$3.05bn, helped by \$1.71bn of acquisitions in 2024 and \$746mm in 2025. H1 2026 revenue rose 10.8%. Q2 organic growth was 6.7%, and FY2026 organic growth is guided to mid-single digits with the adjusted EBITDAC margin down 50–100bp. Earnings turn on E&S premium flow and rates (property falling, casualty firmer), producer compensation, and interest on \$3.63bn of debt.

## Competition

The competitors that matter are Amwins and CRC (both private) and Brown & Brown's Specialty Distribution segment. Brown & Brown's specialty unit reported organic revenue down 3.5% in Q2 2026 (10-Q, quarter to 2026-06-30), as catastrophe property rates fell 15–35%. Its segment margin fell 400bp. Ryan grew 6.7% in the same quarter, which points to share gains in casualty and underwriting management. Pressure shows up first in property commissions, then in casualty and binding authority. On stockanalysis TTM EV/EBITDA (2026-09-28), Brown & Brown trades at 9.5x, WTW at 11.6x and Gallagher at 16.7x; Ryan is 14.8x on the same page. Brown & Brown's 9.5x reflects its own organic stall, so it is a floor, not a fair comparable.

## Bull case

1. **E&S flow proves structural.** Casualty business keeps moving into the E&S channel and underwriting management keeps compounding. Organic growth stays near high single digits and today's multiple holds. Plays out if casualty rate increases persist and property declines bottom in 2027. *Model: rev\_growth, exit\_ev\_ebitda*
2. **Margin recovers past 2025.** The Empower restructuring (\$33.4mm in Q2 alone) and the integration of the 2024–25 MGU acquisitions lift GAAP EBITDA margin from ~24% in 2026 toward 28%. Plays out if the adjusted margin stabilizes after 2026 and restructuring charges stop. *Model: ebitda\_margin*
3. **Deleveraging.** Cash flow cuts net leverage from 4.5x toward ~2.2x by FY2030 in the base path. *Model: not in the value range — in this module debt paydown moves EPS and the net-cash path only; value uses FY0 net debt.*

## Bear case

1. **The soft market spreads.** Cat property rates keep falling and standard carriers pull casualty back from E&S, so revenue stalls in 2027. Plays out if Ryan's organic growth falls below 3% in Q3–Q4 2026. *Model: rev\_growth, wacc*
2. **Operating deleverage.** Producer compensation is sticky, so flat revenue takes the GAAP margin back to ~22%, the FY2022–FY2024 level. Plays out if the FY2026 adjusted margin cut exceeds 100bp. *Model: ebitda\_margin*
3. **A diversified-broker multiple.** A levered wholesaler without growth trades like Brown & Brown or WTW. *Model: exit\_ev\_ebitda*

## Valuation & balance sheet

| Metric (definition)                                                                         | Current                                                       | Own history (range or 5y avg) | Peers                             | Source, as-of                       |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------|-----------------------------------|-------------------------------------|
| EV/EBITDA, aggregator (TTM, adjusted-style EBITDA \$909mm)                                  | 14.8x                                                         | n/a (unverified)              | BRO 9.5x · WTW 11.6x · AJG 16.7x  | stockanalysis.com, 2026-09-28       |
| EV/EBITDA, model basis (EV \$14.19bn incl. \$464mm TRA; filed GAAP EBITDA; leases excluded) | 18.2x FY2025 · 18.6x TTM                                      | n/a                           | n/a (peers not restated)          | model-inputs.json, 10-K, Q2 release |
| Forward P/E (stockanalysis consensus, adjusted EPS)                                         | 16.6x                                                         | n/a (unverified)              | BRO 13.1x · WTW 14.0x · AJG 16.5x | stockanalysis.com, 2026-09-28       |
| FCF yield (OCF – capex, FY2025)                                                             | 5.6% (\$576mm); 4.8% after tax distributions and TRA payments | \$264mm–\$576mm FY2021–FY2025 | n/a                               | FY2025 and FY2023 10-K cash flows   |

**Model-implied value range** (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$16.53 · Base \$37.27 · Bull \$60.27 per share, i.e. implied returns of –56.6% / –2.2% / +58.1% vs \$38.12. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the base case, halfway between bear and bull, so the market prices neither the spreading soft market nor a return to high-single-digit organic growth. The base exit of 15x is a 17.5% de-rating from 18.2x FY2025 (19% from 18.6x TTM). The two methods agree within 4% (Gordon \$37.96, exit \$36.58), so neither embeds a re-rating.

**Tail.** Wholesale brokerage is ~55% of revenue, so a harsher bear was run on a scratch copy: revenue +5% / –4% / –2% / +2% / +3%, GAAP EBITDA margin 22.5% falling to 19–20%, NWC –3% of revenue, a 10x exit and a 10% WACC. It gives \$6.23 (–83.7%). Leverage makes the tail steep.

**Balance sheet:** net leverage 4.5x FY2025 GAAP EBITDA (model Credit), coverage 3.6x. Liquidity: \$140mm cash (excluding fiduciary funds) plus \$1,043mm undrawn on the \$1.4bn revolver. Debt at principal is \$3,632mm: the term loan B (\$1,675mm), revolver draw (\$357mm), 4.375% secured notes due February 2030 (\$400mm) and 5.875% secured notes due 2032 (\$1.2bn). The nearest material maturity is the 2030 notes; the revolver and term loan maturities weren't retrieved (2029 and 2031 assumed). TRA liabilities are \$464mm. Ratings: n/a (unverified).

**Model note:**

- Tier `full` , status `built` , verification `verified` (LibreOffice matched all 3,207 formula cells). Scenario consistency `OK` on all 14 rows. No assumptions without basis.
- Unverified input: diluted shares (268.5mm, derived from Q2 adjusted net income ÷ adjusted diluted EPS). The filed Class A + B count is 255.8mm. Using it lifts base value 5% to \$39.12.
- Historicals are from EDGAR and the 10-Ks. Filed FY2025 EBITDA is \$781.2mm, not the \$887.2mm aggregator figure the earlier model used. Term loan and revolver balances come from the 10-Q via a search summary.
- GAAP EBITDA is after equity compensation, contingent-consideration remeasurement and Empower restructuring; adjusted EBITDAC adds these back. Contingent consideration liabilities were not retrieved and are not in `other_claims` .
- Base WACC (8.1%) carries a stated ~100bp premium over the 7.12% CAPM-based figure, for 4.5x leverage.
- Base Y1 GAAP EPS of \$0.84 is far below the ~\$2.30 adjusted EPS implied by the 16.6x forward P/E. There is no company EPS guidance. The adjusted figure adds back amortization, equity compensation, restructuring and earn-out remeasurement; the model EPS is not meant to match it.

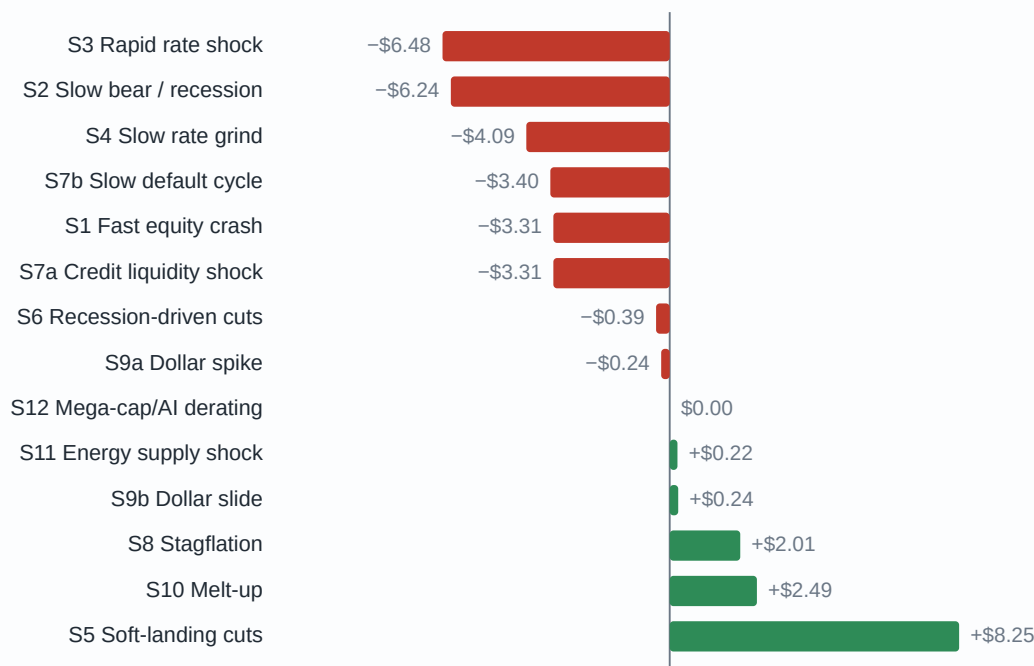
## Scenario stress test

*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       | –      | Market de-rating of a levered roll-up; no operating channel                                                                                                                                                  | Med       | –\$3.31                       |
| S2 Slow bear / recession   | –      | Exposure units (payroll, construction, transport) shrink while rates hold. About 30% of Base – Bear (\$20.74), because a recession is a transitory exposure hit and the bear case is a permanent soft market | High      | –\$6.24                       |
| S3 Rapid rate shock        | –      | Higher discount rate; floating term loan and revolver cost more; fiduciary income rises slightly (not modeled)                                                                                               | High      | –\$6.48                       |
| S4 Slow rate grind         | –      | Same channel, grinding                                                                                                                                                                                       | Med       | –\$4.09                       |
| S5 Soft-landing cuts       | +      | Lower rates on a levered balance sheet; exposure growth intact                                                                                                                                               | High      | +\$8.25                       |
| S6 Recession-driven cuts   | –      | Exposures shrink and fiduciary income falls, only partly offset by lower rates                                                                                                                               | Low       | –\$0.39                       |
| S7a Credit liquidity shock | –      | Leveraged-loan spreads gap wider on a ~4.5x-levered secured structure; forced selling                                                                                                                        | Med       | –\$3.31                       |
| S7b Slow default cycle     | –      | Refinancing cost rises; insured small-business exposures shrink                                                                                                                                              | Med       | –\$3.40                       |
| S8 Stagflation             | +      | Loss-cost inflation pushes premium rates and commissions up; a higher discount rate partly offsets                                                                                                           | Low       | +\$2.01                       |
| S9a Dollar spike           | –      | Small UK and European operations translate lower                                                                                                                                                             | Low       | –\$0.24                       |
| S9b Dollar slide           | +      | Mirror of S9a                                                                                                                                                                                                | Low       | +\$0.24                       |
| S10 Melt-up                | +      | Beaten-down growth financials re-rate                                                                                                                                                                        | Low       | +\$2.49                       |
| S11 Energy supply shock    | ±      | Energy and marine premium rates rise; costs offset                                                                                                                                                           | Low       | +\$0.22                       |
| S12 Mega-cap/AI derating   | 0      | No material effect, not modeled; not AI-linked                                                                                                                                                               | —         | \$0.00                        |

**Currently active/on watch per the playbook:** `state.md` lists S3 as partially active; the macro log records all three legs crossed from 2026-09-24 (10Y 5.17% on 2026-09-25). S8, S10 and S11 are on watch. S3 is High here; S8, S10 and S11 are Low.

## MODEL VALUE CHANGE VS BASE, BY SCENARIO



## What would change the call

### Upgrades if:

- Q3 2026 organic growth holds  $\geq 5\%$  against the year's toughest comparison, with the adjusted margin cut at or under 50bp and restructuring charges tapering; or
- Net leverage falls below 3.5x on GAAP EBITDA without a slowdown in growth.

### Downgrades if:

- Organic growth falls below 3% in Q3 or Q4 2026, or the property book decline accelerates; or
- Leverage rises again through debt-funded M&A or buybacks while growth slows.

## Watch items

- **W1:** Q3 2026 organic growth (Q2 +6.7%; FY guide mid-single digits). Source: Q3 2026 release (late October 2026, date n/a unverified). *Model: rev\_growth*
- **W2:** Adjusted EBITDAC margin against the "down 50–100bp" guide, and Empower restructuring charges (Q2 \$33.4mm). Source: Q3 2026 release. *Model: ebitda\_margin*
- **W3:** Brown & Brown Specialty Distribution organic growth, as a read on wholesale property (Q2 –3.5%). Source: BRO Q3 2026 release. *Model: rev\_growth*
- **W4:** Net leverage and the capital-allocation mix (Q2 buybacks \$260mm; revolver draw \$357mm). Source: Q3 2026 10-Q. *Model: none*

## Sources

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<https://www.sec.gov/Archives/edgar/data/1849253/000184925326000006/R3.htm> — accessed 2026-09-28
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- Brown & Brown Q2 2026 10-Q (Specialty Distribution organic revenue) —  
<https://www.sec.gov/Archives/edgar/data/0000079282/000119312526318251/bro-20260630.htm> — accessed 2026-09-28 (via search summary)
- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md`, 2026-09-24/25 entries

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