



## **The Baldwin Group**

### **First Quarter 2026 Earnings Conference Call**

**May 4, 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**

**Greg Peters**, *Raymond James*

**Tommy McJoynt**, *KBW*

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

**Elyse Greenspan**, *Wells Fargo*

**Andrew Kligerman**, *TD Cowen*

**Pablo Singzon**, *JPMorgan*

**Josh Shanker**, *Bank of America*

## PRESENTATION

### Operator

Greetings and welcome to The Baldwin Group First Quarter 2026 Earnings Conference Call.

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

It is now my pleasure to introduce your host, Ms Bonnie Bishop, Executive Director, Investor Relations. Thank you, Ms Bishop. You may begin.

### Bonnie Bishop

Thank you. Welcome to The Baldwin Group's First Quarter 2026 Earnings Call. Today's call is being recorded.

First quarter financial results, supplemental information and the Company's Form 10-Q 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, including, for example, our strategy with respect to our capital allocation in the future. 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-Q, 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 first quarter results reported earlier today. I'm joined by Brad Hale, Chief Financial Officer, and Bonnie Bishop, Executive Director of Investor Relations.

We had a solid start to the year on the heels of closing our partnerships with CAC, Obie and Capstone in the beginning of January. We delivered total revenue of \$532 million, Adjusted EBITDA of \$137 million, Adjusted EBITDA margin of 26% and adjusted diluted earnings per share of \$0.63. Overall commission and fee organic revenue growth was 3% and total organic revenue growth was 2%. Adjusting for the impact of the QBE builder book transition, which we lapped on May 1, continued softness in our Medicare business due to the disruption in the Medicare marketplace, and the procedural change impacting the timing of revenue recognition in IAS, overall organic revenue growth would have been 5%. Layering in the impact of the three January partnerships as if they had been owned by Baldwin in both comparable periods, overall organic revenue growth would have been 9%. Collectively, those three partnerships grew 27% over Q1 2025, a truly remarkable start to the year.

In Insurance Advisory Solutions, overall organic revenue growth was 4%, driven by sales velocity of 13% before layering in the results from CAC and Capstone, which compares to 14% in the prior year period. As

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a reminder, sales velocity is seasonally lowest in the first quarter as a result of the bulk of our employee benefits renewals booking on 1/1. The impact of rate and exposure in the quarter was a 70 basis point headwind. Including both CAC and Capstone as-if those businesses had been owned in the prior year period, organic growth would have been 10%. Combined sales velocity including the acquired businesses was 24%.

We are incredibly enthused by the early contributions from CAC and Capstone, which delivered the strongest quarterly results in each of their respective histories. CAC generated new business of \$38 million in the first quarter, up 39% compared to the same period in the prior year, and total revenue was \$92 million, representing growth of 27% in relation to Q1 2025. CAC sales velocity in the quarter was 61% across all product lines and 15% for recurring lines of business. Net growth of transaction-related product lines, which consists primarily of our transaction liability and certain project-specific construction lines of business, was 22%. Going forward, we will report sales velocity on an aggregate basis, as well as broken out for recurring lines of business. Separately, we will call out net growth in transaction-related product lines. These transaction-related product lines have some variability quarter-to-quarter due to the variable nature in timing of transactions and project starts.

CAC's strong growth in the quarter was driven by strong new business across key specialty industry groups, strength in the private equity and transaction liability practices, which supported several marquee transactions at the nexus of the AI infrastructure build-out across the U.S. and globally, as well as strong momentum from cross-sell opportunities between the legacy Baldwin and CAC teams.

Our integration work is running ahead of schedule – to date, over \$34 million in cost synergies have been actioned, representing nearly 80% of the three-year \$43 million target we laid out on our last call. We expect these to materialize in the P&L throughout the balance of this year and 2027.

On the revenue side, in the quarter we realized \$1 million of revenue synergies and as of today that number has grown to nearly \$3 million with over \$10 million in client cross-sell opportunities being actively worked. Four months in we are tracking ahead of plan on every dimension of this powerful business combination and the industrial logic we saw is proving to pull through both more quickly and more significantly than we had anticipated.

Moving to our Underwriting, Capacity & Technology Solutions segment, organic revenue growth was 3% in the quarter with core commissions and fees growing by approximately 6%. Importantly, we recognized a large one time contingent payment in our real estate investor program in the first quarter of 2025 normalizing for which UCTS organic growth would have been 9% for the quarter. The underlying momentum across the segment remains strong: our multifamily business grew revenue 10% in the quarter, and Juniper Re grew over 90%, both reflecting the durable scale advantages of our proprietary capacity strategy. We did continue to see pressure in our E&S Homeowners book, where revenue was down roughly 30% in the quarter as we deliberately maintain underwriting discipline in a soft property environment.

The transition of our builder book from QBE to BRIE, our inaugural reciprocal insurance exchange, remains on track. BRIE is now licensed in seven states and positioned to begin migration of business outside Texas in the back half of the year. Our second proprietary builder program, with Hippo and Spinnaker, remains on track to launch later this year. Over time, we expect this to materially increase our capture rate of Westwood's builder business into proprietary MSI programs from approximately 30% today – a meaningful multi-year growth opportunity for our MGA, and a meaningful expansion of vital insurance capacity for our builder partners and their home-buyer customers.

In our Mainstreet Insurance Solutions segment, organic revenue growth was down 5% in the quarter, driven primarily by continued year-over year headwinds from the QBE commission rate reduction at Westwood and softness in our Medicare business. Normalizing for impacts of those two headwinds, overall organic revenue growth was 7%. We fully lapped the QBE impact on May 1, and expect organic growth in our MIS segment to begin ramping again from here. We are also seeing growing momentum in our embedded mortgage businesses, which went live in April with Fairway Independent Mortgage, a top ten independent

mortgage originator in the country. While Fairway has only been live on the platform for one month, early signs are very encouraging.

Our 3B/30 Catalyst Program is now fully operational. In the first quarter, we executed the first phase of role transformation within IAS and remain on track to deliver \$3 million to \$5 million in-year savings. You can find additional information in the 3B/30 Catalyst slide in our Earnings Supplement..

Now let me address the question of AI directly, because it is increasingly central to how we are running this business and to how I expect us to outperform over time.

We are leaning into AI with conviction. Over the past several quarters, we have been building our own proprietary AI orchestration layer that enables delivery of fully-automated workflows. The early productivity gains from the tools we are deploying internally are running upwards of 80%. We are embedding AI directly into our operating platforms – including VIP, our proprietary operating system supporting the MGA – and we are using AI to elevate and enhance the work our colleagues do every day. Catalyst is the operational expression of this strategy: AI-enabled process redesign, role transformation, and an accelerated path to operating leverage. Said simply, AI is a meaningful tailwind for our business, and we are investing aggressively to capture it.

On the question of disintermediation, our thesis is unchanged and the underlying structural advantages have only strengthened. First, the clients we serve – middle market, upper-middle market, and large organizations – have complex, multi-location, multi-faceted risks that require deep and specialty advisory solutions, human judgment, and a multitude of risk transfer counterparties and vehicles in order to thoughtfully and effectively manage and finance risk. The CAC combination further shifts our center of gravity up-market, away from the account segments most exposed to AI commoditization.

Second, our embedded distribution strategy places insurance at the point of major life and business transactions, in workflows consumers are unlikely to bypass for a standalone insurance buying experience.

Third, our UCTS business vertically integrates our platform across the entire value chain, owning the client relationship, advising on complex risk issues, building proprietary insurance products, and arranging the third-party risk capital that stands behind them. We are the disruptor in this marketplace. The combination of human expertise and judgment, embedded distribution, proprietary product and risk capital formation, and AI-driven productivity is the right architecture for the AI era.

As we enter 2026, we are pleased with our first quarter results and confident in our positioning to accelerate performance ratably through the year and beyond. The underlying momentum across our segments is strong. The idiosyncratic headwinds we have discussed – the QBE commission change we have now lapped, the Medicare market disruption, and the IAS revenue recognition procedural change – will all be substantially behind us by the end of the second quarter. CAC is exceeding our expectations on both revenue and expense synergy execution. Our Catalyst program is delivering. And we are deploying AI across our platform with real and measurable productivity gains. Quite simply, our business was built for this era and we are leaning-in to accelerate our impact and our results.

With that, I want to extend our gratitude to our clients for their continued trust in us to provide strategic guidance, expert insights, and innovative solutions, and I want to thank our nearly 5,000 colleagues for their dedication to helping our clients protect what is possible.

Now I will turn it over to Brad who will detail our financial results.

**Brad Hale**

Thanks, Trevor, and good afternoon everyone.

For the first quarter, we generated organic revenue growth of 2% and total revenue of \$532.2 million. Looking at the segment level, organic revenue growth was up 4% in IAS, up 3% in UCTS, and down 5% in MIS. Adjusted for the three transitory items Trevor walked through, underlying organic revenue growth would have been 5%.

We recorded GAAP net loss for the first quarter of \$1.9 million, or GAAP diluted earnings per share of \$0.02. Adjusted net income for the first quarter, which excludes share-based compensation, amortization and other one-time expenses, was \$89.3 million, or \$0.63 per fully diluted share. A table reconciling GAAP net income attributable to Baldwin to adjusted net income can be found in our earnings release and our 10-Q filed with the SEC.

Adjusted EBITDA for the first quarter was up 21% at \$137.2 million compared to \$113.8 million in the prior year period. Adjusted EBITDA margin declined approximately 170 basis points year-over-year to 25.8% for the quarter, compared to 27.5% in the prior year period. The approximately 170 basis point margin decline is fully explained by two items: first, the consolidation of CAC, which has different margin seasonality due to timing and mix of revenues, and second, the UCTS profit sharing contract Trevor mentioned.

Adjusted free cash flow for the first quarter was roughly flat compared to \$26 million in Q1 2025. The decrease was driven by working capital timing which resulted in approximately \$60 million use of cash. More than half of the working capital headwind was from CAC, given a material payout of approximately \$40 million in previously accrued cash bonuses and commissions, which Baldwin assumed in the opening balance sheet.

As mentioned on the year-end call, we would expect CAC's free cash conversion in the year to be better than legacy Baldwin's rate; as such, we expect the timing headwind to reverse in Quarters 2 through 4.

It is important to remember that Q1 is expected to be our lowest quarter of free cash flow conversion, given the payout of bonuses, as well as the substantial receivables that are built in our Employee Benefits business, the majority of which renew in January, with payment monthly through the balance of the year. This was somewhat exacerbated in Q1 2026 because of approximately \$15 million of CAC transaction costs, representing a material increase in one-time cash outlay. Our full-year cash flow trajectory remains on track for double-digit growth in 2026.

We ended the quarter with net leverage at approximately 4.3x as we deployed approximately \$50 million of our \$250 million buyback authorization to repurchase 2.2 million shares. We will remain prudent in our share repurchase program as we assess overall market conditions and act on market dislocation opportunities relative to other capital allocation alternatives to drive shareholder returns.

The January 2026 partnerships with CAC and Obie generated a significant net deferred tax liability, which resulted in a benefit to income tax expense in Q1 of approximately \$145 million from the reversal of the majority of our valuation allowance. As an offset to this benefit, we recorded an above-the-line operating expense to establish a liability associated with our Tax Receivable Agreement of approximately \$130 million. Note that the impact of each of these one-time transactions has been removed from Adjusted EBITDA and Adjusted EPS. We would expect income tax expense/benefit for the balance of 2026 to be minimal and changes to the TRA liability will largely flow through the balance sheet going forward with minimal further expected impact on the P&L. There will be no change to the manner in which we calculate the tax impact to adjusted net income in 2026.

Looking ahead, our full-year consolidated guidance remains unchanged. Despite the challenging market backdrop, we remain confident in our ability to accelerate our total organic growth throughout the year. For the second quarter, we expect revenue of \$485 million to \$495 million, and organic revenue growth in the mid-single digits. We anticipate Adjusted EBITDA between \$113 million and \$118 million and adjusted diluted EPS of \$0.44 to \$0.48 per share.

In summary, we are pleased with the quarter, encouraged by the strong contribution from our recent partnerships across both cost savings and revenue synergies, and by the early operational impact of our 3B/30 Catalyst program. Organic growth momentum is building, and we continue to expect a clear inflection in our financial results in the back half of 2026 as we fully lap the idiosyncratic headwinds of the past year.

We remain focused on accelerating execution across our platform, fully integrating our recent partnerships into Baldwin and leveraging new and innovative technology and AI solutions to enhance our client impact and long-term shareholder value creation.

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, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would 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 keys. One moment, please, while we poll for questions.

Our first question comes from the line of Gregory Peters with Raymond James. Please go ahead.

### **Greg Peters**

Good afternoon everyone. For my first question I'd like to focus on the organic revenue results and then briefly the comments you made about the revenue growth at CAC. I guess one area that caught me by surprise was the result in the UCTS line, which I think you called out there's a one-time item in there. Even on a pro forma basis, it seems like it's tracking lower than I might have envisioned for the year, so maybe you could provide some color there.

Then, just related to your comments around growth, if you could go back and more slowly go through what seems to be some pretty positive indications of growth coming out of CAC, that'd be helpful.

### **Trevor Baldwin**

Hey Greg, it's Trevor. Appreciate the questions.

Let's start with UCTS. I did mention there was a large one-time contingent item in the prior-year period. Normalizing for that, you're looking at 9% organic in the quarter for UCTS, and broadly what I would say is we continue to have very strong underlying momentum in the UCTS segment. Our multifamily portfolio grew double-digits in the quarter, Juniper Re continues to have very strong momentum with growth of over 90%, and it's got broader evidence for that underlying momentum that we're seeing, we do expect organic growth to recover to high single digits for UCTS in Q2 and back into the teens in the back half of the year.

In particular, we're seeing continued headwinds in our E&S Home portfolio as a result of the soft market dynamics and as we push through Q1 the impact of that and the prior year were already fairly material, and so should have less of an impact. Specifically, our E&S Home portfolio is down 30% in Q1, however we expect it to be down, call it high single digits for the full year, which will give you a sense for some of the recovery that we expect there over the balance of the year.

So, the very high level is the underlying momentum at UCTS continues to be quite strong. Its double-digit growth business combination of a one-time item and kind of an acute prior-year period impact from the soft dynamics in E&S Home which normalize through the balance of the year.

Now, moving on the CAC, when we announced that partnership we did it with a ton of conviction at a time when we realized that it was going to be a large and unexpected partnership, but we had the conviction to

do that because of the wisdom that we saw and the industrial logic of the combination of the quality of the people, the scarcity value of the capability set and how that enables us to continue to grow and strengthen the impact that we can deliver for our clients.

I think specifically I made mention of the CAC team as a Ferrari and we're going to put them on the track and let them run, and they have come out of the gate quite fast. We expected the results to be strong, to be clear, but the strength of the results I think even have pleasantly surprised us, both in the speed at which they have pulled through and the scale and the size of the momentum and the opportunities that we're seeing work.

That goes across every dimension of the partnership, whether it's the expense synergies that we had identified of approximately \$43 million, we've already actioned over \$34 million of that, well ahead of plan.

On the revenue synergy side, in what is typically a fairly long sales cycle, already a million dollars of revenue realized in the first quarter and as of today nearly \$3 million with more than \$10 million of active cross-sell opportunities being worked by the combined teams, and real strength, not in any one pocket of the CAC business but just broadly. Whether it's the industry practice groups, their legacy middle market business, or their transaction liability group, which has not only had really growing momentum as they take share in the market, but I think that has strengthened as you've combined them with the legacy Baldwin teams who have been able to leverage those capabilities to drive even more significant impact for our existing clients.

So, it's all incredibly positive.

### **Greg Peters**

Great. I think I have to pivot for my follow-up question to the Catalyst program slide you put in your slide deck. You talk about this initiative in the context of the 3B/30 I assume getting to the 30% margin target. Can you walk us through these run rate annualized savings and the positive payback? Does that get us to that 30% run rate that you're thinking about, or is there some more levers you have to pull that are going to help get you to your objective?

### **Trevor Baldwin**

I think this on a standalone basis, Greg, doesn't fully get there, but just regular way operating leverage that's in the business in combination with the Catalyst program does.

As I mentioned in my prepared remarks, the program is live, it's on track and the early results are quite positive.

You may have seen earlier this morning a press release around our expanded partnership with Anthropic's Claude on an enterprise basis, as well as my mention in the prepared remarks around the work we've been doing over the past several quarters to build out our own proprietary orchestration layer, driving real kind of productivity and efficiency into the operations of our business. So the early signs are quite positive.

I can give you a more recent example, in fact. Our product team at the MGA recently came together in an effort to build and launch an admitted insurance product, a new product for us. I'd say historically creating an admitted product requires a series of competitive analyses, rate and product, feature determination and filing creation tasks, so it's a process that's historically taken months – three on average – and historically requires quite a bit of manual manipulation of documents and data. But the product management team leveraged Claude on top of our proprietary data across each phase of the process and significantly compressed the timeline from what would have been months to three days.

So, as you think about how that translates into the velocity of new products that we can bring to market, whether that's the new builder product we expect to come later this year, a mortgage product we're working

on or a manufactured home program we're working on for a number of our property management software clients, the impact will be real and significant.

So we're quite excited for what we're seeing there.

**Brad Hale**

Greg, I would just add it's the combination of the Catalyst program and then as you're aware we've made some meaningful investments in the business such as mortgage embedded in addition to the products that Trevor just highlighted, so the maturity of those businesses is also a meaningful driver of that margin expansion towards the 3B/30 goal.

**Greg Peters**

That makes sense. Thanks for the detail.

**Trevor Baldwin**

Thanks, Greg.

**Operator**

Thank you. Next question comes from the line of Tommy McJoynt with KBW. Please go ahead.

**Tommy McJoynt**

Hey, good evening. You sounded pretty optimistic about the early signs of success around cross-sell with CAC Group. Can you give us an example of where you guys are actually seeing success there? Is it finding new solutions and then taking market share from other brokers? Just maybe elaborate on that point.

**Trevor Baldwin**

I'd say it's all of those things, Tommy, and it's going both ways. I can give you a couple of quick examples off the top of my head. The CAC team has deep industry capabilities across natural resources, across private equity, real estate, and we've historically had very deep capabilities across construction. One of the CAC colleagues brought forth early in the year an opportunity for a large general contractor prospect that historically they probably wouldn't have pursued because they didn't feel like they had all the right capabilities to really serve them at the level that CAC looks to serve their clients. Because of the combination with our platform, they were able to bring in some of our construction professionals and through an RFP process, we won that client. The incumbent was a top five global broker. Our competition was both the global broker community as well as the large nationals. It was a standout win and something that brought a ton of energy and momentum to the team as they saw some of the kind of reverse opportunities that could exist.

Similarly we have at legacy Baldwin some professionals with deep expertise and strong relationships across private equity and in the M&A universe, and CAC has an incredibly deep bench of talent here, not only on the product side around transaction solutions, but also broadly across portfolio solutions. The legacy Baldwin team had a client that was entered into a complex cross-border international M&A transaction. I can't get into a ton of detail because of NDAs, but I can just tell you this was a highly complex transaction. The CAC team was able to step in, deliver a set of solutions that helped facilitate a seamless signing of that transaction. It's a significant six-figure revenue opportunity for an existing client of Baldwin that otherwise likely would have gone to one of our global broker competitors.

So, a couple of really exciting opportunities. The pipeline is quite robust, both across construction, energy, data center and power generation, as well as kind of broad-based, large upmarket complex opportunities and the momentum continues to build.

**Tommy McJoynt**

Thanks. Just switching gears quickly to one of the headwind one-timers that you've been calling out, the Medicare side. Can you remind us, is the cadence or the seasonality there such that the fourth quarter of 2026 that headwind should abate, or is that more of a '27 when it closes?

**Trevor Baldwin**

We expect that headwind to largely resolve itself beginning next quarter. While we're not expecting kind of a miraculous turnaround in results, we don't anticipate a meaningful headwind going forward there.

**Tommy McJoynt**

Thanks.

**Operator**

Thank you. Next question comes from the line of Charlie Lederer with BMO Capital Markets. Please go ahead.

**Charlie Lederer**

Hey, thanks. I just want to go back to UCTS for a second. I know you called out the headwind, but you also had a fairly nice tailwind in the earned premium line there. I guess if I exclude that you were down a little bit more in UCTS. Was that all E&S Home and the real estate product? What's going to drive the improvement over the course of the rest of the year? Thanks.

**Trevor Baldwin**

Hey, Charlie Lederer, that's right. We did benefit from continued growth in the multifamily earned premium in the captive, which we really just view as kind of incremental economics on a high-performing overall program.

With that being said, the headwind was almost entirely the one-time contingent as well as the headwinds in the E&S business. We do expect momentum to pick up across most, if not all, of our product sets over the balance of the year, as evidenced by our confidence in high single-digit OG in Q2 and returning the team's OG in the back half of the year. Momentum there is strong and you've got the nuances of a lapped quarter both from kind of where the E&S book stood in the prior year as well as that one-time contingent.

**Charlie Lederer**

Got it. Thanks. Maybe just on the buybacks, can you talk about how motivated you feel now to still buy back shares or now that the stock is closer to peers, maybe it's less of a priority? Thanks.

**Brad Hale**

It's Brad. I would say our capital allocation priorities remain intact, right? We've repeated them in the past, but number one, organic investments; two, M&A, followed by buybacks and then dividends or debt paydown.

As I spoke with you guys sort of mid-quarter, we're not an indiscriminate buyer. We are thoughtful about the price as we're deploying that capital, but continue to target the best risk-weighted return alternative and to the extent we see dislocation in the price we'll continue to be active.

**Trevor Baldwin**

Charlie, I mean, put differently, we can continue even at these prices to buy in our own shares at a meaningful discount to what smaller, lower quality private agencies trade for today and so we continue to find our stock price attractive.

**Charlie Lederer**

Thank you.

**Operator**

Thank you. Next question comes from the line of Elyse Greenspan with Wells Fargo. Please go ahead.

**Elyse Greenspan**

Hi. Thanks. I guess my first question will continue there on the buybacks. You guys didn't raise the EPS guide for the year, but you obviously bought back in the Q1 and it sounds like Trevor, right, based on what you just said you're open to continuing to buy back your shares. How come you're not raising the EPS guide? Or is it just the guidance is assuming no additional buyback over the remaining three quarters?

**Trevor Baldwin**

Elyse, we're not going to assume how stock price performance is going forward. So to the extent we have the opportunity to buy back shares at an attractive price, that could create some upside. To the extent we don't, that's because we've seen some recovery and kind of trading dynamics.

**Elyse Greenspan**

Thanks. My second question, you guys provided, right, some figures on CAC where you were insinuating highlighting good pretty strong new business growth and revenue growth in the first quarter. On the three deals, right, the revenue and EBITDA contributions that you expect for 2026 haven't changed but it sounds like things are running ahead of expectations. So are you're just waiting to update that, or is it that some are running ahead and some are running below plan relative to the guidance you reaffirmed this quarter.

**Trevor Baldwin**

Elyse, I'd say broadly the three partnership businesses are running ahead of plan, but we're one quarter in, so it's probably a little early for us to fully extrapolate that.

As I mentioned in my prepared remarks the momentum at CAC is incredibly strong. Some of that momentum's in kind of the Transaction Liability Solutions, where there can be some variability quarter-to-quarter, year-to-year. The pipeline in that part of the business is, frankly, at an all-time high and we continue to take shares, so we feel good about the momentum, but feel like it's a little early in the year to fully extrapolate that forward into full-year expectations.

**Elyse Greenspan**

My last one, just on market impact, I guess. What are you seeing, just from a overall pricing perspective in the property market? We've heard about some pretty aggressive price declines in that business and what are you embedding in there, I guess, when we think about your business over the next three quarters?

### **Trevor Baldwin**

The property market is deeply soft, Elyse. I'd say we're seeing pricing levels that have returned to, call it, circa 2017. For large shared and layered coastal placements we're seeing rate decreases at times at 30% to 40%, frankly, at times things that probably don't make a whole lot of long-term sense, but we're happy to go secure those types of results for our clients who certainly enjoy them.

Specific to how we've incorporated that into our expectations, I'd say we do expect to see a more significant rate and exposure headwind in the second quarter, which is the heaviest quarter for property renewals in the year. Whereas we saw, call it 70 basis points of headwind in Q1; I expect that to be 400 to 500 basis points of rate and exposure headwind in Q2. As a result, we do expect our legacy IAS segment to be, call it roughly flat from an organic standpoint in the second quarter before returning to mid to high single digit OG in the back half of the year as we fully lap the procedural accounting change headwinds.

I do think that we'll see, based on what we're staring at today, rate and exposure headwinds in the back half of the year pretty close to flat. Maybe it's a slight headwind in Q3 and a slight headwind or a tailwind in Q4. And overall with the expectation that's of kind of heightened headwinds in Q2, we would expect rate and exposure broadly for the year to be probably 100 to 200 basis points of headwind. All of that's fully incorporated into the expectations that we've shared already.

### **Elyse Greenspan**

Thank you.

### **Operator**

Thank you. Next question comes from the line of Andrew Kligerman with TD Cowen. Please go ahead.

### **Andrew Kligerman**

Hey, thanks a lot. Good evening. I want to follow up on the IAS organic growth. You had 4 points in the quarter of organic, and then CAC if it were normalized contributed 4 to the overall book. So you're looking at if it were just IAS and CAC had been there for over a year, you're looking at, I think well into the double digits, which is fabulous.

Then your follow-up point was the transaction liability is huge, and that can be a little bit volatile. As I think—and I'm not asking for explicit guidance, but typically when you do an acquisition, you get a good Year 1, and you get a similar organic in Year 2, so maybe extracting out the volatility of transaction liability, all else equal you'd probably be looking at high single, into double digits potentially next year once you kind of get a full year on board. Am I thinking about it right with regard to IAS?

### **Trevor Baldwin**

Hey, Andrew, yes. At a high level, yes, it's a double-digit organic growth business inclusive of CAC and Capstone results, which we think is really frankly a standout outcome in today's market backdrop.

Specific to 2027, I think it's definitely a bit early for us to begin opining on how we think about organic growth to next year, however, what I would say is everything we're seeing from an underlying trends and data set standpoint is very positive. Pipelines are building, cross-sell opportunities are growing. We do expect in the back half of the year legacy IAS organic to rerate back up into the mid-to-high single digits. And as we look at the momentum for CAC and their historical seasonality and what their pipelines look like, it's incredibly strong.

Again, early for us to opine on 2027, but as we sit here with our crystal ball looking into kind of later this year, and frankly even reflecting on the quarter that we're discussing right now, incredibly proud of the

results. They are, relative to our peers, a complete standout in the quarter, inclusive of CAC and Capstone, and reflect not only the wisdom of this business combination, but the combined strengths of the organization and how the breadth and depth of capabilities across industry, across product segments enable us to broadly solve our clients' challenges and deliver the most positively meaningful impact for them to help solve their risk issues and protect what's possible and ultimately grow their enterprises. So, feeling really good about the momentum.

### **Andrew Kligerman**

That's excellent. Following up on kind of capital management, and again correct me if I'm wrong, but it sounds like—and I think you answered that—I just want to make sure I heard it right. The intrinsic value of the stock is still attractive here, so I just want to make sure I'm right on that.

Then, with respect to your leverage which kind of inched up to 4.3 times—and I think part of that is the buyback, which is great in my view—but it inched up. I'd like to know where you kind of see leverage playing out toward the end of the year. Do you get to that 3x to 4x, or do you think the stock is so attractive that you're willing to kind of let it hover around where it is?

### **Brad Hale**

Yes, we'd continue to expect it to sort of hover in this 4x to 4.5x range over the intermediate term, particularly as we continue to execute on the buyback program. Of course, as I said before, we're not price indiscriminate so that story can change, but that would be our current view.

Look, we continue to believe that just mechanically deleveraging 6 months earlier while our equity trades at this material discount is quite frankly a destruction of shareholder value and not a creation of it. So, we're comfortable at this spot, particularly if we can take advantage of market dislocation.

### **Andrew Kligerman**

Then just one last quick one. I think you alluded to this before. It doesn't seem like there's any M&As of major size anytime on the kind of near-intermediate term horizon, and hence that leverage ratio can hold in 4 to 4.5 zone. Is that the right way to think about it?

### **Trevor Baldwin**

I think it is Andrew, but the reason for that is it's really difficult for us to find a financially prudent way to structure a deal that makes good financial sense based on where our equity trades today. That plus where leverage sits creates a bit of a hurdle.

I think what you've seen certainly as we disclosed the results of kind of all three former classes of partnerships from the 2020, 2021, and 2022 cohorts at the end of last year is frankly, I think we've been able to allocate capital to M&A in a way that's created a lot of value for shareholders intrinsically, and while we're very early days, we appear to be off to what feels like a great start with the 2026 class of partnerships.

So, in the confines of kind of our financial leverage policy and objectives to delever over time and subject to us having a currency that ultimately supports M&A in accretive fashion, we think it's a very good use of capital over time. But the circumstances of the here and now dictate, I'd say, a more narrow set of priorities.

### **Andrew Kligerman**

Super helpful. Thank you.

### **Operator**

Thank you. Next question comes from the line of Pablo Singzon, JPMorgan. Please go ahead.

**Pablo Singzon**

Hi. Thank you. First, can you unpack what's going on with the E&S Homeowners business? I guess I'm just a bit surprised there. I know it's not the first time you mentioned it, but it just seems like given what other companies are reporting, pricing in Homeowners is not experiencing the same pressure as in Personal Auto. I'm just wondering, are you dealing with a different set of competitors in that business and that's why you're a little more cautious?

**Trevor Baldwin**

No, I'd say maybe that's Homeowners broadly across kind of admitted and E&S product, but E&S Home specifically, we've seen rate come in 40- to 50-plus percent. I'd say we went from 18 months ago writing \$13 million, \$14 million of new premium a month to over the past 12 months averaging \$2 million to \$3 million. Now, what I will say is as we've continued to tweak our product, we're also in the process of rolling out multiple new E&S Home product variants to better compete in certain pockets of the market that we continue to find attractive. We do expect our new business flow or success to go up. And that, we actually saw reflected in March, which had over \$4 million of new E&S Home premium booked, which is the highest new business month we've seen in the past 12 months.

Now that's one month; it's not a trend, but we feel like we hit the bottom in Q1 and that you will see us continue to march that back up, both through tweaks to product design and pricing in a prudent manner, as well as the rollout of incremental E&S Home product variants to compete in corners of the market that we continue to find attractive to resume growth.

**Pablo Singzon**

Thanks, Trevor. Then for my second question, I was wondering if you could talk about the Construction Risk Partners business you had acquired some time ago. I think it's a decent sized portion of IAS, and other brokers have spoken about activity related data center construction and the like. I'm curious if you're getting some benefit from that economic activity today. Thanks.

**Trevor Baldwin**

The CRP team, the Baldwin Construction practice, which reflects the historical Construction Risk Partners business, is the largest and strongest pipeline in the history of our construction business. That's both a combination of an influx of new cross-sell opportunities from our new colleagues and partners at CAC, as well as just a breadth of opportunities at the nexus of the data center and AI infrastructure buildout.

What I will say though is, if you look at the construction market, it's kind of a tale of two cities. Overall expectations for construction spend this year are roughly flat year-over-year, if not modestly down. However, that's being buoyed by significant spending in the data center arena, offset by slowdowns in non-data center AI infrastructure areas of historical construction activity. What that means is that ultimately we expect those results to be lumpier because the data center opportunities are fewer but larger in scale. We both have some of those wins under our belt as well as multiple kind of very large, multi-billion dollar opportunities in the near to intermediate term pipeline and feel good about how we're positioned to take, frankly, more than our fair share of those wins.

**Pablo Singzon**

Thank you.

**Operator**

Thank you. Next question comes from the line of Joshua Shanker with Bank of America. Please go ahead.

**Joshua Shanker**

Good evening everybody. I want to point out that 90% growth in Juniper Re and 27% growth in the new partnerships like CAC, it's staggering numbers. But it also implies a great deal of contraction about the legacy businesses that are older in the portfolio. If someone wanted to make the argument that Baldwin has bought growth but not long-term runners and is once again buying growth, what's the pushback on that thesis to kind of the stuff you bought before CAC and Juniper is now growing more slowly?

**Trevor Baldwin**

The pushback is in the numbers and the expectations that we've already shared, Josh. I think the headwinds have been well discussed. The idiosyncratic drivers from Medicare to the IAS procedural accounting change to the QBE book roll transition to our reciprocal exchange and normalizing for all three of those you've got a mid-single-digit growth business in the quarter and you've got a business that we expect to grow organically at double-digit rates exiting this year before the impact of the three partnerships this year that grew at 27% in the quarter.

So, while all businesses have ebbs and flows, and the market impacts here are real, as have been I'd say, broadly discussed, not only with us but the industry at large, I think we're relatively uniquely positioned against our peers to be sitting here talking about a business that's going to accelerate to high single-digit and then ultimately double-digit growth by the fourth quarter despite no expectation for market headwinds to kind of meaningfully abate.

**Joshua Shanker**

So you still believe if the insurance distribution industry at year-end is growing at mid to low single digits, Baldwin will still be growing at high single digits edging towards double digits?

**Trevor Baldwin**

That's correct.

**Joshua Shanker**

Okay. Well, I wish you the best of luck there then. Very good.

**Trevor Baldwin**

Thanks, Josh.

**Operator**

Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the floor over to Trevor Baldwin, CEO, for closing comments.

**Trevor Baldwin**

Thank you all for joining us this evening. As I noted at the open, we are pleased with our first quarter and confident in our trajectory through the balance of the year. The momentum here is real. Our embedded distribution, our advisory businesses, across our MGA platform, and as evidenced in the integration of our partnerships, and it's the direct result of the work our colleagues are putting in every day. I want to thank our colleagues for how they show up in support of our clients, one another, and for the firm we are building together.

To our clients and insurance company partners, thank you for your continued trust. To our shareholders, thank you for your engagement and support as we continue to deliver against our Catalyst 3B/30 goals and objectives. We look forward to speaking with you again next quarter.

**Operator**

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