



## **The Baldwin Group**

### **Fourth Quarter 2025 Earnings Call**

**February 26, 2026**

#### **C O R P O R A T E   P A R T I C I P A N T S**

**Bonnie Bishop**, *Executive Director, Investor Relations*

**Trevor Baldwin**, *Chief Executive Officer*

**Brad Hale**, *Chief Financial Officer*

#### **C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Tommy McJoynt**, *KBW*

**Charlie Lederer**, *BMO Capital Markets*

**Gregory Peters**, *Raymond James*

**Elyse Greenspan**, *Wells Fargo*

**Pablo Singzon**, *J.P. Morgan*

**Joshua Shanker**, *Bank of America*

**Andrew Kligerman**, *TD Cowen*

## **PRESENTATION**

### **Operator**

Greetings and welcome to the Baldwin Group's Fourth Quarter 2025 Earnings Call.

At this time, all participants are in a listen-only mode. The question and answer session will follow the formal presentation. If anyone should require operator assistance, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Bonnie Bishop, Executive Director, Investor Relations.

### **Bonnie Bishop**

Thank you. Welcome to The Baldwin Group's Fourth Quarter 2025 Earnings Call.

Today's call is being recorded. Fourth quarter and full year financial results, supplemental information, and Form 10-K were issued earlier this afternoon and are available on the Company's website at [ir.baldwin.com](http://ir.baldwin.com).

Please note that remarks made today may include forward-looking statements subject to various assumptions, risks, and uncertainties. The Company's actual results may differ materially from those contemplated by such statements. For a more detailed discussion, please refer to the note regarding forward-looking statements in the Company's earnings release and our most recent Form 10-K, both of which are available on the Baldwin website. During the call today, the Company may also discuss certain non-GAAP financial measures. For a more detailed discussion of these non-GAAP financial measures and historical reconciliation to the most closely comparable GAAP measures, please refer to the Company's earnings release and supplemental information, both of which have been posted on the Company's website at [ir.baldwin.com](http://ir.baldwin.com).

I will now turn the call over to Trevor Baldwin, Chief Executive Officer of The Baldwin Group.

### **Trevor Baldwin**

Good afternoon, and thank you for joining us to discuss our fourth quarter and full year 2025 results.

I'm joined by Brad Hale, Chief Financial Officer, and Bonnie Bishop, Executive Director of Investor Relations.

Earlier this month, our industry experienced one of the most dramatic selloffs in nearly two decades after the launch of AI-powered insurance applications in ChatGPT triggered fears of widespread broker disintermediation, eviscerating nearly \$40 billion of market capitalization across our public broker peers in a matter of days. I wanted to start with a few direct thoughts on this, as moments like these are exactly the kinds of moments that reveal the difference between businesses that are built for the future and those that are not.

The critical question being debated today is whether AI will be a true competitor to brokers or an enabler for them. I believe the answer is both, AI will almost certainly drive a divergence of fortunes and success for talent and firms alike. Firms operating as transactional middlemen in commoditized insurance product lines should be concerned.

At The Baldwin Group, based on our end markets, intentional go-to-market strategies and the overall complexion of our business, AI is a step-function multiplier enabling significant gains in productivity and

enhancing our organizational speed and agility. I will spend a few minutes addressing how we think about this and why at The Baldwin Group, we have been purpose built for this era.

In personal lines, which comprises approximately 38% of our total pro forma revenue, roughly 80% of that revenue emanates from embedded insurance distribution platforms, which we believe represent one of the ultimate moats in this environment.

While the market is worrying about consumers asking a chatbot for insurance, in our embedded businesses we are focused on being the insurance solution of convenience sold through a trusted partner alongside a primary transaction such as buying a home, securing a mortgage, or renting an apartment. We don't wait for our clients to search. We are already there.

Our Westwood platform, which inclusive of the Hippo business we acquired, generated \$190 million in pro forma revenue in 2025, seamlessly embeds directly into the home buying experience for 20 of the top 25 homebuilders in the United States, who in aggregate sold 57% of all new homes sold in the U.S. in 2024. When a consumer buys a new home through one of our builder partners, Westwood binds a policy roughly 55% of the time and over 85% of those bound policies are escrowed in the consumer's mortgage payment. That is a deeply embedded, highly persistent revenue stream.

Our National Mortgage and Real Estate platform serves as an extension of our mortgage and real estate partners' client experiences, bringing protection directly into the consumer's moment of home purchase and financing through our proprietary technology platform Coverage Navigator. In 2025, we onboarded 12 new partners, including New American Funding, a top 20 mortgage originator in the U.S., who moved to our platform from a competitor and has seen dramatic increases in conversion rates.

I am thrilled to announce that yesterday, we signed a 10-year exclusive agreement with Fairway Independent Mortgage Corporation, the sixth largest independent mortgage lender in the U.S. with over 67,000 loans originated in 2024. We currently expect to go live with Fairway on our Coverage Navigator platform in the second quarter. The growing momentum here is palpable and will drive deeper moats around our embedded business.

Our renters insurance platform, which wrote over \$280 million of premium in 2025, embeds directly into property management software, allowing a renter to purchase an insurance policy at point of lease in under 60 seconds. 100% of the premium flowing through this channel is into our own proprietary products built and managed by our MGA platform MSI.

Overall, these embedded solutions are easier, more intuitive, and more seamless than initiating a separate process with a stand-alone AI agent. We have been investing heavily in embedded solutions as a direct strategy to transform how personal insurance is bought and sold because we foresaw the risk of disintermediation through technology. We are the disruptor in this marketplace. And importantly, since early 2024, we've been building AI into these platforms and are seeing real productivity gains, including digital agents taking phone calls and binding policies when coverage discussions are not required.

Now, shifting gears to small commercial. This is an area where we do believe AI can positively transform the insurance buying experience given the traditional brokerage economics for these small accounts are broken. High labor costs and low retention often result in low to negative margins. Fortunately, we have been proactively disrupting ourselves here via our Founder Shield digital platform, migrating small business clients to a digitally guided experience. The results have been significant. On average, for clients who have migrated to this platform, retention increased from 82% to 92%, margins swung positively by approximately 40 percentage points, and growth accelerated to 25% annually as the digitally guided buying experience led to cross-sell and upsell.

We ended 2025 with \$17 million of retail brokerage revenue on this digital platform and are in the process of migrating the remaining roughly \$30 million of small business revenue onto this platform. While small relative to our overall business, we believe this platform will be a growth driver for us over time. Importantly,

we are not waiting for an AI agent to disintermediate this business, but rather are leveraging our digital-first platform to serve it better and more profitably than any human-intensive model could.

Turning to our IAS segment, we have intentionally constructed a business that skews toward clients with both scale and complexity, where deep product and sector experience are critical factors in the choice of an insurance advisor. The addition of CAC amplifies that strategy, bringing substantial expertise in complex industry sectors and risk products. Of our roughly \$1 billion of pro forma IAS revenues, inclusive of CAC, approximately 70% is commercial insurance for mid-size to large clients, 20% is employee benefits brokerage and consulting, and 10% is personal insurance for high-net-worth families. Approximately 80% of IAS revenue comes from clients generating at least \$50,000 of revenue for Baldwin, meaning they are generally spending more than \$500,000 in insurance premiums across complex and sophisticated insurance program structures.

We have organized the business around industry and product specialties, and one example I'm particularly excited about is our cross-functional team of experts from construction, natural resources, real estate, cyber, and complex property that is serving clients involved in data center development across all phases of the lifecycle. From project sponsors to developers of solar, wind, geothermal, natural gas, nuclear, and energy storage projects, to power producers and energy off-takers, this convergence of traditionally siloed practices allows us to move at speed with rapidly changing markets and is exactly the kind of advisory work that AI augments rather than replaces.

Lastly, our UCTS segment wraps a strategic moat around the broader Baldwin platform. In this business, we build and manage proprietary insurance products, we price and analyze risk, adjudicate claims, and facilitate the formation and management of third-party risk capital. AI will only enhance and accelerate our capabilities and productivity across all these domains.

We have long held the view that the broker of the future, the broker for an AI world, integrates across the value chain end to end: owning the client relationship, building and managing risk transfer products, and arranging for the formation and management of risk capital. The proprietary product flowing through our embedded channels further insulates us from perceived risks of disintermediation, as they are only available through us. It is our product and access runs through our platform exclusively. We are incredibly excited for this moment, we are structurally set up to quickly take advantage of the operational gains afforded by AI. Quite simply, The Baldwin Group was built for this era.

With that, I will now turn to our results. Fourth quarter organic revenue growth of 3% was below our historical performance and reflects several headwinds we've previously discussed, including a 22% decline in profit-sharing revenue that is largely timing related. Core commissions and fees organic growth was 5%. On a full year basis, we delivered core commission and fee organic revenue growth of 8%, total organic revenue growth of 7%, Adjusted EBITDA growth of 9%, 20 basis points of margin expansion, and adjusted diluted earnings per share growth of 11%. These full year results place us at the top end of organic growth across our peer set.

Normalizing for the one-time impacts from transitioning our QBE builder book to our reciprocal and the procedural change impacting the timing of revenue recognition in IAS, commission and fee organic growth would have been 8% in the fourth quarter and 10% for the full year 2025. Overall organic growth would have normalized to 5% in the fourth quarter and 9% for the full year 2025. Additionally, the disruption in the Medicare marketplace impacting our Medicare business was a 100 basis point headwind to organic growth in the fourth quarter and a 70 basis points headwind for the full year 2025.

Despite the revenue headwinds in the fourth quarter, profitability pulled through. Adjusted EBITDA margin expanded 100 basis points in the quarter to 20.1%, and adjusted diluted earnings per share grew 15% to \$0.31 per share. This was driven by the structural margin opportunity inherent across our platform as well as core operating leverage and was in the face of the \$7 million decline in contingent commissions, which have a 100% flow through to EBITDA.

At the segment level, UCTS once again delivered outstanding results in the quarter with 16% organic growth and Adjusted EBITDA margin expansion of approximately 330 basis points. Strong performance was powered by continued growth in multifamily, better-than-expected results in our commercial umbrella portfolio and builder product, and contribution from Juniper Re.

In Main Street, our core commission and fees organic revenue growth was 2%, while total organic growth was negative 4%, reflecting some pressure in timing of contingents. The quarter was negatively impacted by the continued QBE transition headwind at Westwood and Medicare retention challenges. As a reminder, the year-over-year QBE commission headwind should subside in May of this year, and we expect tailwinds over time related to the economics associated with managing the reciprocal.

Normalizing for the impact of the QBE transition, total organic revenue growth would have been 2% for the quarter and 6% for the year. Further isolating out the impact of the disruption in the Medicare industry, organic revenue growth would have been 6% in the quarter and 8% for the year. Despite the top line headwinds, Adjusted EBITDA margin expanded approximately 460 basis points to 31.8%, an exceptional profitability result showcasing the immense operating leverage we have as our investments in building our embedded mortgage business earn in.

In IAS, fourth quarter core commission and fee organic revenue growth was flat, while total organic revenue growth was negative 2%, reflecting timing pressure on contingents and rate and exposure headwinds of nearly 10%, inclusive of the procedural accounting change we have previously discussed. Removing the impact of the procedural accounting change, total organic revenue growth would have been negative 1% for the quarter and 4% for the year.

Underlying business momentum remains strong. Sales velocity was 19%, top decile for our industry, and client retention improved by nearly 300 basis points in the fourth quarter. We increased our investment in front line revenue generating talent by 44% in the year, taking our net unvalidated producer pay from 1.6% to 2.3% of commission and fee revenue. Our client franchise, new business pipeline, and overall business momentum is incredibly strong.

We enter 2026 with optimism and excitement for our building momentum. On January 1, we closed our partnerships with CAC Group, Obie, and Capstone. On a combined basis, these three partnerships delivered approximately \$350 million of 2025 pro forma revenue, and we expect them to deliver roughly \$400 million of revenue and approximately \$110 million of Adjusted EBITDA post-synergies in 2026.

Given the market's understandable skepticism around synergy achievement, the Baldwin and CAC teams worked diligently to action all headcount-related changes last week, which represent the largest quantum of expected expense synergies.

Today, our integration efforts are ahead of schedule, new business momentum and collaboration across our collective teams is incredibly strong, and the strategic rationale for the wisdom of this business combination is playing out faster and stronger than anticipated. As of yesterday, the CAC team has \$32 million of closed won new business in 2026 as compared to \$20 million in the prior year period and is already actively working on \$11 million of combined cross-sell opportunities with their new Baldwin colleagues, highlighting the momentum we have started the year with.

Our theme for 2026 is Accelerate. The Goldilocks era for insurance intermediaries is behind us. The conditions that once lifted all boats have given way to a market that rewards only those with true capability, discipline, and cohesion. At Baldwin, that shift plays directly into the strategy we have been executing for years. We have been thoughtfully assembling, piece by piece, a diversified, vertically integrated platform designed to thrive in any market cycle, not just the easy ones. Central to this acceleration is our \$3B/30 Catalyst program, which we launched in the third quarter of 2025.

In 2026, Catalyst becomes operational in earnest. We are executing the first phase of role transformation within IAS, consolidating core technology platforms to improve connectivity and data clarity across the firm,

and infusing AI and automation into workflows to elevate colleague impact and enhance the client experience. We expect \$3 million to \$5 million of Catalyst-related savings this year, ramping meaningfully in 2027 and beyond. This is how we translate AI into a tangible competitive advantage. We remain anchored to our aspirational North Star of \$3 billion in revenue and a 30% Adjusted EBITDA margin over the intermediate term.

With that, I'll turn it over to Brad to detail our financial results.

### **Brad Hale**

Thanks, Trevor, and good afternoon, everyone.

For the fourth quarter, we generated core commission and fee organic revenue growth of 5%, total organic revenue growth of 3%, and total revenue of \$347.3 million. Looking at the segment level on a core commissions and fees basis, organic revenue growth was flat in IAS, 2% in MIS, and 17% in UCTS. Total organic revenue growth was negative 2% in IAS, negative 4% in MIS, and 16% in UCTS. For the full year, total revenue was \$1.5 billion. Core commission and fee organic revenue growth was 8%, while total organic revenue growth was 7%.

You heard Trevor speak to several idiosyncratic and market related headwinds that impacted our 2025 financial results. To support digestion of those comments, I would point everyone to two new slides in our investor supplement, specifically Slide 6 and 7, that describe and quantify these impacts, and bridge to a view of what normalized organic growth would have been for the consolidated business absent the idiosyncratic headwinds we've discussed.

We recorded a GAAP net loss for the fourth quarter of \$43.7 million, or GAAP diluted loss per share of \$0.37. GAAP net loss for the full year was \$54.2 million, or \$0.50 per fully diluted share. Adjusted net income for the fourth quarter, which excludes share-based compensation, amortization, and other one-time expenses, was \$36.3 million, or \$0.31 per fully diluted share reflecting 15% growth. For the full year, adjusted net income was \$198.9 million, or \$1.67 per fully diluted share, growth of 11%. A table reconciling GAAP net income to adjusted net income can be found in our earnings release and our 10-K filed with the SEC.

Adjusted EBITDA for the fourth quarter rose 10% to \$69.6 million compared to \$63.2 million in the prior year period. Adjusted EBITDA margin expanded approximately 100 basis points year over year to 20.1% for the quarter, compared to 19.1% in the prior year period. Adjusted EBITDA for the full year grew 9% over the prior year to \$341.5 million. Adjusted EBITDA margin for the full year was 22.7%, an expansion of 20 basis points year over year.

Adjusted free cash flow for the fourth quarter was \$11 million, an 85% increase year over year. Adjusted free cash flow for the full year was \$87.2 million, a decrease of 5% from the prior year, driven by one-time partnership-related costs of approximately \$15 million in Q4 that were largely tied to the CAC Group merger and were unplanned at the time of our last call based on the timing and execution uncertainty that still existed around the CAC merger.

Net leverage remained flat in the quarter at 4.1 times, as a result of those one-time partnership-related cash uses. We took advantage of favorable market conditions in December, increasing our term loan facility by \$600 million to fund the closings of CAC, Obie, and Capstone, while maintaining our pricing of SOFR plus 250 basis points.

Turning to capital allocation. I would first direct investors to the updated Partnership Scorecards in our Earnings Supplement, which highlights the meaningful value we've created through capital deployed to partnership activity. As we sit here today, the all-in blended multiple paid for all partnerships completed from 2020 to 2022, inclusive of earnouts, is 8.7-times Adjusted EBITDA. Specifically, I would call out

Westwood, the sole partnership in the 2022 cohort, and prior to CAC, the largest partnership in the firm's history.

In addition to giving us an incredibly strategic foothold in the new home builder channel, the financial aspects of the transaction speak for themselves, with the purchase price, including earn-outs, now representing an Adjusted EBITDA multiple of 5.6 times. All of this highlights and validates our ability to attract high-quality businesses, integrate them effectively, and deliver compelling post-earnout returns for shareholders, despite the overhang that earn-out payments have had on our free cash flow and deleveraging trajectory.

Wrapping up on capital allocation, as previewed on our last earnings call, and now given the dislocation that we believe exists in our share price today, the Board of Directors has accelerated and expanded its authorization of a \$250 million share repurchase plan. We believe it is in the long-term best interests of our shareholders to take advantage of this opportunity by acquiring shares of the business we know best, our own, funded through excess free cash flow and, if deemed prudent, periodic use of our revolver.

Moving to guidance, which we are updating to reflect the CAC Group merger. For the full year, we expect total revenue between \$2.01 billion and \$2.05 billion, and organic growth of mid-single digits or higher. As we've discussed, we expect organic revenue growth to ramp throughout the year, reaching double digits by the fourth quarter as we lapse both the QBE commission headwind in MIS and the procedural accounting change in IAS. We expect Adjusted EBITDA between \$460 million and \$480 million, representing adjusted EBITDA margin expansion of 20 to 70 basis points. We expect double-digit growth in adjusted free cash flow before one-time transformation and integration costs and adjusted diluted earnings per share between \$2.00 and \$2.10.

One housekeeping note, I would point everyone to Slide 24 of our investor supplement, which lays out historical timing of CAC Group revenue and should help inform model updates.

For the first quarter of 2026, we expect revenue between \$520 million and \$530 million and organic revenue growth in the low single digits. We anticipate Adjusted EBITDA between \$130 million and \$140 million and adjusted diluted EPS between \$0.61 and \$0.65 per share.

Twenty twenty-five was a year of meaningful progress for The Baldwin Group. We delivered our sixth consecutive year of top-of-industry organic growth, expanded margins, and grew adjusted EPS by double digits. The actions we are taking to execute on CAC synergies, advance our Catalyst transformation program, scale our embedded and MGA platforms and grow investments in front line revenue generating talent reflect our conviction in the durability and value of this platform.

We sincerely thank our clients for placing their trust in us, our colleagues for their tireless dedication, and our shareholders for their continued support and patience.

I will now hand it back to Trevor.

**Trevor Baldwin**

Thank you, Brad.

In closing, against the backdrop of relatively strong consolidated results in the wake of many idiosyncratic and market driven headwinds, I want to acknowledge to our shareholders what has been a year of uneven financial performance, one that does not ultimately measure up to our own high expectations. Despite this, our business is entering 2026 well positioned to accelerate performance, with strong underlying momentum across all three of our segments, incredibly encouraging early wins and synergy realization at CAC, innovation taking place across the value chain as we continue to bring clients and risk capital closer together, and investments we have been making in automations and AI that we expect to drive meaningful gains in productivity and accelerated client value and impact.

In many ways our growth story is entering its most consequential chapter. Our business was purpose built for this era and we're excited about our ability to demonstrate that to all of our stakeholders.

To wrap up with our prepared remarks, I want to share how proud I am of the way our colleagues navigated a complex environment in 2025. I want to thank our clients and insurance company partners for their trust, our colleagues for their resilience and commitment, and our shareholders for their support in what has been a bruising year. With significant colleague ownership, our alignment is deep and enduring as we build long-term value together.

We will now take questions. Operator?

### **Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, 2 to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star, 2.

Your first question comes from Tom McJoint with KBW. Please go ahead.

### **Tommy McJoynt**

Hey. Good evening, guys. Thanks for taking our questions. The first one here is—I appreciate all your comments there at the beginning about what's happening with AI and the threat of disruption there and your competitive positioning. Maybe I just want to ask you to expand a little bit on that. If I think about, for instance, an embedded solution like renters, to the extent that it does become easier for somebody to build some software or some program in an automated fashion, how do you think about your moat, your defensive positioning to maintain your structure with clients that would prevent you from being disrupted in a product like that?

### **Trevor Baldwin**

Yeah. Hey, Tommy. This is Trevor. Good evening and great question. The narrative that AI replaces brokers is just far too simple. I think what AI actually does is it accelerates the divergence that was frankly already underway between platforms that own distribution, that manufacture risk products, that source and manage risk capital, and that ultimately embed themselves in the customer's workflows and ecosystems from those intermediaries that are simply in the middle and take a toll. The toll collectors are clearly in trouble. The platforms are not. In fact, I believe the platforms are about to enter a true golden age.

At Baldwin, we have been laser focused not on building a brokerage, but on building an insurance platform. We think about our platform through three lenses that I think directly map to the framework of why we believe there's a lack of fragility around this overall business model and ecosystem that we've created. The first is embedded distribution. Specific to renters, we are at point of lease through our property management software partners embedded and built natively into the workflow in their system.

Then 100% of the premium throughput through the various renters' products that is purchased via that channel is our own proprietary product. You can't get it anywhere else. If you want our product, you have to come through our platform. In addition to that, we're arranging and managing the risk capital that sits behind that product. We control the entire value chain associated with how those renters' insurance solutions are ultimately brought to bear, priced, adjudicated, and how those renters' customers are taken care of. That's one example.

It's a similar dynamic across our builder and mortgage channels with proprietary product, proprietary technology. I would tell you none of these areas are the core business functions of our channel ecosystem

partners. What they're looking for is a high quality partner that gives them certainty around execution and confidence that we're going to be able to uphold and deliver an ultimate client experience that's consistent with their overall experiential goals.

When you think about our broader platform, it's embedded distribution, it's advisory complexity. I talked earlier in my prepared remarks around both the scale and complexity of the type of clients that we serve and the end markets that we're serving them in.

Then it's vertical integration. We don't just distribute products. We do. We own the customers. We are the retailer, but we also build and manufacture the proprietary product, and then we source, arrange, and manage the risk capital that sits behind them. I think that's a central theme to why the platforms will not only survive but thrive in the world of AI and all of its impacts on knowledge work.

### **Tommy McJoynt**

Great. Thanks for that. I appreciate on Slide 7 your quantification of the idiosyncratic and market headwinds. I just want to ask you to unpack your expectations in terms of what's embedded in your guidance for the fourth one there, the market headwinds. Are you contemplating any deceleration in casualty rates? Is it a matter of property rates stabilizing at midyear? What's embedded in that?

### **Trevor Baldwin**

Yeah. We're expecting continued headwinds through most of 2026 from an overall market impact standpoint with that fading through the year to more of a neutral impact by the time the year wraps up. That's less a function of the absolute rate, which we believe will continue to decrease and be competitive in property. We do believe rates will continue to ebb in casualty. It's more a function of rate of change.

What you saw in the fourth quarter is a rate of change of 1,500 basis points of total market impact because we swung from a positive 500 basis point tailwind in the fourth quarter of '24 to a 10% headwind in the fourth quarter of '25. There's some nuances to that headwind, predominantly around our benefits business, which drove most of that, where we saw another quarter of pretty meaningful exposure compression. That's not a rate dynamic. That's an exposure dynamic in our benefits business. I would also tell you we now have visibility into January 1/1 renewals, where we renew about 40% of our overall employee benefits revenue for the year, and we saw a combined rate and exposure increase in January.

I think the back two quarters of '25, we saw pretty meaningful exposure compression across our benefits clients, which I believe is reflective of some of the structural workforce transformation that's occurring as a result of AI across white-collar, knowledge-based businesses, technology companies, a big cohort of which exists across our client base.

While I called a floor in the third quarter of '25, I clearly got that wrong. I feel really good about the fact that the headwinds will slowly subside through the year. We've got finite hard end dates around the QBE builder transition and the IAS revenue recognition procedural change. We've got pretty good visibility into the Medicare disruption that occurred in 2025, largely stabilizing. Not expecting that business to go back to meaningful growth in any time soon, but I think the headwinds we face should largely subside there.

That's all what informs that mid-single-digit or higher organic guide that ultimately culminates into double-digit organic growth on a run rate basis by the fourth quarter.

### **Tommy McJoynt**

Thanks.

### **Trevor Baldwin**

Thanks, Tommy.

Next question.

**Operator**

Charlie Lederer with BMO Capital Markets.

**Charlie Lederer**

Great. Thanks. You mentioned the growth in unvalidated producers. Can you provide color about how much your hiring strategy and IAS has been adding to sales velocity and how we should think about how that strategy plays in a softer market environment?

**Trevor Baldwin**

Yes, so we increased our investment in frontline revenue generating talent by about 70 basis points in the IAS business, Charlie. I wouldn't think about that as having a material impact in year on sales velocity just because of the typical ramp time period associated with a lot of that talent. The sales velocity for the year of around 19%, which by the way, compares to an industry median of about 11% and a 75th percentile of about 15.5%. Continuing to perform at top decile results from a new business generation standpoint is largely from risk advisors that have been on the platform for more than 12 months. The folks in the investment ramp that occurred through 2025 should begin building into new business and sales velocity results into '26 and fully into '27.

**Charlie Lederer**

Thanks. Then maybe on the MIS side, how should we think about the cadence there? Obviously, you lapped the QBE impacts, I think, in May. On the home builder side, how is the underlying momentum there? Are you still ramping new partners there? Maybe you can talk about the same thing on the mortgage side. I know you announced a new partnership. Thanks.

**Trevor Baldwin**

Yeah. Look, normalizing for the impact of QBE transition, Westwood's organic growth for the year was 9.5%. That business continues to perform quite well, despite what has become a little bit of a softer overall builder market. We feel really good about our position with 20 of the top 25 home builders in the country who accounted for more than 57% of all homes built in the U.S. as our partners. We continue to take share, win new builders, and I'd say that the integration with Hippo and the builder partners that came over from that transaction has gone incredibly well. We're already to the TSA (phon). They're fully on our proprietary tech advantage plus, and that business is humming along.

I think there's an expectation for builder volumes to be down somewhat in 2026, but I'd remind everyone that 90-plus percent of the revenue in the Westwood platform comes from renewals. The impact of builder volumes does not have a straight pull-through impact to the overall momentum in the Westwood business. That business continues to perform exceptionally well.

Our mortgage business is doing fantastic. You saw most likely yesterday the announcement around our new partnership with Fairway Mortgage Corporation, the sixth largest independent mortgage lender in the country. Just a huge validation of the value of our technology platform and how that can enhance and accelerate the insurance buying experience of point of mortgage origination.

In fact, Fairway already had its own sub-agency they were operating, and they ultimately came to the conclusion that they would be better off partnering with us because of the power of our technology rather than continuing to go it alone with their own insurance agency. In conjunction with that partnership, we will

be acquiring their small agency. It's about a million of revenue, so not substantial, and plugging them into our coverage navigator tech platform to accelerate momentum.

The pipeline we have in the mortgage and real estate sector is quite large. Over 45 providers that, in theory, would generate over \$90 million of first-year new business revenue. We're actively working that pipeline, showcasing the value of our tech and how it truly enhances and elevates the overall mortgage origination process and experience.

**Charlie Lederer**

Thank you.

**Operator**

Gregory Peters with Raymond James. Please proceed.

**Gregory Peters**

Good afternoon, Team Baldwin. Trevor, you mentioned in your comments a couple times about the precipitous decline of your stock price. You highlighted the fact that so many of the employees at the Company are also shareholders. I guess I have two questions for you, considering what's happened. First, can you talk about retention? I think your highest level of producers are the vanguard producers. I think that's what you call them. Anyways, can you talk about retention?

Then the second part of the stock price question is—I'm sure this goes all the way up to the Board. Is there any perspective of what you can do differently going forward, other than just simple execution, that will help restore confidence to the stock price? Or is there a shift in strategy that you're contemplating? Obviously, the share repurchase is a significant step, but I'm just curious about what's going on in the mindset of the Company right now.

**Trevor Baldwin**

Hey, Greg. Great question. Let's hit retention first. Look, none of our colleagues are happy or excited about share price performance over the past 12 months. There's definitely frustration around that, but it's not impacting retention. Vanguard client retention was 94%, so it continues to be exceptionally high. We have not had any regrettable production talent losses over the past 12 months. I know there's been a lot of headlines around some pretty broad-based talent defections across various industries.

I would just say, one, we don't think very highly of some of the tactics that are being employed by many of these newer entrants, who seem to be somewhat disregarding the type of approach that I think good, self-respecting, and competitive businesses take to winning talent. We're full believers in portability of talent, and I think the power of our platform, the strength of our culture, and ultimately the realization for our industry's very best professionals that they can build the most rewarding, impactful careers here at Baldwin speaks through in the strength of our retention.

But ultimately, we need our results to translate into share price performance over time. I think we can point to a number of examples of incredibly successful public companies who have gone through periods of dislocation and misunderstanding that's impacted their share price performance, but it feels like we've been there longer than most now over the past few years.

To speak directly to some of what's ultimately driven some of that share price performance, we've got to manage expectations better. We came out and we've had to reset expectations for a variety of reasons, some specific to us, some market-driven. That obviously does not create confidence, and so what you're seeing and the expectations that we've laid out are a set of financial targets that we believe are quite achievable.

I think when you look at the overall performance of our business through most any financial lens over the past six years since we went public, it's pretty remarkable. We've taken a business from \$135 million of revenue to what is today on a pro forma run rate basis over \$2 billion. We've grown earnings on a per share basis nearly at a 40% CAGR and free cash flow at a 45% CAGR.

But we know there's things we've got to do to improve the overall financial profile of the business. We've got to continue to stay focused and disciplined around delevering, we've got to drive a realization of better free cash flow conversion, and ultimately we've got to continue to deliver the outsized organic growth that has been a hallmark of our success over the years.

I, today, am as confident as I've ever been, Greg, about the unique competitive position we're in and how purpose-built we are for this era and the impacts of AI. As I mentioned earlier, we haven't been focused on building a brokerage, we've been focused on building an insurance platform that enables us to play across the ecosystem in a way that uniquely positions us to solve challenges and to ultimately build enduring moats around our competitive advantages.

So, our business is well positioned coming into 2026. The quality and the strength of our talent has never been better. The addition of CAC just continues to add to that as you think about the level of expertise we have and complex up-market risk and insurance opportunities, and the momentum is palpable. You heard some of the remarks I shared around the new business success that CAC has come into the year with. Closed one new business up over 50%. \$11 million of active cross-sell business being worked on collaboratively between the Baldwin and CAC teams. It's incredibly exciting, but we're not close-eyed to the reality that there's some things around our financial profile that we've got to make real progress on, and we're committed to doing that.

### **Gregory Peters**

So, I appreciate your comments there, and I want to focus on two pieces of your answer at the end that I think are important. It's the deleveraging and the free cash flow component. I guess what I'm struggling with is how you're going to deliver on those two metrics while at the same time aspiring to grow to \$3 billion of revenue, because I feel like, based on your original vision, that was going to require some more acquisitions. So, maybe speak to just sort of how you're thinking about the deleveraging free cash flow components of that answer. Thank you, Trevor.

### **Trevor Baldwin**

Yeah, Greg, we've got to drive meaningful margin accretion in the business through, and we're actively doing that. If you look at the CAC integration, we outlined \$43 million of cost synergies to be achieved over three years, and we've already actioned \$25 million of that. We're two months in. 60% of expected cost synergies are actioned. And of the \$17 million of revenue synergies that we had identified, we're already working on \$11 million worth, 60 days in.

So, it's about continuing to transform our business, which is what 3B30 Catalyst is all about, which is repositioning the way in which work gets done across our business to leverage the advantages of artificial intelligence, and we're doing that. We, over the past 90 days, built our own proprietary orchestration layer, Gator, that enables us to have synchronous and asynchronous coordination of workflows that are fully automated to be able to truly elevate and enhance the type of work that our professionals are doing while driving more seamless, more effective, and more real-time interactions for our colleagues through the advantages of AI.

What we're seeing in the early days of some of these tools that we're rolling out is productivity gains upwards of 80%. To say that AI is going to have an impact or even transform businesses in our industry is probably the understatement of the day. The opportunity we have ahead of us here is immense, and we're going to unlock meaningful margin opportunity while accelerating organic growth, and that will put us in a position

to be able to both de-lever the business through scale while also have it being in the position over time to be thoughtful around M&A.

### **Brad Hale**

Hey, Greg. Just want to add. Look, in the last two quarters, we've actually had quite a strong trend in the growth in adjusted free cash flow. In Q3, adjusted free cash flow from operations was up 26%. In Q4, it was up 85%, and Q4 was in the face of approximately \$15 million of partnership-related expenses for the January 2026 deals, which was unplanned. As we de-lever the business, as Trevor articulated, we would expect our free cash flow conversion to migrate to the peer levels.

With respect to leverage, I want to be clear in how we think about the balance sheet. Our long-term target leverage remains three to four times. Nothing about today's announcement around buybacks changes that destination. What we're saying is that the path to that destination should be optimized for total shareholder value, not optimized for arriving at the lowest leverage ratio in the shortest possible time.

We have no near-term maturities of consequence. In this context, mechanically de-leveraging from 4.1 times to 3.5 times, six months faster, while our equity trades at a material discount to where we believe intrinsic value sits, would be, in our view, a destruction of shareholder value and not a creation of it. We're looking at this the same way we've always looked at it on a long-term basis and are committed to that path.

### **Gregory Peters**

Got it. Thank you for the answers.

### **Trevor Baldwin**

Thanks, Greg.

### **Operator**

Next question, Elyse Greenspan with Wells Fargo. Please go ahead.

### **Elyse Greenspan**

Hi. Thanks. Good evening. My first question on organic growth, I guess with the mid-single-digit guidance for '26, I was just hoping that you can give some color on what the outlook is by business. And then a second part, keeping with organic growth, obviously, you guys did highlight it, some specific headwinds, and I know they were called out on the slides. But within your organic growth guidance for '26, are you assuming any of the businesses start off the year in negative territory, just because, obviously, the cadence is organic improving during the year?

### **Trevor Baldwin**

Yeah. Hey, Elyse. We're not going to get into segment-specific outlooks here. What I would tell you is the headwinds, which all have finite end dates over the course of '26, are incorporated into that mid-single-digit or higher guidance. It wasn't just mid-single. I would point that out. We expect OG to return to double digits by the fourth quarter. We would not expect negative OG in any of the segments going forward.

### **Elyse Greenspan**

That's helpful. Then for the share repurchase program, the \$250 million, in the slides, it says opportunistic share repurchases. Within the EPS guidance that you've outlined, what is that assuming of the \$250 million that is brought back during the year?

**Trevor Baldwin**

We're not assuming share repurchases right now, Elyse. Our appetite is going to be opportunistic, based on where the shares trade. As share price goes up, our capital allocation priorities will shift. I think if you assume we deployed \$125 million of capital into a share repurchase program over the year, that would result in about a 3% accretion.

**Elyse Greenspan**

We're almost two months into the Q1, what have you seen from a market impact, so rate and exposure impact, I guess quarter to date? Has there been any change in what you observed quarter to date relative to the fourth quarter?

**Trevor Baldwin**

Yeah, as I mentioned earlier, we've got pretty good visibility into 1/1 employee benefit renewals now. We did not see the same exposure weakness in those 1/1 renewals that we had seen in the third and fourth quarters.

**Brad Hale**

Elyse, just to clarify one comment, we wouldn't expect negative organic across any of the segments for the full year. We do expect MIS to continue to be pressured in Q1 before the transition date on QBE at 430. Just wanted to note that.

**Elyse Greenspan**

Thank you.

**Operator**

Next question, Pablo Singzon with J.P. Morgan. Please go ahead.

**Pablo Singzon**

Hi. Good evening. I think it's clear from your comments that you're starting to get bearish about (inaudible), it's more open market rather than embedded. Is your view here what the market seems to be assuming, something like digital agents will be able to quote and buy on their own, insurers are willing to provide them with buyable quotes? I appreciate that's sort of what's happening in some ways embedded, but in a more controlled environment where you own the platform. But I guess, do you think that's actually what happens in the open market as well?

**Trevor Baldwin**

Pablo, I don't know that I would go so far as to say that. There's already about 35% of the personalized insurance market that proactively price shops today and goes direct. And so, do those proactive price shoppers end up on an AI-driven comparison platform rather than going direct into a Geico or Progressive website? Like, maybe.

At the same time, I'm not sure insurance companies are going to be super excited to open up their quoting algorithms and APIs to a bunch of AI-driven chatbots. There's real risk and concern around the channels through which business comes and the impact it has on loss ratios. There's real cost to quoting business. You have to run credit. There's data feeds and data pulls. And so, these insurance companies are very sensitive to quote-to-bind ratios. If you hooked up an AI engine to one of these companies and just started redlining on quotes, they'd shut you down in less than 24 hours. So, I think, undoubtedly, the

way in which personal insurance is going to be bought and sold is going to evolve, and AI is going to have a huge impact on that.

I believe quite strongly, and we've got some real proof points as recently as yesterday with Fairway Mortgage, that embedded distribution is a big part of the future. It's not going to be the entire future, but it's going to be a big part of it, and different people have different buying habits and proclivities. Some people prefer a buying experience that's fully embedded inside the trusted partner's ecosystem and the natural workflow that they're going through.

And so, as long as they're presented with choice, they're done so quickly, and they're provided with a buying or shopping experience, it gives them confidence that the market's been adequately shopped to give them the right coverage at the most competitive price, then they're not going to feel compelled to go out to a third-party chatbot-driven insurance platform or Google or whatever pick your direct-to-consumer platform is. So, we believe embedded is one of the biggest net winners here, and that's why we've been so focused on building out that channel for the last four to five years.

**Pablo Singzon**

Okay. Thank you.

**Operator**

Next question, Josh Shanker with Bank of America. Please go ahead.

**Joshua Shanker**

Thank you for taking my question late in the hour. A couple of years ago, the stock was soft. You did a lot of M&A. You argued it was the right M&A to do, and it's paid dividends, but the market didn't like it. And you said, look, we are going to show you how much cash flow this Company generates, and we're going to forestall future M&A to show that to you. And along came the CAC deal, and you could not resist such a deal. It was a great deal for you. And the stock did the same thing. That may not be the only reason why the stock did the same thing, but I understand your view that you couldn't pass up the opportunity.

Right now, your stock is at \$18 a share. You've announced a share repurchase program, but you're not making any real commitments about how you're going to actively execute that program. If buying CAC was such an emergency that couldn't be helped, even though it sort of pushed on what you had told investors you wanted to do, how does that apply to the stock today and how you think about share repurchase? Is there not an emergency right now that you need to act?

**Trevor Baldwin**

Josh, at 8-times EBITDA, there is not a better use of capital than buying our own shares, and that's why the share repurchase program has been authorized. And at 8-times EBITDA, we will be actively buying our stock.

**Joshua Shanker**

And when you say that for the next 12 months, should we expect if the stock is not going that direction you will fully exhaust that buyback this year?

**Trevor Baldwin**

I'm not going to opine on exactly how much or how quickly we're going to deploy. But from a capital allocation standpoint, Josh, there's no better use of capital than acquiring in our own shares of the business

we know best of all that a significant discount to what I can buy a far smaller, far lower quality insurance brokerage business for in the open market. Not even a question.

**Joshua Shanker**

Okay. Thank you for the clear answer.

**Trevor Baldwin**

Yeah.

**Operator**

Next question, Andrew Kligerman with TD Securities. Please proceed.

**Andrew Kligerman**

Thanks for that clarification around Josh's question. It sounds like you have a real interest in repurchase. I personally as well wasn't as sure because you said that you've not modeled any buyback into your leverage going forward, so thanks for that clarification.

Trevor, you mentioned at the beginning of the call that it's important to set expectations, and I believe execute on those expectations. And I kind of look at this quarter and you did the CAC deal, you had a call in December, and your organic growth objective was mid single-digit for the quarter. It came in at three. The organic growth for this year now was mid to high. No, it was high. Now it's mid to higher. And I think the quarter was super high quality. It's just, this is sort of like missing a putt. But at the same time, I'd like to know how confident are you in this new organic guidance of mid to high?

And by the way, you hit all the numbers on EBITDA and overall revenue. So again, I don't think it was a big deal, but I'd like to know that what's your degree of confidence now that you've set the guidance for that at the beginning of the year?

**Trevor Baldwin**

Yeah, Andrew, I mean, if we look at fourth quarter specifically, the driver of the gap in organic was the severity of rate and exposure headwinds we face in IAS. That was more than we were anticipating, and that was predominantly driven by weakness and exposure in our employee benefits business. We believe where we have set expectations for 2026 is imminently achievable, and that's what we're focused on executing on.

**Andrew Kligerman**

Got it. Thank you for that, Trevor. And then as I look at the IAS and the fourth quarter rate—that 1,530 basis point swing. As you kind of model out in IAS for the year, kind of starting at a very high drop-off, what are you overall modeling in terms of a number for year-over-rate change or decrease?

**Trevor Baldwin**

Yeah, we still expect rate and exposures to be a net headwind for the year, but we expect that headwind to dissipate as the year goes on, particularly as we get into what will be some relatively friendly comps, particularly in the fourth quarter. So, I would expect it to be a headwind in the first couple of quarters before becoming more neutral. And overall, I would characterize it as a slight headwind for the year.

**Andrew Kligerman**

I see. So, a slight headwind being single for the year, but maybe double digits in the first half? Does that seem in the park?

**Trevor Baldwin**

I wouldn't expect rate and exposure to be double-digit headwind. Remember, the rate of change is so severe in '25 because it was going from positive to negative. But when you're going from negative to negative, you're not going to see the same rate of change.

**Andrew Kligerman**

Got it. Thank you so much.

**Trevor Baldwin**

Thank you, Andrew.

**Operator**

I would like to turn the floor over to Trevor Baldwin for closing remarks.

**Trevor Baldwin**

Thank you all for joining us on the call this evening. We are excited for the growing momentum we have across our business in 2026.

In closing, I want to thank our colleagues for their hard work and dedication to delivering innovative solutions and exceptional results for our clients. I also want to thank our clients for their continued trust and confidence in our teams. Thank you all very much, and we look forward to speaking to you again next quarter.

**Operator**

This concludes today's teleconference. You may disconnect your lines at this time, and we thank you for your participation.