



The Baldwin Group

3Q25 Wrap: Results Close to Expectations, Nothing to Get Excited About

BWIN's 3Q25 earnings were below our estimates but better than consensus. Organic growth was in line (weaker at IAS, better at UCTS and Main Street). Below-the-line items hurt cash flow and will likely persist as a drag given the upfront expenses associated with BWIN's cost reduction program. Management issued 4Q25 and 2026 guidance that was consistent with street expectations.

- **Adjusted EPS and EBITDA lower than expected, better than consensus.** BWIN reported adjusted EPS of \$0.31, below our \$0.32 estimate but above consensus of \$0.30 and at the high-end of management guidance (\$0.28-0.31). Similarly, adjusted EBITDA of \$72.5 million (19.8% margin) fell short of our estimate (\$75.4 million, 20.7% margin) but was higher than consensus (\$71.4 million, 19.7% margin). BWIN's 3Q25 adjusted EBITDA came in at the midpoint of guidance (\$70-75 million).
- **Revenues and organic growth close to estimates, but mixed across segments.** Revenues of \$365.4 million were close to our \$364.3 million estimate and slightly above consensus of \$362.8 million. Organic growth was +4.5%, a touch lower than our +4.6% assumption and below consensus of +5.2%. Management guidance for 3Q25 was \$355-365 million of revenues (actual results were at the high-end) and mid-single-digit organic growth (actual results were roughly in-line). Compared to our model, organic growth was better than expected at Underwriting Capacity/UCTS (+16% vs. +14%E) and Main Street/MIS (-2% vs. -3%E), but worse at Insurance Advisory/IAS (0% vs. +4%E). On a negative note, adjusted free cash flow was \$41.0 million, up from \$32.4 million in 3Q24 but below our \$70.0 million estimate.
- **BWIN's 4Q25 guidance slightly worse than implied by 2Q25 update, 2026 outlook issued.** On the 3Q25 earnings call, management provided guidance for 4Q25 (revenues: \$345-355 million, adjusted EBITDA: \$68-73 million, adjusted EPS: \$0.28-\$0.32) that was slightly worse than implied – with the exception of adjusted EPS – by its prior update on the 2Q25 earnings call. Putting together BWIN's comments on the 2Q25 call about 3Q25 and full-year 2025 expectations, our conclusion was that management was implying 4Q25 revenues of \$348-368 million, 4Q adjusted EBITDA of \$71-76 million, and adjusted EPS of \$0.20-0.30. **Separately, BWIN issued a preliminary view of 2026 metrics** (organic growth: high-single-digit, revenues: \$1,660-1,700 million, adjusted EBITDA: \$380-400 million, adjusted EPS: \$1.95-\$2.10). Here, our and consensus estimates range from the mid-point to the upper half of management guidance.
- **Key takeaways from the earnings call: commentary on revenue drivers.** BWIN provided background commentary about various puts and takes affecting revenues this quarter and its outlook for 2026 revenues. **Overall, we think BWIN's guide to high-single-organic growth in 2026 is reasonable, but we are concerned about certain headwinds persisting into 2026, such as softer P&C and employee benefit market conditions.** IAS: (a) Flat

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Neutral

BWIN, BWIN US

Price (04 Nov 25):\$23.01

▼ **Price Target (Dec-26):\$33.00**

Prior (Dec-26):\$34.00

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J.P. Morgan Securities LLC

Quarterly Forecasts (FYE Dec)

Adj. EPS (\$)	2024A	2025E	2026E
Q1	0.56	0.65A	
Q2	0.34	0.42A	
Q3	0.33	0.31A	
Q4	0.27	0.31	
FY	1.49	1.68	2.01

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	92	81	85	95	95
Growth	47	42	24	81	3
Momentum	100	19	7	48	11
Quality	47	28	30	41	42
Low Vol	79	75	68	92	71

See page 15 for analyst certification and important disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	-40.6%	-20.1%	-36.1%	-50.2%
Rel	-49.4%	-18.1%	-45.8%	-59.5%

Company Data

Shares O/S (mn)	119
52-week range (\$)	50.46-21.26
Market cap (\$ mn)	2,728.66
Exchange rate	1.00
Free float (%)	98.0%
3M ADV (mn)	0.94
3M ADV (\$ mn)	27.4
Volatility (90 Day)	54
Index	RUSSELL 2000
BBG ANR (Buy Hold Sell)	5 3 1

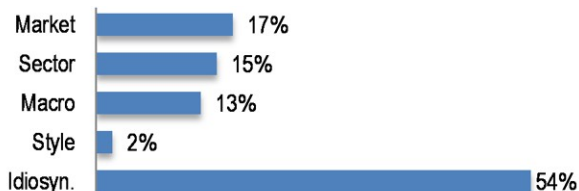
Key Metrics (FYE Dec)

in	FY24A	FY25E	FY26E
Financial Estimates			
Investment banking	-	-	-
Brokerage commissions	1,389	1,510	1,681
Asset management income	-	-	-
Trading income	-	-	-
Total non-interest income	-	-	-
Net interest income	-	-	-
Net revenue	1,389	1,510	1,681
Operating expense	-	-	-
Adj. pre provision profit	61	104	158
Adj. PBT	(39)	(23)	38
Adj. net income	176	200	247
Adj. EPS	1.49	1.68	2.01
BBG EPS	1.48	1.66	2.03
DPS	0.00	0.00	0.00
BVPS	8.58	8.45	8.59
Total Assets	313	323	441
Margins and Growth			
Net margin	-	-	-
Adj. EPS growth	33.1%	12.7%	19.8%
Ratios			
Adj. tax rate	(4.4%)	(2.9%)	0.0%
Cost to income ratio	-	-	-
Dividend payout	0.0%	0.0%	0.0%
Commission / Avg. asset	-	-	-
ROA	65.3%	62.9%	64.5%
Valuation			
Dividend yield	0.0%	0.0%	0.0%
Adj. P/E	15.5	13.7	11.5

Summary Investment Thesis and Valuation

We are Neutral. In our view, BWIN has the potential to outperform other public brokers over time given its above-average organic growth profile and ongoing margin expansion. Additionally, we continue to expect free cash flow to inflect positively in the next few years. The stock's valuation has also become more attractive, and it trades at a more reasonable multiple (when considered against free cash flow) versus commercial brokers peers. However, we think that there is more risk to the company's fundamental outlook than previously given the current macro and P&C backdrop. New business growth in IAS/commercial P&C brokerage could come under pressure in a weaker economic environment, and pricing compression in property lines could hurt growth in the renewal book. Meanwhile, although growth should remain healthy in the UCTS/MGA segment, revenues and margins in MIS/Main Street are likely to face headwinds (as previously flagged by management) with BWIN transitioning from QBE as a capacity provider to its newly established reciprocal exchange.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.26	0.35
Sect: Financials	0.29	0.42
Ind: Insurance	0.09	0.44
Macro:		
US 10yr yield	-0.29	-0.43
US 10yr Breakeven	-0.09	-0.23
Credit Spread	0.19	0.19
Quant Styles:		
Size	-0.33	-0.08
Quality	-0.22	-0.07
Value	0.07	-0.05

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

organic growth would have been +4% without the effect of the accounting policy change BWIN had disclosed in 2Q25 and implemented beginning in 3Q25 (effectively a \$6-7 million quarterly headwind on organic revenues). This update will change BWIN's practice of trueing up revenues based on monthly cash receipts to conducting true-ups only at policy renewal. The former was more costly and inefficient to implement, suggesting some intention of cost-savings behind this policy change. From an organic growth perspective, the accounting change – which is effectively a deferral of revenue recognition to policy renewal instead of continuous recognition throughout the policy term – will result in depressed organic growth through 1H26 and a pick-up beginning in 3Q26. **(b)** Sales velocity was strong at 20% in 3Q25. Given mid-single-digit organic growth in 3Q25 (excluding the accounting change), this would suggest revenue retention in the mid-80s, about ~5 points worse than BWIN's normal run-rate of ~90. **(c)** This ~5 point drag coincides with the overall pricing/exposure headwind of 5.7% disclosed by BWIN. What was surprising to us, however, was the relative contribution of employee benefits (~800 bps headwind) relative to P&C (~280 bps headwind). The latter is impacted by pricing trends, including the softer property pricing theme that is affecting many companies in P&C, while the former is influenced by factors such as employee headcount and wages. On our follow up call with management, there was no call out about anything unique in BWIN's employee benefits book that would explain this skew. Employee benefits is ~35% of IAS revenues while P&C is ~55%. **(d)** Management believes that the 5.7% pricing/exposure headwind in 3Q25 is a floor, thus implying less of a headwind in future quarters. **UCTS: (a)** Organic revenue growth was +16%, underpinned by products such as the multi-family/rental portfolio (+16%) and commercial umbrella (+16%), but would have been ~400 bps better absent the drag from softer pricing in E&S homeowners'. Although management said that this headwind should persist through 2025, it is not clear to us why this wouldn't have spill over in 2026 absent any major catastrophe events. **(b)** Management noted that several initiatives should drive prospective growth, including the creation of a second homebuilders' program with Hippo. **(c)** In our view, a potential headwind to consider for UCTS organic growth in 2026 is the artificial lift provided by BWIN's captive program to organic growth in 2025. Under this program, BWIN began taking on underwriting risk for a specific sleeve of renters' insurance business instead of functioning as a pure intermediary/MGA. Although management did highlight valid economic reasons for this change, it does have a positive mechanical impact on organic growth (i.e. BWIN recognizes 100% of premiums as revenues instead of the typical 30% MGA commission). In a previous note, we estimated this impact (along with the contribution of Juniper Re) at 4-6 points of organic growth. **MIS: (a)** A 2% decline in organic revenues would have been +8% growth instead after removing the impact of QBE commission decline (from 31% to 26%). This headwind is expected to last through April 2026. Beyond this point, growth in the book will begin tracking premium growth. **(b)** BWIN is looking to recoup the 5 points of lost QBE commission via fees it will charge as an attorney-in-fact for the exchange that will house policies being transitioned off QBE. Due to accounting, these fees will not be reflected in revenues (BWIN has a minority equity position in the exchange) or organic growth. They will, however, show up in EBITDA. Also, due to the time needed to roll the QBE book and for premiums to earn through, BWIN does not expect to fully recoup the 5 points of lost commission until after the next 2-2.5 years.

- **Key takeaways from the earnings call: cost reduction program.** BWIN announced a 3-year cost reduction program called 3B30 that was launched in 3Q25 and aims to generate run-rate annual savings of \$40 million by the end of 2028. Savings will ramp up over the next few years (no material savings in 2025, \$3-5 million in 2026, \$10-15 million in 2027), amounting to cumulative savings of \$50 million by the end of 2028. The cumulative cost of the program is expected to be \$40 million by the end of 2028, with charges of \$15 million in each of 2026 and 2027. In 3Q25, BWIN booked a charge of \$4 million. **The program implies incremental EBITDA margins of ~200 bps at a run-**

rate level, which is an improvement from where BWIN is today (22.5% in 2024) but still places it behind peers. In the meantime, the program will be another use of cash in the near term. Although the required investment does not change the overall trajectory of BWIN's cash flow, it introduces a delay.

- **Key takeaways from the earnings call: share buyback program.** BWIN disclosed that its board plans to authorize a share buyback program of \$200 million once the company's leverage falls below 4x, which it expects at year-end. Management characterized its approach as opportunistic rather than programmatic. **All else equal, we view the share buyback program as an incremental positive, but not enough to get more constructive on the stock.** Management noted that its EPS outlook for 2026 does not assume share repurchases.
- **Reducing estimates modestly.** We are now assuming adjusted EBITDA for 4Q25 and 2026 of \$70.2 million and \$388.0 million, down from \$71.6 million and \$397.8 million. On an adjusted EPS basis, this translates to \$0.31 (unchanged) and \$2.01 (down from \$2.03). Our updated earnings estimates reflect lower revenues and margins, partly offset by BWIN's cost savings program, which should have a more pronounced benefit over time. Costs associated with the program are reported below-the-line but impact our estimate of free cash flow. We are now assuming organic growth of +3.7% in 4Q25 (down from +4.6%) and +9.5% in 2026 (slightly lower than +9.6% previously).
- **We are Neutral.** In our view, BWIN has the potential to outperform other public brokers over time given its above-average organic growth profile and ongoing margin expansion. Additionally, we continue to expect free cash flow to inflect positively in the next few years. The stock's valuation has also become more attractive, and it trades at a more reasonable multiple (when considered against free cash flow) versus commercial brokers peers. However, we think that there is more risk to the company's fundamental outlook than previously given the current macro and P&C backdrop. Furthermore, ongoing below-the-line costs are a drag on cash flow..

3Q25 Summary Results

The following tables and charts summarize BWIN's 3Q25 results and its historical operating performance:

Table 1: 3Q25 Earnings: Actual versus Expected

\$ in thousands, %, and bps

	P&L Items (\$ in thousands)		Margin Items (%)		EPS upside / (downside)
	3Q25E	3Q25A	3Q25E	3Q25A	
Commissions and fees	361,659.6	362,317.0	99.3%	99.2%	\$0.01
Investment income	2,687.9	3,072.0	0.7%	0.8%	\$0.01
Total revenues	364,347.5	365,389.0	100.0%	100.0%	\$0.01
Commissions, employee compensation	(257,653.1)	(272,142.0)	70.7%	74.5%	-\$0.20
Operating expenses	(58,783.8)	(56,008.0)	16.1%	15.3%	\$0.04
Depreciation expense	(1,578.9)	(1,649.0)	0.4%	0.5%	\$0.00
Amortization expense	(26,493.2)	(30,394.0)	7.3%	8.3%	-\$0.05
Change in fair value of contingent comp.	-	(1,980.0)	0.0%	0.5%	-\$0.03
Total expenses	(344,509.0)	(362,173.0)	94.6%	99.1%	-\$0.25
Operating income	19,838.5	3,216.0	5.4%	0.9%	-\$0.23
Interest income (expense), net	(33,033.8)	(31,132.0)	-9.1%	-8.5%	\$0.03
Other income (expense), net	-	(2,321.0)	0.0%	-0.6%	-\$0.03
Earnings before taxes	(13,195.3)	(30,237.0)	-3.6%	-8.3%	-\$0.24
Non-controlling interest	5,255.3	11,510.0			\$0.09
Taxes	-	-			\$0.00
Net Income to Baldwin shareholders	(7,940.0)	(18,727.0)	-2.2%	-5.1%	-\$0.15
Weighted average diluted shares	71,551.9	68,605.0			-\$0.01
Net EPS	-\$0.11	-\$0.27			-\$0.16

Source: Company reports and J.P. Morgan estimates.

Table 2: Historical Revenues, Margins, and Cash Flow

\$ in thousands and % except per share amounts

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25E	2Q25A
Revenues	330,446	297,191	306,270	284,648	1,218,555	380,367	339,840	338,938	329,892	1,389,037	413,405	376,738	378,811
% growth	36.1%	27.8%	18.1%	15.7%	24.3%	15.1%	14.4%	10.7%	15.9%	14.0%	8.7%	10.9%	11.5%
Organic growth	23.0%	21.7%	18.6%	14.9%	19.2%	15.6%	18.7%	13.8%	19.0%	16.7%	10.3%	10.0%	11.3%
Middle Market / Insurance Advisory	13.9%	15.3%	10.8%	8.8%	12.4%	11.3%	7.7%	7.1%	15.7%	10.4%	2.5%	7.0%	9.7%
Specialty / Capacity & Technology	55.5%	35.7%	25.3%	21.5%	31.5%	20.7%	36.9%	25.5%	25.2%	27.1%	32.2%	20.0%	21.3%
MainStreet Solutions	20.4%	19.5%	28.7%	21.1%	23.0%	24.0%	24.9%	13.6%	18.6%	20.1%	9.6%	6.5%	-0.4%
Main Street Medicare													
Acquired revenues from prior deals	30,871	12,840	985	-	44,696	-	-	-	-	-	-	-	1,980
Annual revenues for deals in current quarter	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted EPS	\$0.42	\$0.27	\$0.29	\$0.14	\$1.12	\$0.56	\$0.34	\$0.33	\$0.27	\$1.49	\$0.65	\$0.40	\$0.42
Margin (% of revenues)	14.9%	10.8%	11.0%	5.7%	10.8%	17.2%	11.9%	11.4%	9.7%	12.7%	18.5%	13.0%	13.1%
Adjusted EBITDAC	79,006	61,581	64,009	45,083	249,679	102,224	74,888	72,751	63,160	313,023	113,795	83,595	85,512
Margin (% of revenues)	23.9%	20.7%	20.9%	15.8%	20.5%	26.9%	22.0%	21.5%	19.1%	22.5%	27.5%	22.2%	22.6%
Adjusted free cash flow (AFCF)						24,299	28,564	33,180	5,917	91,960	25,809	51,505	8,638
Margin (% of revenues)						6.4%	8.4%	9.8%	1.8%	6.6%	6.2%	13.7%	2.3%
Memo:													
GAAP EPS	(\$0.24)	(\$0.40)	(\$0.29)	(\$0.56)	(\$1.50)	\$0.33	(\$0.28)	(\$0.13)	(\$0.31)	(\$0.39)	\$0.20	\$0.03	(\$0.05)
EBITDAC	51,377	27,139	37,285	(110)	115,691	73,556	33,821	42,549	(72)	149,854	88,999	60,642	53,670
Margin (% of revenues)	15.5%	9.1%	12.2%	0.0%	9.5%	19.3%	10.0%	12.6%	0.0%	10.8%	21.5%	16.1%	14.2%
GAAP operating cash flow	(14,031)	49,459	(12,629)	21,845	44,644	3,007	18,339	32,408	(2,301)	51,453	(63,983)	51,505	(16,721)
Margin (% of revenues)	-4.2%	16.6%	-4.1%	7.7%	3.7%	0.8%	5.4%	9.6%	-0.7%	3.7%	-15.5%	13.7%	-4.4%
AFCF less capex and earnouts						(16,641)	(9,169)	14,555	(36,512)	(47,767)	(15,965)	(16,914)	(34,145)
Margin (% of revenues)						-4.4%	-2.7%	4.3%	-11.1%	-3.4%	-3.9%	-4.5%	-9.0%
AFCF ex. interest expense						52,156	55,073	52,231	43,897	203,357	39,596	91,095	22,425
Margin (% of revenues)						13.7%	16.2%	15.4%	13.3%	14.6%	9.6%	24.2%	5.9%

Source: Company reports and J.P. Morgan estimates.

Table 3: 3Q25 Earnings: Actual versus JPM Estimates and Consensus

\$ of thousands and bps

	Actual	JPM	%	Consensus	%
Revenues	365,389	364,348	0.3%	362,750	0.7%
Organic growth (%)	4.5%	4.6%	0.0%	5.2%	-0.6%
GAAP EPS	(\$0.27)	(\$0.11)	146.0%	(\$0.13)	118.4%
Adjusted EPS	\$0.31	\$0.32	-4.8%	\$0.30	2.3%
Margin (% of revenues)	10.0%	10.8%	-0.8%	10.0%	0.0%
Adjusted EBITDAC	72,520	75,416	-3.8%	71,400	1.6%
Margin (% of revenues)	19.8%	20.7%	-0.9%	19.7%	0.2%
Operating cash flow	119,210	70,031	70.2%		
Margin (% of revenues)	32.6%	19.2%	13.4%		

Source: Company reports, Bloomberg Finance L.P., and J.P. Morgan estimates.

Table 4: Reconciliation of Net Income to Adjusted EBITDA

\$ in thousands and %

	3Q25E	3Q25A
Net Income to BWIN shareholders	(7,940.0)	(18,727.0)
Non-controlling interest	(5,255.3)	(11,510.0)
Income taxes	-	-
Amortization	26,493.2	30,394.0
Interest expense and debt extinguishment	33,033.8	31,971.0
Gain on divestiture	-	-
Depreciation expenses	1,578.9	1,649.0
EBITDA	47,910.6	33,777.0
Fair value of contingent consideration	-	1,980.0
EBITDAC	47,910.6	35,757.0
IPO offering expenses	-	-
Collage earnouts booked as regular comp	-	-
Share-based compensation	16,395.6	22,017.0
M&A expenses	2,610.0	2,376.0
Severance related to M&A	-	5,324.0
Fair value of interest rate caps	-	-
Other	8,500.0	7,046.0
Adjusted EBITDA	75,416.2	72,520.0
Adjusted EBITDA margin	20.7%	19.8%

Source: Company reports and J.P. Morgan estimates.

Table 5: Reconciliation of Net Income to Adjusted Net Income

\$ in thousands and per share

	3Q25E	3Q25A	EPS upside / (downside)
Net Income to BWIN shareholders	(7,940.0)	(18,727.0)	-\$0.09
Non-controlling interest	(5,255.3)	(11,510.0)	-\$0.05
Gain on divestiture	-	-	\$0.00
Collage earnouts booked as regular comp	-	-	\$0.00
Fair value of contingent consideration	-	1,980.0	\$0.02
Amortization	26,493.2	30,394.0	\$0.03
Depreciation	1,578.9	1,649.0	\$0.00
Debt extinguishment	-	3,290.0	\$0.03
IPO offering expenses	-	-	\$0.00
Share-based compensation	16,395.6	22,017.0	\$0.05
M&A expenses	2,610.0	2,376.0	\$0.00
Change in fair value of caps	-	-	\$0.00
Capital issuance costs	-	-	\$0.00
Deferred financing costs	1,421.0	486.0	-\$0.01
Severance related to M&A	-	5,324.0	\$0.04
Income tax expense	-	-	\$0.00
Other	8,500.0	3,286.0	-\$0.04
Adjusted pretax income	43,803.4	40,565.0	-\$0.03
Less: taxes at 9.9%	(4,336.5)	(4,016.0)	\$0.00
Adjusted net income	39,466.9	36,549.0	-\$0.02
Weighted average basic A shares	71,551.9	68,605.0	
Dilution	3,470.4	3,265.0	
As-if conversion of B shares	47,358.7	47,234.0	
Adjusted avg. shares outstanding	122,381.0	119,104.0	\$0.01
Adjusted EPS	\$0.32	\$0.31	-\$0.02

Source: Company reports and J.P. Morgan estimates.

Table 6: Revenue Analysis by Segment

\$ in thousands, %, and bps

	3Q24	3Q25E	3Q25A	3Q25A vs. 3Q25E
Total Commissions and Fees				
Middle Market / Insurance Advisory	157,535.0	163,836.4	157,140.0	-4.1%
Specialty / Capacity and Technology	128,718.0	141,607.8	145,926.0	3.0%
Main Street Insurance	70,658.0	75,585.5	76,429.0	1.1%
Main Street	-	-	-	
Medicare	-	-	-	
BWIN Group	335,210.0	361,659.6	362,317.0	0.2%
			(17,178.0)	-11.3%
Organic Growth				
Middle Market / Insurance Advisory	7.1%	4.0%	-0.1%	-4.1%
Specialty / Capacity and Technology	25.5%	14.0%	15.7%	1.7%
Main Street Insurance	13.6%	-3.0%	-2.1%	0.9%
Main Street	0.0%	0.0%	0.0%	0.0%
Medicare	0.0%	0.0%	0.0%	0.0%
BWIN Group	13.8%	4.6%	4.5%	0.0%
Acquired Revenues in Current Quarter				
Middle Market / Insurance Advisory	-	-	-	
Specialty / Capacity and Technology	-	-	4,794.0	
Main Street Insurance	-	7,250.0	7,428.0	2.5%
Main Street	-	-	-	
Medicare	-	-	-	
BWIN Group	-	7,250.0	12,222.0	68.6%

Source: Company reports and J.P. Morgan estimates. Note: Acquired Revenues in Current Quarter refers to revenues from partnerships closed in the last 12 months that appear in the current quarter, not (annualized) acquired revenue for new partnerships. This exhibit does not match the company's consolidated disclosure due to offsets in the corporate segment.

Table 7: Margin Analysis by Segment

\$ in thousands, %, and bps

	3Q24	3Q25E	3Q25A	3Q25A vs. 3Q25E
BWIN Group				
Net income margin	-4.3%	-3.6%	-8.3%	-4.7%
EBIT margin	4.5%	5.4%	0.9%	-4.6%
EBITDA margin	13.4%	13.1%	9.0%	-4.1%
EBITDAC margin	13.1%	13.1%	9.6%	-3.6%
Adjusted EBITDA	21.5%	20.7%	19.2%	-1.5%
EBITDAC Margin by Segment				
Middle Market / Insurance Advisory	12.5%	16.0%	8.6%	-7.4%
Specialty / Capacity and Technology	15.9%	19.8%	15.6%	-4.2%
Main Street Insurance	27.1%	31.7%	28.5%	-3.2%
BWIN ex. Corporate	18.1%	21.6%	15.3%	-6.2%

Source: Company reports and J.P. Morgan estimates.

Table 8: BWIN Guidance for 2025

Running guidance for prospective quarters and years

Financial Metric	Time Issued	Guidance	Estimates		Actuals
			Pre-Report Consensus	Pre-Report JPM	
3Q25 organic growth	2Q25 earnings	mid-single-digits	5.2%	4.6%	4.5%
3Q25 revenues	August 5, 2025	\$355-365 million	\$362.8	\$364.3	\$365.4
3Q25 adjusted EBITDA margin		19-21%	19.7%	20.7%	19.9%
3Q25 adjusted EBITDA		\$70-75 million	\$71.4	\$75.4	\$72.5
3Q25 adjusted EPS		\$0.28-0.31	\$0.30	\$0.32	\$0.31
4Q25 organic growth	Implied from 3Q25 guidance	mid-single-digits	5.4%	5.6%	
4Q25 revenues	and 2025 guidance	\$348-368 million	\$354.6	\$358.8	
4Q25 adjusted EBITDA margin		20.4%-20.7%	19.6%	20.0%	
4Q25 adjusted EBITDA		\$71-76 million	\$69.6	\$71.6	
4Q25 adjusted EPS		\$0.25-0.30	\$0.30	\$0.31	
4Q25 organic growth	3Q25 earnings	mid-single-digits	5.4%	5.6%	
4Q25 revenues	November 5, 2025	\$345-355 million	\$354.6	\$358.8	
4Q25 adjusted EBITDA margin		19.7%-20.6%	19.6%	20.0%	
4Q25 adjusted EBITDA		\$68-73 million	\$69.6	\$71.6	
4Q25 adjusted EPS		\$0.28-0.32	\$0.30	\$0.31	
2026 organic growth	3Q25 earnings	high-single-digits, 2H weighted	5.3%	9.6%	
2026 revenues	November 5, 2025	\$1,660-1,700 million	\$1,681.5	\$1,686.8	
2025 adjusted EBITDA margin		22.9%-23.5%	23.0%	23.6%	
2025 adjusted EBITDA		\$380-400 million	\$387.5	\$397.8	
2025 operating cash flow		double-digit growth in operating cash flow			
2025 adjusted EPS		\$1.95-\$2.10	\$2.03	\$2.03	

Source: Company reports and J.P. Morgan estimates.

Investment Thesis

BWIN held its earnings conference call at 5:00 PM Eastern on November 4, 2025. The call replay can be accessed at ir.baldwin.com.

We are Neutral. We still expect BWIN's operating cash flow to inflect meaningfully through 2026, driven by M&A/organic investment costs dropping off, softer but improving organic growth, more controlled expense growth, and interest expense flattening out (effectively positive leverage against a fixed interest cost base). Free cash flow, which we define as operating cash flow less capex and earn-outs, should inflect even more with legacy contingent earn-outs being fully settled in early 2025. However, we think that there is more risk to the company's fundamental outlook than previously given the current macro and P&C market backdrop. New business growth in IAS/commercial P&C brokerage could come under pressure in a weaker economic environment, and pricing compression in property lines could hurt growth in the renewal book. Meanwhile, although growth should remain healthy in the UCTS/MGA segment, revenues and margins in MIS/Main Street are likely to face headwinds (as previously flagged by management) with BWIN transitioning from QBE as a capacity provider to its newly established reciprocal exchange. On a positive note, BWIN could see some modest benefit in its floating rate interest expense as short-term rates have declined. Furthermore, provisions in the new tax bill (One Big Beautiful Bill Act) that cover the tax deductibility of interest expense could benefit BWIN's prospective tax position. The stock's valuation has also become more attractive, and it trades at a more reasonable multiple (when considered against free cash flow) vs. commercial brokers.

M&A to Benefit BWIN More, But Slower Than Before

Above-average debt leverage has constrained BWIN from acquiring partners at the same pace as its first few years as a public company (cash spent on acquisitions was over \$1.7 billion in 2020-2022 vs. de-minimis acquisitions in 2023-2024). As free cash flow generation improves, BWIN will likely resume M&A, but we think its deals will likely be more episodic or bolt-on in nature (the most recent acquisition of note was the agency business of Hippo, which closed in 2025 and cost \$100 million). As such, on average, potential targets should be more digestible relative to BWIN's size and can likely be purchased using operating cash flow and debt financing rather than equity. Despite the need for BWIN to demonstrate improving stand-alone operating performance before re-engaging on M&A more meaningfully, we would welcome an eventual return to more regular acquisitions as we consider M&A (when done rationally and with strong integration capabilities) a key component of value creation in the brokerage industry. Longer-term, we believe that BWIN is well-positioned to benefit from consolidation in the brokerage market given its value proposition to smaller, independent brokers (at-scale platform, tax advantage from Up-C structure). Also, given its smaller revenue footprint and below-average margin profile, BWIN should benefit more from M&A (revenue and margin accretion) versus larger peers.

Positive L-T Outlook for Growth and Margins, N-T Softer

Longer term, we think BWIN can deliver peer-leading organic growth (low-to-mid teens) despite seeing less of a top-line benefit from inflation and P&C price increases. The MGA/Specialty/Underwriting, Capacity, and Technology business continues to expand distribution and product capabilities for both existing (renters, master tenant insurance, commercial umbrella) and new (homeowners, flood) offerings. Also, strong advisor recruitment should translate into incremental revenues in the Insurance Advisory and Main Street (particularly in embedded mortgage) businesses as reflected

in BWIN's strong sales velocity. On profitability, margin expansion could be a meaningful source of upside as BWIN operates at below-average margins versus other brokers even with no structural reason (beyond having less scale and frontloading investments/hiring) to lag on profitability. Nearer term, however, as signaled by management, growth could be more constrained.

Investment Thesis, Valuation and Risks

The Baldwin Group *(Neutral; Price Target: \$33.00)*

Investment Thesis

We are Neutral. In our view, BWIN has the potential to outperform other public brokers over time given its above-average organic growth profile and ongoing margin expansion. Additionally, we continue to expect free cash flow to inflect positively in the next few years. The stock's valuation has also become more attractive, and it trades at a more reasonable multiple (when considered against free cash flow) versus commercial brokers peers. However, we think that there is more risk to the company's fundamental outlook than previously given the current macro and P&C backdrop. New business growth in IAS/commercial P&C brokerage could come under pressure in a weaker economic environment, and pricing compression in property lines could hurt growth in the renewal book. Meanwhile, although growth should remain healthy in the UCTS/MGA segment, revenues and margins in MIS/Main Street are likely to face headwinds (as previously flagged by management) with BWIN transitioning from QBE as a capacity provider to its newly established reciprocal exchange.

Valuation

We are cutting our December 2026 price target from \$34 to \$33 to reflect slightly lower earnings and free cash flow estimates. Our price target assumes a 26x multiple on 2027E free cash flow (FCF), which is above peer multiples in the low 20s due to our expectation of faster growth and greater margin expansion potential longer term. Relative to 2026E adjusted EBITDA and adjusted EPS (BWIN definition), BWIN currently trades at 11x and 12x compared to 20x and 28x for GSHD, 18x and 28x for TWFG, 15x and 18x for AON, 13x and 18x for MMC, 14x and 19x for AJG, 13x and 17x for BRO, 12x and 17x for WTW, and 16x and 23x for RYAN. In our opinion, BWIN's interest expense load, taxes, and payouts should be accounted for in comparisons with peers.

Risks to Rating and Price Target

In our view, BWIN could outperform our price target if:

- **Near-term headwinds are not as severe as signaled.** Management is pointing to various growth headwinds in the Insurance Advisory Solutions, MGA, and Main Street businesses related to less favorable rate/exposure (Insurance Advisory), increased competition (MGA), and the transition of the QBE book (Main Street). If actual results come in materially better than signaled by management, there would likely be upside to estimates and sentiment would improve.
- **Various initiatives perform better than expected.** If BWIN's initiatives (new sales from IAS advisors, ramp-up of embedded mortgage program, roll-out of new Hippo partnership, re-platforming of QBE book) exceed expectations, there could be upside to our estimates. Similarly, better than expected expense management would be a plus.
- **Lower interest rates lead to lower interest expense cost.** BWIN has ~\$1.8 billion of debt, of which ~\$600 million is fixed (7.13% interest rate) and ~\$1.2 billion is floating (~7.30% interest rate at 9/30/25). Each 100 bps decline in interest rates (on BWIN's floating rate debt) translates to a ~\$12 million annual benefit.

In our view, BWIN could underperform our price target if:

- **Cash flows remain poor.** BWIN's cash flows are being pressured by a high interest expense load and ongoing "one-off" charges, and removing the impact of fiduciary inflows/outflows has re-based operating cash flow lower. If cash flows do not improve to the extent we expect, then there could be downside to our price target.
- **Margin expansion fails to materialize.** We think our margin expansion assumptions for BWIN are undemanding. However, if margin accretion fails to materialize in the next one to two years, we feel that will put into question management's ability to control expenses, generate free cash flow, and extract value as BWIN grows. Also, while investors are likely to focus more on BWIN's top-line growth near term, we see margin expansion as a more important driver of value longer term.
- **BWIN takes longer to de-lever.** BWIN's leverage was 4.1x at 9/30/25, and management still expects to get below 4x by the end the year. If BWIN takes longer than expected to de-lever from either paying down debt or increasing EBITDA, it will be saddled with higher interest expense, be viewed as having a higher risk operating model, and be constrained from M&A, which could have negative implications for BWIN's standing as a preferred buyer.

The Baldwin Group: Summary of Financials

Income Statement						Balance Sheet					
	FY23A	FY24A	FY25E	FY26E	FY27E		FY23A	FY24A	FY25E	FY26E	FY27E
Net Revenue	1,219	1,389	1,510	1,681	-	Cash and cash equivalents	227	313	323	441	-
o/w Commission and fee income	-	-	-	-	-	Accounts receivable	-	-	-	-	-
o/w Net trading income	-	-	-	-	-	Other current assets	-	-	-	-	-
o/w Net interest income	-	-	-	-	-	Current assets	227	313	323	441	-
SG&A	(972)	(1,027)	(1,060)	(1,151)	-	PP&E	-	-	-	-	-
o/w Compensation expense	(972)	(1,027)	(1,060)	(1,151)	-	Other non current assets	0	0	0	0	-
o/w Non-compensation expense	-	-	-	-	-	Total assets	227	313	323	441	-
Adj. Operating income	(43)	61	104	158	-						
Adj. PBT	(163)	(39)	(23)	38	-	Short term borrowings	-	-	-	-	-
Tax	(1)	(2)	(1)	0	-	Payables	-	-	-	-	-
Minority Interest	-	-	-	-	-	Other short term liabilities	-	-	-	-	-
Adj. Net Income	131	176	200	247	-	Current liabilities	-	-	-	-	-
					-	Long-term debt	-	-	-	-	-
Reported EPS	(1.40)	(0.35)	(0.20)	0.31	-	Other long term liabilities	-	-	-	-	-
Adj. EPS	1.12	1.49	1.68	2.01	-	Total liabilities	-	-	-	-	-
					-	Shareholders' equity	227	313	323	441	-
DPS	0.00	0.00	0.00	0.00	-	Minority interests	-	-	-	-	-
Payout ratio	0.0%	0.0%	0.0%	0.0%	-	Total liabilities & equity	227	313	323	441	-
Shares outstanding	117	119	119	123	-	BVPS	8.74	8.58	8.45	8.59	-
					-	y/y growth	(11.1%)	(1.8%)	(1.5%)	1.7%	-
					-	Net debt/(cash)	-	-	-	-	-
Ratio Analysis						Ratio Analysis					
	FY23A	FY24A	FY25E	FY26E	FY27E		FY23A	FY24A	FY25E	FY26E	FY27E
Revenue y/y growth	24.3%	14.0%	8.7%	11.3%	-	Net profit margin	-	-	-	-	-
Adj. Net Income y/y growth	10.2%	34.5%	13.5%	23.2%	-	ROE	57.3%	65.3%	62.9%	64.5%	-
EPS y/y growth	8.0%	33.1%	12.7%	19.8%	-	ROA	57.3%	65.3%	62.9%	64.5%	-
DPS y/y growth	-	-	-	-	-	ROCE	-	-	-	-	-
Fee income / Avg assets	-	-	-	-	-	Net debt/equity	-	-	-	-	-
Interest income / Avg assets	-	-	-	-	-	Tax rate	(0.8%)	(4.4%)	(2.9%)	0.0%	-
Net trading income / Avg assets	-	-	-	-	-						
					-	P/E (x)	20.6	15.5	13.7	11.5	-
					-	P/BV (x)	2.6	2.7	2.7	2.7	-
					-	Dividend yield	0.0%	0.0%	0.0%	0.0%	-

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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The Baldwin Group (BWIN, BWIN US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Nov 18, 2019. All share prices are as of market close on the previous business day.

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