



The Baldwin Group

The Baldwin Group and CAC Group Partnership Announcement Call

December 3, 2025

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

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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

Charlie Lederer, *BMO Capital Markets*

Pablo Singzon, *JP Morgan*

Elyse Greenspan, *Wells Fargo*

Andrew Andersen, *Jefferies & Co.*

Joshua Shanker, *Bank of America*

Mitchell Rubin, *Raymond James*

Tommy McJoynt, *KBW*

PRESENTATION

Operator

Greetings, and welcome to The Baldwin Group and CAC Group Partnership Announcement Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad.

As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Bonnie Bishop, Executive Director, Investor Relations. Thank you. You may begin.

Bonnie Bishop

Thank you, Operator, and good morning.

Right now, everyone should have access to our partnership announcement and slide presentation, which were released prior to this call and can also be found on the Investor Relations portion of our website at ir.baldwin.com.

Before we begin our formal remarks, a reminder that part of our discussion today may include forward-looking statements, which are based on the expectations, estimates and projections of Management as of today. The forward-looking statements in our discussion are subject to various assumptions, risks, uncertainties and other factors that are difficult to predict, and which could cause actual results to differ materially from those expressed or implied in the forward-looking statements. These statements are not guarantees of future performance, and therefore, undue reliance should not be placed upon them.

We refer all of you to our recent filings with the SEC, including our current report on Form 8-K that was filed with the SEC on December 2, 2025, and our annual report on Form 10-K for the year ended December 31, 2024, for a more detailed discussion of the assumptions, risks, uncertainties and other factors that could impact the future operating results and financial condition of The Baldwin Group. The partnerships discussed on this call are both, including those relevant to our completion and integration of this partnership and matters assessed in our due diligence of the partnership. We disclaim any intentions or obligations to update or revise any forward-looking statements except to the extent required by applicable law.

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 Investor presentation, which has been posted on the Company's website at ir.baldwin.com. In addition, this call is being webcast, and an archived version will be available after the call on the Investor Relations portion of our website.

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

Trevor Baldwin

Thanks, Bonnie, and good morning, everyone.

I'm thrilled to join you this morning to announce our signing of a definitive merger agreement with CAC Group, one of the industry's preeminent specialty and middle-market insurance brokerage and advisory

platforms. This is a transformational combination that will create the largest majority-colleague-owned publicly traded insurance broker, with north of \$2 billion of combined expected 2026 revenue, nearly 5,000 colleagues, and over \$14 billion of client premiums being placed into the market. This combination will position Baldwin as twelfth on Business Insurance's ranking of the largest insurance brokers.

I'd like to extend a warm welcome to our future CAC colleagues and clients. Our relationship with the CAC leadership team spans over a decade. What they have been able to accomplish is nothing short of remarkable, and we could not be more excited to be joining forces. Our combined scale and complementary expertise will enable us to deliver more holistic and comprehensive solutions to drive exceptional client outcomes, while further bolstering our collective reputations and cementing our combined platform as the destination of choice for the industry's very best talent. This is truly a one-of-one combination that should serve as a catalyst for our growth and margin expansion potential for many years to come.

I cannot stress enough the uniqueness of CAC in our industry, truly a one-of-one business. CAC represents one of less than a handful of brokerage firms in excess of \$250 million of revenue that was built brick by brick, not through pervasive tuck-in M&A. They have been the standard bearer for attracting the industry's top specialty talent under one roof with a common culture built around client execution and colleague success.

The CAC business brings to Baldwin up-market specialty talent that fits seamlessly into our broader middle market platform and is well-suited to take advantage of our MGA, reinsurance broking and proprietary technology capabilities, positioning the combined business to accelerate our collective momentum.

Now, for some additional background on CAC. Today, CAC provides high-impact solutions to over 5,000 clients across industries, such as natural resources, private equity, real estate, senior living, education, and construction. CAC's deep expertise is broad-based across Property and Casualty, Financial and Professional Lines, Transactional Liability, Employee Benefits and Surety. Since 2020, CAC has grown organic revenue at a compound annual growth rate of nearly 30%, underpinned by a highly productive population of over 115 risk advisors, driving outsized new business generation. It is quite rare we encounter a firm at scale that rivals our industry-leading organic growth track record. However, CAC certainly does that.

CAC is the quintessential case study on the power of specialization. I point folks to Slide 18 of the Investor deck posted yesterday evening, which details the meaningful growth inflection experienced by Cobbs Allen, CAC's Middle Market Retail Brokerage arm, as it was integrated with CAC's Specialty platform. During the five-year period following the launch of CAC Specialty, Cobbs Allen saw revenue double as risk advisors were able to seamlessly tap into specialty capabilities, move up market and retain clients as they grew and expand wallet share. This outcome, we expect, is a microcosm of what can be achieved by merging CAC's Specialty platform with our nearly \$750 million revenue IAS platform.

As we have discussed before, we are firm believers that true specialization is a massive differentiator in our business. I can say with confidence that this merger accelerates our specialization plans by at least five years and materially elevates our ability to compete at the highest levels. The way our two businesses fit together, the complementary nature of our capabilities and expertise is remarkable, as if our two businesses were purpose-built to come together.

From a financial perspective, this transaction is uniquely compelling. It will be meaningfully accretive to earnings day one, accelerates the trajectory for continued reductions in our debt-to-Adjusted EBITDA leverage ratio, is expected to be highly margin accretive over the next few years, and will significantly enhance the scale of our business. The insurance brokerage industry, like many other financial services businesses, scale built thoughtfully is a meaningful competitive advantage and value enhancer. This combination delivers that in spades.

In summary, we are honored to be joining forces with the CAC team and are incredibly excited about the client, colleague and Shareholder outcomes this combination will catalyze and accelerate. In particular, we are excited to welcome the CAC leadership team into Baldwin and look forward to their contributions to our future growth and success.

With that, I will turn it over to Brad to cover in more detail the economic and financial components of this transaction.

Brad Hale

Thanks, Trevor.

To start, we anticipate this transaction to be approximately net leverage neutral at close and to accelerate our path to deleveraging over the next few years. In addition, we estimate that the transaction would be more than 20% accretive to 2025 adjusted EPS based on targeted full run rate synergies and the exclusion of one-time integration costs and transaction expenses.

Upfront consideration will consist of \$438 million in cash and \$23.2 million in Class A shares worth approximately \$589 million based on our 30-day VWAP as of December 1, bringing total upfront consideration to slightly over \$1 billion or 7.9 times 2025 pro forma Adjusted EBITDA inclusive of expected synergies and seven times net of the estimated deferred tax asset of approximately \$114 million. We expect to fund the upfront cash component through a combination of cash on hand, our revolving credit facility and proceeds from a potential future debt financing transaction.

Importantly, 98% of CAC's risk advisors are Shareholders in the business and 100% of CAC colleagues will become Shareholders in Baldwin as a part of this transaction, creating substantial equity alignment on a go-forward basis. The vast majority of the rollover equity will be subject to a four-year pro rata lockup.

In addition, CAC is eligible to receive up to a \$250 million earn out across two payments based on their achievement of certain performance thresholds. The maximum potential earn out liability in year one is \$125 million and the earliest the first payment could be made is Q1 2027. The earliest the second payment could be made is Q1 2028. Lastly, there is a \$70 million cash deferred payment that will be made on the fourth anniversary of the closing. The maximum total enterprise value is approximately \$1.34 billion or 10.4 times 2025 pro forma Adjusted EBITDA, inclusive of expected synergies and 9.5 times net of the estimated deferred tax asset.

From a financial performance perspective, in 2026, we anticipate CAC to deliver \$345 million of gross revenue and \$90 million of Adjusted EBITDA inclusive of \$10 million of synergies realized in year. We expect the majority of the \$10 million of synergies to show up in the back half of the year.

Slide 21 of our Investor deck lays out our current synergy expectation of approximately \$60 million over the first three years post-closing, which should drive meaningful margin expansion in the business. Importantly, these synergies expectations are fully bottoms up. There is no swag in these assumptions. We have thoroughly and thoughtfully identified areas of overlap, vendor redundancy and revenue uplift on a line-by-line, item-by-item basis, giving us confidence in our ability to achieve the expected synergies.

Both CAC and Baldwin have invested deeply into the infrastructure to operate at a scale significantly larger than where we are today, uniquely positioning our combined business to capture meaningful revenue and cost synergies given the complementary natures of our businesses.

Lastly, we anticipate approximately \$50 million of integration-related costs to be incurred during the first three years post-closing and approximately \$17 million of transaction-related costs to be incurred across the end of 2025 and beginning of 2026. In closing, we could not be more excited about the financial impact of this transaction. This partnership expands the growth profile of the IAS Operating Group, aligns with our 3B30 initiative on both the revenue and margin fronts, accelerates our path to deleveraging,

increases our financial flexibility over the next few years, and is meaningfully accretive to adjusted EPS on day one. In short, we believe that this is set to be a home-run outcome for our collective colleagues, clients and Shareholders.

With that, Operator, let's open up the line for questions.

Operator

Thank you. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question comes from the line of Charlie Lederer with BMO Capital Markets. Please proceed with your question.

Charlie Lederer

Hey, thanks and congrats on the deal. Maybe just going back to Slide 18, I guess, can you help us, maybe provide a little more color on what's really enabled that growth in revenues per employee and per client?

Trevor Baldwin

Yes, hey, Charlie, good morning. Slide 18 is really, I think sums up the power and possibility of this combination. As you think about CAC as an organization, they are today, call it, roughly three-quarters Specialty, one-quarter Middle Market, and have built out a platform with truly elite talent from across the industry that brings expertise and capabilities that are truly unmatched. That up-market expertise enables them to achieve revenue per colleague metrics and outcomes that are, frankly, industry-leading, when you look at their revenue per colleague. Their new business results are similarly strong with sales velocity well in excess of even what we achieve as an industry top decile leader.

When you look at the growth that has been accomplished in their Middle Market platform, the Cobbs Allen business, more than doubling over the past five years, it's really a microcosm of what we expect to occur as we integrate the CAC Specialty platform into our broader Middle Market business. It is accomplished by plugging in those truly distinct and up-market capabilities and making them broadly available to those Middle Market risk advisors, enabling them to move up market, to capture more share, and to hold on to their clients as they scale well in excess of a traditional Middle Market business.

This is not dissimilar to what we've seen in prior partnerships when we have brought Middle Market platforms into our broader business and given them access to our breadth and depth of capabilities. You see that as new business generation from our historically partnered firms averaged 150,000 pre-partnership and more than doubled to over 300,000 on average during the first year as a part of Baldwin. We think we're going to see that in spades here, and is one of the many reasons we're so incredibly excited about the power of this combination.

Charlie Lederer

Thanks. Then on the cash flow conversion profile, is there any color you can share? How does that differ from how you're thinking about the legacy Baldwin business?

Brad Hale

Hey, Charlie, it's Brad. They were not reporting on a fiduciary basis like us. I don't have an apples-to-apples conversion percentage for you. What I can tell you is through diligence, we noted that they turn AR

about twice as fast as we do. They are very efficient from a working capital perspective. I have a lot of confidence that it will be accretive to us overall in terms of that conversion ratio, but I don't have a specific number for you today.

Charlie Lederer

Okay. Thank you.

Trevor Baldwin

Thanks, Charlie.

Operator

Thank you. Our next question comes from the line of Pablo Singzon with JP Morgan. Please proceed with your question.

Pablo Singzon

Hi, good morning. First for Brad, the expected synergies you disclose for CAC are much higher on a percentage basis compared to what some of your public peers have disclosed for their own recent deals. I do appreciate your comments on how you set up the synergies to be achievable. Maybe there's something about the combination that makes it highly synergistic as opposed to a more typical deal. If you could go through that and why you think you can achieve the synergies you've laid out. Thanks.

Brad Hale

Yes, thanks, Pablo. Again, expressing strong confidence in the synergies we've identified, it's about 75% on the expense side and about really only 25% on the revenue side. The expense side, as I said, as well as the revenue outlook was fully a bottoms up analysis, very detailed that we spent a lot of time on. It was by no means a swag on our part. From the revenue side, we looked at sort of broader contracts with insurance company partners. But importantly, we haven't layered any cross sell or upsell into that revenue estimate. If anything, we think there's additional opportunity here. If you look at what we've achieved in prior partnerships.

In addition, on the expense side, each of us had built an infrastructure really to operate as a much larger Public Company. CAC was on a path to that over the next several years. There's a lot of opportunity in the back office that we see again that we've identified from a bottoms up perspective. I think that makes it unique from other deals you may have seen.

Trevor Baldwin

Yes. Hey, Pablo, this is Trevor. I would also just reiterate, one, if you look at our track record from an M&A perspective, we think it's incredibly strong relative to the value creation we've delivered. Going back to the MSI transaction at the year of our IPO, which has been a complete and utter home run. The Westwood transaction in 2022, which similarly has been just a really terrific outcome for Shareholders and all of the large platforms in between, which have performed incredibly well. We've got an immense amount of confidence around the success and the financial outcomes we're going to see here.

I would also reiterate, when we were doing the prolific M&A in the 2020 through 2022 time period, we didn't have the opportunity for expense synergies. I mean, we were building the platform. If anything, the expense synergies—the synergies at the time were negative as we were layering in cost to operate at scale. Today, for the very first time, in addition to all the revenue catalyzing opportunities that come with these types of highly strategic business combinations, we have the ability to capture real cost efficiencies. We've taken a super thoughtful and conservative approach to how we've outlined that.

When you look at the combined margin of the CAC and Baldwin IAS business, on a fully synergized basis, we're not expecting anything heroic here. I think this is something we have an immense amount of confidence around. If anything, as Brad articulated, we've left all of the client revenue, cross-sell synergy opportunities completely out of this assessment. But if we can't capture meaningful momentum there, then I would be very, very disappointed.

Pablo Singzon

Thanks, Trevor. That's helpful. Then the second question for you. You show in the materials, right, CAC has a strong track record of organic growth over the past four to five years. But like most other brokers, that growth has slowed in '25. I guess for CAC specifically, the slowdown has been quite drastic. If I'm reading your materials correctly, 29% to about 5% in '25. The question is, what do you attribute that to? I think CAC has some deconced (phon) pockets, such as national resources and contractual liability. I was wondering if any of those practices have had anything to do with a growth pattern we've been observing for CAC. I guess more importantly, where do you think growth goes from here? But just a bunch of anything you can put on the growth side.

Trevor Baldwin

Yes, really appreciate the question, Pablo. One, we actually expect 2025 growth for CAC to be around 10%, so call it high-single, low-double digits. Some of the numbers that are out there, there's some historical parts of the business that are going to kind of be outside of the perimeter of the transaction. It's not—you're not exactly looking at apples-to-apples numbers there as we kind of project forward what the impact inside of BWIN will be. Yes, they do have really strong capabilities across a number of industries and product groups, including natural resources, financial lines and transaction liability, all of which continue to perform exceptionally well.

Their natural resources practice is call it nearly \$80 million of revenue across traditional oil and gas, hydrocarbons, renewables, power generation. It will be complemented nicely with our emerging natural resources capabilities and the power of those teams who have known each other from being around the industry. As an example, they have very strong capabilities, in the tax side, which is something we have not had. As we plug those capabilities into our team, both in natural resources and in the private equity and M&A groups, expect to create meaningful upside opportunity for our colleagues and be able to bring, a fuller suite of solutions for our clients.

The other thing I would point out is CAC has a terrific track record of attracting truly elite industry talent. Their reputation, their culture, the platform that they have crafted to enable those professionals to build immensely successful careers is unmatched. When you combine that with our platform at Baldwin and some of the incremental capabilities that come from that, such as our reinsurance platform, our Bermuda and London DNF capabilities, the MGA platform and the opportunity to develop new proprietary products, which, again I would point out is also not in our revenue synergy assumptions, that creates an unparalleled platform and opportunity for industry talent to come join and work alongside really A players.

We think this is a hugely catalyzing moment for our combined business, not only in the way in which we can serve and execute for clients, but also in the way in which we can welcome the industry's top professionals to a place where they can build the most successful, most rewarding, and most impactful careers.

Pablo Singzon

Thanks, Trevor.

Operator

Thank you. Our next question comes from the line of Elyse Greenspan with Wells Fargo. Please proceed with your question.

Elyse Greenspan

Hi, thanks. Good morning. I guess my first question is a follow-up on, I guess, on that organic growth question. Within the EPS accretion that you guys have laid out for '26 and '27, what are you assuming is the organic growth of CAC? I understand it will be right in M&A for 12 months, but I'm just trying to understand the revenue growth that you're expecting from the asset over the next couple of years within the accretion that you guys outlined.

Brad Hale

Hey, Elyse, it's Brad. As we outlined in the prepared remarks, we expect \$345 million of revenue in 2026. As Trevor mentioned, parts of the business are not coming over, so you can't look at it on a perfect apples-to-apples basis. But our assumption is aligned with where we are from an overall business, high-single digits, low-double digits, over the next several years as we outline their financial plans.

Elyse Greenspan

Thanks. Then you guys outlined the payments, the time for the payments associated with the earnouts. But what are the earnouts? Can you just share some of the financial targets that achieving the \$250 million of earnouts are based on?

Trevor Baldwin

Yes hey, Elyse, it's based on strong financial performance. We expect to pay those earnouts because we expect the business to perform really well and be highly accretive.

Elyse Greenspan

Is it like revenue margin, a combination of both?

Trevor Baldwin

It's a combination of metrics.

Elyse Greenspan

Okay. Then in the slides you guys outlined Juniper Re, I think, is contributing here relative to, I think, the synergies. I'm just trying to understand; can you just expand on that piece and how using the Juniper Re is helpful relative to the revenue synergies here and how impactful you're expecting that angle to be?

Trevor Baldwin

Yes, I think Juniper brings both unique expertise for their very large and sophisticated clients, as well as more direct access to certain global insurance markets, such as Bermuda and London, where a lot of their premium today is placed on behalf of many of those larger discerning insurance buyers. What I would tell you is we have a very modest amount of actual Juniper revenue in these synergies, \$0.5 million in the first year, scaling up to about \$3 million in the third year. Again, not a heroic outcome, something we would certainly expect to outperform.

Elyse Greenspan

Thank you.

Trevor Baldwin

Thanks, Elyse.

Operator

Thank you. Our next question comes from the line of Andrew Andersen with Jefferies. Please proceed with your question.

Andrew Andersen

Hey, good morning. You mentioned there hasn't been a ton of M&A here, but could you talk a bit about what their track record is there and perhaps how integrated the platform is?

Trevor Baldwin

Yes, great question. One of the reasons we're so excited about this business is it was built brick by brick. While they've completed, I'd say, less than a handful of small transactions this business was almost entirely built organically. It operates today as a fully integrated business on a single agency management platform. From an integration perspective with us, it's going to serve as our Specialty platform. When you think about the integration lift, it's not nearly what you would expect from say, similarly sized firms that have been built through M&A, where it's instead of one integration, more like 50 integrations.

We're simply planning to kind of lift and shift the CAC platform into the IAS organization and then plug our teams into it and let the race car run. This is a Ferrari, and we are incredibly excited about how it's going to accelerate momentum for our colleagues and clients.

Andrew Andersen

Thanks. I'm not sure if you shared anything on the mix of MGA or programs business and perhaps what the revenue mix from contingents and supplementals is, if you could share that.

Trevor Baldwin

Yes. From an MGA perspective, they don't have any in-house MGAs or programs today. We see that as a very large opportunity. Their supplemental and contingent revenues are about half on a relative basis of what ours are. Again, this also informs our confidence around some of the revenue uplift opportunities, which we have haircut in what we've outlined here from an expectation standpoint. I just want to reiterate what Brad mentioned earlier, which is the synergy expectations are not a swag in any way. This is line by line, contract by contract, vendor by vendor. We have a lot of confidence around the achievability here.

Andrew Andersen

Thank you.

Operator

Thank you. Our next question comes from the line of Josh Shanker with Bank of America. Please proceed with your question.

Joshua Shanker

Yes, thank you. Trevor, you said we fully intend to pay those contingent considerations for the revenue production, so we think it will be a success. Just to understand, so between the \$250 million and the \$70

million, those are payments you're expecting to make. If they do hit their targets, will there be a change in contingent consideration for the payment, or are these basically \$320 million of liabilities on your balance sheet that you're registering today at the time of the transaction?

Brad Hale

Yes, we would expect a slight change over time because we do fair value those back to day one, but I would anticipate the fair value to much more closely represent what we're ultimately going to pay versus maybe what you would have seen in the past in terms of the discount factor applied.

Joshua Shanker

Right, because your post-mortem on the past looks very happy with what you've done, but if you could do it all over again, the debt leverage you got higher a lot as it relates to contingent considerations. I'm just wondering, when you say this is not going to add any leverage to our balance sheet, a \$320 million of payments out in the future, it's not debt technically, but it feels a bit like debt.

Brad Hale

Yes, certainly get that perspective, Josh. Sorry, I didn't mean to cut you off there. We were very thoughtful about leverage in this transaction and the messaging we've provided around staying between three and four times net leverage. I point out a couple of things. One, the leverage calc we're referencing in terms of staying net neutral is only capturing a portion of the full synergies we would anticipate to receive. I think if you bake full synergies into that, we have almost a quarter turn of deleveraging associated with this transaction.

Two, this really does, if you run the math overall, accelerate our path to deleveraging, even incorporating those payments through 2028. From an earn-out perspective, relative to the size and scale of our business, you have to realize the earn-out overhang we had over the last couple of years was when we literally bought twice the size of the business two years in a row and paid earn-outs roughly one times equal to Adjusted EBITDA over a 12 to 18 month period. We just can't replicate that type of M&A. Here, the relative payment of those earn-outs in relation to the EBITDA we'll be generating in that 24 month period over which time these will be paid is just a much different relative value. That's how we've thought about it from a responsible leverage perspective.

Trevor Baldwin

Hey, Josh, this is Trevor. I would just reiterate, we've taken an incredibly thoughtful approach with the CAC Ownership Group of structuring a transaction here that makes just an immense amount of financial sense. We're very sensitive to managing leverage and continuing to have that come down. As Brad mentioned, this accelerates our path to deleveraging. Frankly, the way this business comes together, the structure of the transaction, it's incredibly accretive. This is a home run for Shareholders.

Joshua Shanker

Can you talk a little about the process on the transaction? Was this brought to you by an investment bank? Were there multiple bidders? Has the change in the valuation of publicly traded insurance brokers influenced the consideration being paid for this transaction?

Trevor Baldwin

Hey, Josh. Great question. I'd start by just pointing out we've had a really strong relationship with the CAC leadership team for over a decade now and have long, respectively, admired what each other was building from afar while occasionally talking and dreaming about what could be possible in bringing our businesses together.

I'd say similar to many of the other really high impact transactions we've completed in the past, one of the things I would point out is our team's ability to build and nurture relationships in the industry that give us unique access to get things done is really a standout here. The CAC team, the leadership team, I think, led and ran a really thoughtful M&A process that was led by Ardea as their investment banking representative and initially, I think, was primarily oriented around exploring a third party capital raise to support their goal of growing to \$1 billion over the next five years. That ties back to what you heard from Brad earlier around the infrastructure that they had built to support that growth trajectory and part of what really gives us confidence around the cost synergies here.

After that process launched, through my relationship with the CAC leadership team, we began having some one-on-one conversations around what something could look like. As we continued to work through that and dig in, I think it quickly became very apparent both to our team and their team how powerful this combination would be. That ultimately led to an acceleration of the work our teams did to come to a business combination here.

My sense and my expectation is we had unique and somewhat proprietary access as a strategic to getting something done here, and that's reflective in the thoughtful way in which this transaction was structured and is similar to how you've seen us do similar transactions in the past, like with MSI, with Westwood, most recently with Hippo. We're super excited about this. It's going to be an absolute home run for our colleagues, for our clients and importantly for our Shareholders. We just couldn't be more excited.

Joshua Shanker

If you'll indulge me one more, I'd appreciate it. You said 7.9 times Adjusted EBITDA, the transaction valuation, after all the things are baked in. Prior to this moment, CAC didn't have access to a public stock to remunerate their Shareholders. You deduct share-based compensation when you quote adjusted. Some others don't. Is that a significant part of the valuation? These are very successful producers who you're acquiring into your business. Would there be a material difference between Adjusted EBITDA valuation defined as including versus excluding share-based compensation?

Trevor Baldwin

No, there is not.

Joshua Shanker

Okay. Thank you.

Trevor Baldwin

Thanks, Josh.

Operator

Thank you. Our next question comes from the line of Greg Peters with Raymond James. Please proceed with your question.

Mitchell Rubin

Hey, good morning, guys. Thank you for taking my question. This is Mitch on behalf of Greg. What will operating cash flow look like on a pro forma basis?

Brad Hale

We have not yet fully adjusted their cash flow presentation to the fiduciary model that we adopted. We're still going through that work. We'll be able to update you on the year-end call with respect to that expectation, but I don't have that number now.

Trevor Baldwin

But just to reiterate Brad's earlier remarks, as we dug in through diligence, they turn their AR twice as fast as we are. We are confident around this being accretive to cash flow conversion.

Mitchell Rubin

Got it. Thank you. As a follow-up, how is CAC going to be showing up in your recording segments?

Brad Hale

It will be fully embedded in the IAS segment.

Mitchell Rubin

Got it. Thank you.

Operator

Thank you. Our next question is a follow-up from the line of Charlie Lederer with BMO Capital Markets. Please proceed with your question.

Charlie Lederer

Hey, thanks. Just curious if there's any difference in their definition of organic growth versus Baldwin's.

Brad Hale

No, there's no difference.

Charlie Lederer

Okay. Then on the cash being distributed or being paid by Baldwin, can you give us a sense of since CAC is employee-owned, I guess how widely that's being distributed to their employees? Is it concentrated or I guess how to think about that?

Trevor Baldwin

Yes. Hey, Charlie. I think that's one of the other reasons we're so excited here. Their ownership was widely distributed, more than 50% of their colleagues are Shareholders in the business. Not only this is a great day for their colleagues and their Shareholders, but it's also an even better day as now 100% of their colleagues become Shareholders in our combined business on closing. They're not selling out. They're selling in. This is a merger. They are kind of investing the majority of the value in their business into our combined organization. They're all in. That's one of the reasons we're so excited.

Charlie Lederer

Thank you.

Operator

Thank you. Our next question comes from the line of Tommy McJoynt with KBW. Please proceed with your question.

Tommy McJoynt

Hey, good morning, guys. I had a clarifying question on Slide 21. You lay out the 5% to 10% EPS accretion in '27. Is that referring to the entirety of the transaction, including CAC's earnings, the incremental financing costs, the new shares issued and the \$30 million of synergies? Or is that just referring to the \$30 million of synergies?

Brad Hale

No, that's looking at the transaction as a whole.

Tommy McJoynt

Okay, got it.

Trevor Baldwin

Yes, Tommy, I'd also point out, I know we've seen a couple of notes from folks where they kind of suggested that on an unsynergized basis this would be slightly dilutive. I think we would just disabuse everyone of that notion. Our math is this is before any synergies, actually slightly accretive to EPS.

Tommy McJoynt

Thanks for clarifying.

Trevor Baldwin

Yes.

Operator

Thank you. Our next question comes from the line of Elyse Greenspan with Wells Fargo. Please proceed with your question.

Elyse Greenspan

Hi, thanks. I just wanted to come back to the revenue discussion. Are you guys assuming any dis-synergies? I know we were talking through the '26 guide earlier, but are there any revenue dis-synergies assumed in any of these figures?

Trevor Baldwin

Hey, Elyse, not outside of kind of normal course attrition that we would expect through the operation of the business. Again, there's so many reasons for us to collectively be excited here, but the way how complementary these businesses are, there's not really overlap or conflict that we're expecting. We haven't included any abnormal revenue dis-synergies, but we also have not included any of the cross-sell, up-sell revenue synergies that we've talked about, MGA product launches, things like that. I would tell you that the opportunity very much skews heavily in that direction.

Elyse Greenspan

Then from an accounting perspective, I believe you guys always put deals in the M&A line. There's sometimes some companies that have gone a different route with larger deals. I'm assuming this deal will be in the M&A line for 12 months and not in organic growth, or can you just confirm that from a financial reporting perspective?

Brad Hale

Yes, that's confirmed. It will not hit organic until we lapse the first year of ownership.

Elyse Greenspan

Then I guess one more on the accretion laid out. With the \$438 million, the cash at close, it sounds like that's going to come from a revolver or potentially other debt and maybe some cash. Is the expectation that the leverage that you take on that you pay some of that down with cash that's generated? I guess my question is, does the EPS accretion in '26 and '27 assume that you pay down some of that cash leverage that you take on? Sorry. Thank you.

Brad Hale

It does, yes. We're calculating on a net basis, Elyse, so it does contemplate free cash flow generation in 2026.

Elyse Greenspan

Okay. Thank you.

Operator

Thank you. Our final question comes from the line of Pablo Singzon with JP Morgan. Please proceed with your question.

Pablo Singzon

Hi. Thanks for taking my follow-up. This one's for Brad. Is there an expiry date to the DTAs coming over as part of this transaction? Baldwin does not pay federal tax today because of amortization related to past M&A, and I was curious about the pace at which you expect to use these CAC DTAs. Thank you.

Brad Hale

Yes, obviously, as you mentioned, we're not a taxpayer today, but we do certainly see potential future value in the deferred tax assets. We gave the gross value, which is the \$114 million, and we're not going to lay out a time period over which we expect to achieve that, but we do attribute some value to it.

Pablo Singzon

Okay. Thank you.

Trevor Baldwin

Thanks, Pablo.

In closing, I just want to say a few things. One, our conference call partner, had a technical application outage this morning, so I know many folks had trouble getting on via the webcast. The replay link will be up later today. For those that weren't able to get in for the entire call, we apologize, and the replay will be up shortly.

With that, I just want to thank you all for joining us on the call this morning. We are so excited for the power of this transformational combination with CAC Group and the growing momentum we have across our business heading into 2026. In closing, I want to extend a warm welcome to our future colleagues at CAC and thank our collective 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.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.