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Ryan Specialty Holdings, Inc. (RYAN)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and thank you for joining us today for Ryan Specialty Holdings Second Quarter 2026 Earnings Conference Call. In addition to this call, the company filed a press release with the SEC earlier this afternoon, which has also been posted to its website at ryanspecialty.com.

On today's call, management's prepared remarks and answers to your questions may contain forward-looking statements. Investors should not place undue reliance on any forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to risks and uncertainties that could cause actual results to differ materially from those discussed today. Listeners are encouraged to review the more detailed discussion of these risk factors contained in the company's filings with the SEC. The company assumes no duty to update such forward-looking statements in the future except as required by law.

Additionally, certain non-GAAP financial measures will be discussed on this call and should not be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most closely comparable measures prepared in accordance with GAAP are included in the earnings release, which is filed with the SEC and available on the company's website.

With that, I'd now like to turn the call over to the Founder and Executive Chairman of Ryan Specialty, Pat Ryan.

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.

Good afternoon and thank you for joining us. With me on today's call is our CEO, Tim Turner; our CFO, Janice Hamilton; our CEO of Underwriting Managers, Miles Wuller; and our Head of Investor Relations, Nick Mezick.

For the quarter, total revenue grew 7.2% to $917 million, primarily driven by organic revenue growth of 6.7%, as well as modest contributions from M&A. Adjusted EBITDAC grew 6% to $327 million. Adjusted EBITDAC margin declined 40 basis points to 35.7%. Adjusted earnings per share grew 12.1% to $0.74.

For the first half of 2026, we've grown organic revenue by 8.9%, adjusted EBITDAC by 9.8%, and adjusted earnings per share by 16.2%. In the quarter, we repurchased 8.1 million shares for $260 million and increased the authorization of the program by an additional $300 million to deploy opportunistically without a capital allocation framework. We're pleased with these results, especially considering the headwinds our industry continues to face.

Our top and bottom line results speak to the resiliency of the platform we've built. And this quarter demonstrated that even in a very challenging market, our people delivered, utilizing the differentiated capabilities to execute on behalf of our clients and carrier trading partners. We earn our clients' business, their respect and trust every day through continuously delivering innovative solutions, expanding into new products, deepening and broadening relationships with our retail broker clients and carrier trading partners while executing at consistently high levels.

I want to make a few comments about our team. We work tirelessly in our efforts to control what we can control. Our brokers are exceptional pipeline builders. We win new business and produce unique solutions that others simply cannot replicate. Some of that production is large and project based and sits in our pipeline until the right micro or macro conditions push it through. We focus on building the pipeline. We cannot control when projects close. Additionally, our underwriters are disciplined product builders. They assess every risk with carrier profitability front of mind.

Our industry-leading underwriting results, discipline and strong governance structure attract the most sophisticated capital providers to our platform. Whether through an adjacent product or a de novo MGU, our speed to market lets us meet the evolving client demand, driving strong new business growth and the ability to expand our share of recurring and non-recurring business. Together, these capabilities of pipeline and product building are important characteristics that set us apart.

We continue to evolve as a leading specialty insurance services firm, always looking for ways to be broader or diversified or strategic, while still staying true to our mission statement. Our differentiation is significant and meaningful. A leading platform with scale, but much more than that. It's the power of our combined platform, and ecosystem, where each piece makes the whole more powerful than the sum of its parts.

Powered by secular tailwinds and the industry best talent, an innovation machine built to expand and win in new markets, complemented by what we believe is a best-in-class M&A engine. The result, industry-leading growth and strong margins, all aligned by a disciplined capital allocation framework and an aligned leadership team. Tim will expand on these themes shortly.

But first I want to unpack the innovation of our delegated underwriting authority strategy, where I believe we were the true first mover. 16 years ago, we anticipated the demand for specialty solutions from our retail broker clients and trading partners, and we led the structural changes that followed.

Through continuous innovation, investment and a well executed M&A strategy, we've built a comprehensive, diversified platform offering over 300 specialty insurance products. We continue to extend our lead, growing beyond traditional delegated authority channels by expanding into new specialties like reinsurance underwriting, alternative capital solutions, and broad-based benefit solutions.

We continue to skate to where the puck is going, not where it is, with differentiating capabilities, speed to market in emerging classes, portfolio breadth and our track record of delivering underwriting profits for our carrier trading partners, all supported by aligned incentives, continue to attract the highest quality capital to our platform.

Relationships that are deep and enduring with now more than 25 carriers that each back 10 or more of our 40 MGUs. A balanced capital base with the majority of our premiums syndicated across multiple carriers, giving us the capacity to underwrite more products, expanding our reach.

Lastly, a platform that is equipped to manage through the ever evolving specialty insurance market. We built a delegated authority platform that we believe is unique to the industry, creating a significant moat. The combination of wholesale brokerage and delegated underwriting authority creates a distribution engine of unmatched scale and sophistication, which we believe is capable of delivering durable, differentiated growth for years to come.

As we look forward, we remain confident in our ability to innovate, invest and continue to strengthen and diversify our offerings as a leader in the specialty lines insurance services sector for years to come.

With that, I'm pleased to turn the call over to our Chief Executive Officer, Tim Turner. Tim?

Timothy W. Turner

Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

Thank you very much, Pat. Ryan Specialty had a great second quarter as we delivered for our clients in a face of a very challenging property pricing environment. Before diving into the quarter and building on Pat's remarks, let me outline the eight factors that differentiate Ryan Specialty, both now and over the long term.

One, we are an industry leader delivering innovative solutions at scale. We are uniquely positioned at the top of both specialty distribution and underwriting. This dual vantage point provides the widest view of specialty risk, offering us unique insights that provide us with a competitive advantage.

We see the need sooner, innovate faster, hire the talent, build the product, and source the capital through deep carrier relationships. Our ability to anticipate and meet client demand deepens our relationships with our clients. This flywheel compounds over time.

Two, we operate in a market with secular tailwinds and have shown a unique ability to win share over time. The world continues to become riskier and more complex, driving flow into the specialty and E&S channels. Our clients, both retail brokers and carrier trading partners, are growing while consolidating panels. Delegated underwriting authority continues to take share of the commercial market from 9% in 2012 to 20% in 2025. And healthy E&S share gains supported by strong flow as well as carriers having made a significant commitment to the E&S market. Together, these trends compound in our favor.

But tailwinds only reward those equipped to capture them, which brings me to number three, our talent. We attract, retain and develop the best talent in the industry. We continue to believe we are the destination of choice for the industry's A players. Last year, we attracted the second largest hiring class in our history. As they ramp up, they become increasingly accretive to our growth. We have one of the industry's highest producer and underwriter retention rates. Our culture, our platform, and our broad employee ownership keep our best people here.

Four, our commitment to innovation and expanding our addressable market. Our innovation engine, aided by insights across $32 billion of premium, constantly identifies niches that require unique solutions, creating new sources of growth for our clients and trading partners. We've deepened our capabilities in niches like hospital and healthcare liability, public entity, sports and entertainment, and many more. We've launched over a dozen de novo specialty businesses with impressive speed to market.

As Pat described, we've expanded delegated underwriting authority outside the traditional MGA, MGU practice vertical. Through unique strategic relationships, we've built Ryan Re, our reinsurance managing underwriter and are on track to place $2 billion in reinsurance premium this year.

We've established in-house alternative capital management solutions. We've built a benefits division with distinguished capabilities and products, which are largely uncorrelated to the P&C cycle. And we've invested significant resources into all aspects of alternative risk, including captive management and structured solutions. The market is ripe with these opportunities. We have the scale, talent and speed to market to be early movers and scale rapidly.

Five, we have what we believe is a best-in-class M&A engine that has consistently enhanced our growth profile and remains capable of doing so. We've added new talent and capabilities, new lines of business, and entered new geographies via acquisitions since our founding. We remain disciplined in our approach to M&A, only moving forward when all of our criteria are met. A strong cultural fit, strategic and accretive.

Six, our platform is durable and, we believe, built to deliver industry-leading growth and strong margins. Years of deliberate reinvestment back into the business has built this platform. With our Empower Program, we are creating more operational flexibility to keep investing in the future, investment that has the potential to widen our competitive moat and supports our goal of modest margin expansion in most years.

Seven, all of these differentiating factors are supported by our disciplined capital allocation framework. We will prioritize investing in talent, which is the most accretive investment we can make. We will be disciplined acquirers. We'll return a modest and sustainable dividend and we will deploy capital towards share repurchases when we believe it to be the best use of our capital.

Lastly, eight, behind executing, delivering and maintaining these differentiating factors sits our seasoned and aligned leadership team, the best team in the business. The team that wakes up early every day to out-hustle and outwork our competition and support our producers and underwriters to deliver the best possible solutions to our clients.

Turning to our results by specialty, our wholesale brokerage specialty continues to deliver in the face of significant cyclical industry challenges. In property, the market was every bit as challenging as we indicated last quarter. Pricing in many CAT exposed and large accounts declined materially as capacity continued to build and competition remained tough, including from the admitted market. Yet our brokers fought vigorously, won head-to-head, had strong renewal retention and captured new business from the steady flow into the E&S channel. The net of this is a property book that declined only modestly, better than our expectations as our performance improved throughout the quarter, notably in June.

In casualty, we had a very strong quarter across the book. Strong construction activity in Q1 continued into Q2 as the pipeline we have been building for some time began binding. We saw a better June than we expected, driven by a handful of large project-based wins, including construction and data center activity.

As we have said before, this business is inherently lumpy and the timing of large project bindings is difficult to predict. We remain optimistic about our pipeline heading into the balance of the year and are well-positioned as the leading wholesale broker in the construction space.

Broadly, most casualty lines continue to be impacted by social inflation and challenging litigation trends, which continue to support the need for adequate pricing. At the same time, we are seeing more capital looking to grow in casualty, which introduces additional competition beyond what we've been seeing in small, commercial and middle market. This is leading to some moderation of pricing in certain pockets. Our professional lines team once again significantly outperformed the market despite continued pricing pressure, aiding our growth for the quarter.

Now turning to our delegated authority specialties, which include both binding authority and underwriting management. Our binding authority specialty saw heightened competition in the quarter, yet still grew revenue year over year. One competitive dynamic to highlight is the increase in new facilities competing aggressively for small commercial business, particularly at the smaller end of the market. We expect these trends to intensify in the back half of the year. As a reminder, our clients use us when they need us and we are constantly looking to increase the ways in which we are needed.

We've been expanding our services to improve outcomes for our clients and trading partners, which is enhanced by our independence. We are navigating the competitive pressures the way we always do, relying on our talent, our product breadth and expertise, and our industry-leading service.

Our underwriting management specialty had an excellent quarter with yet another impressive performance across transactional liability, transportation, international specialty, casualty and reinsurance, while exercising appropriate discipline relative to current market conditions.

Transactional liability delivered exceptional results, topping our expectations. Growth continues to be supported by a more constructive, global M&A environment and the investments we have made over several years. Within reinsurance, Ryan Re also delivered another excellent quarter with strong renewal retention, especially considering the tough pricing environment and another strong yet smaller quarter with respect to the Markel portion of the book. But that said, not everything was in our favor this quarter. Within our builder's risk businesses, results continued to be under pressure, consistent with macro pressures we described over the last few quarters.

We are not standing still. We are bringing more product to the market, competing for every account, and we are winning more than our share. RSUM also launched its own Lloyd's consortium stamp earlier this month. This consortium was about crafting underwriting capital outcomes at scale, delivering efficiency to clients, and further monetizing the platform and exceptional underwriting results. Beginning August 1, it will take a 15% line on RSUM's syndicated business, further accelerating our innovation and speed to market.

Now turning to a quick update on our team. We also announced a planned leadership succession at RT Specialty. Brendan Mulshine will assume the role of CEO of RT Specialty. Ed McCormack will transition into the role of Vice Chairman of RT. I cannot say enough about how important Ed has been to the founding and building of not just RT, but Ryan Specialty itself. We are grateful he will continue as Vice Chairman, while Brendan is the perfect choice to lead RT Specialty into its next phase of growth.

Lastly, I'd like to update you on our digital transformation and AI strategy. Our strategy remains anchored in the three principles we shared last quarter: our clients; our people; and our process. In practice, we invest in redesigning workflows that improve client outcomes, make our people more productive, and make our processes faster and more reliable.

Last quarter, we also told you we were building a platform to deploy AI thoughtfully and responsibly at scale. As an example, for our clients, our reinsurance FAC workbench, now turns a submission into a priced, decision ready file in minutes, not days. And we are extending that capability into treaty underwriting with a platform in just years of prior submissions and claims at a scale or speed that no person could achieve in a reasonable amount of time.

For our people, we're putting more tools in their hands. Thanks to a thoughtful rollout strategy, AI adoption and usage are accelerating across the firm. The capacity we are unlocking is being directed back into what matters most, winning new business and helping our newest talent ramp up faster than ever.

For our process, we started rolling out a proprietary engine for deploying AI around the firm built inside our own guardrails and trained on our own data. We started deploying agentic AI towards our property inspection process, sharpening underwriting accuracy and reducing cycle times by removing the need for thousands of manual touch points each month. As AI becomes a commodity that anyone can rent, our advantage is the proprietary data and hard won expertise built into our platform that cannot be easily replicated. We are a clear net beneficiary of this transformation and it shows in how our people work every single day.

In closing, we are very proud of our second quarter performance, particularly in the face of a complex and rapidly evolving insurance, macro and geopolitical environment. Our performance is a testament to the resilience and durability of our people and platform. In the face of this intense competition, our teams continue to innovate, differentiate our services and improve our value proposition to our clients. We retained high levels of existing business, won significant new business, expanded our market share, and continue to build our pipeline across the organization, each supported by the many factors that differentiate us.

We are doing what we do best, controlling what we can control, adapting, executing and overcoming challenging dynamics.

With that, I will now turn the call over to our CFO, Janice Hamilton. Thank you.

Janice Marie Hamilton

Chief Financial Officer, Ryan Specialty Holdings, Inc.

Thanks, Tim. In the second quarter, total revenue grew 7.2% to $917 million, driven by organic revenue growth of 6.7%, as well as modest contributions from M&A. As Tim described, it was a great finish to the second quarter with growth supported by better-than-expected results in property, casualty construction, and transactional liability.

Adjusted EBITDAC grew 6% to $327 million. Adjusted EBITDAC margin was 35.7%, compared to 36.1% in the prior-year period. Margins were supported by stronger than expected organic growth, disciplined cost management, as well as early progress in the operational efficiencies underway through Empower.

Adjusted earnings per share grew 12.1% to $0.74. Our adjusted effective tax rate was approximately 26%, and we expect a similar rate for the remainder of 2026. On capital allocation, we repurchased approximately 8.1 million shares, or $260 million of our stock, and increased our programs authorization by an additional $300 million. We've also repurchased 42 million of shares thus far in July. We remain committed to strategically investing for the long term. Beyond our modest and sustainable dividend, we view both M&A and our share repurchase program as key priorities.

We will continue to do what we believe is right for our shareholders. Based on the opportunities that we're seeing in the market, we believe it is unlikely that we will close a meaningful acquisition in 2026. Rather, we are looking towards 2027. With that said, if and when high quality specialty assets come to market that meet our criteria, we will be the first in line and we'll have the capital to execute.

We ended the quarter at 3.3 times total net leverage on a credit basis, well within our 3 times to 4 times comfort corridor. Based on the current interest rate environment, we expect GAAP interest expense, net of interest income on our operating funds of approximately $226 million in 2026, with $58 million to be expensed in the third quarter.

Turning to guidance, we continue to guide to organic revenue growth in the mid-single digits for 2026 and now expect to be towards the higher end of the range. As Tim said, we are conscious of the complex and rapidly-evolving insurance, macro and geopolitical environment as we close out 2026 and look to next year.

Our guidance embeds continued property pricing declines and heightened competition, resulting in a moderate decline in our property book for the full year; casualty competition picking up in certain pockets beyond what we've been seeing in the small commercial and middle market; a more normalized level of growth in construction projects in the second half, though, the timing remains lumpy and hard to predict; continued headwinds in builder's risk, consistent with macro pressures and softer binding authority growth, with some business moving into the admitted market and pressure from facilities.

As a reminder, while it is our smallest revenue quarter, the third quarter represents our most difficult organic growth comparison of the year. On margins, we are now guiding to a full year adjusted EBITDAC margin that will be down approximately 50 basis points to 100 basis points year over year. This reflects current and evolving market conditions, the continued absorption of our talent investments, lower fiduciary investment income, higher healthcare and benefits costs, offset by disciplined cost management and recent progress from the Empower program.

Looking ahead, we continue to expect modest margin expansion in most years. We have and will continue to innovate and create differentiated opportunities for growth that are entirely unique to the scale and expertise we have built.

In closing, we are in a great position through the first six months and I'm very proud of our results. I am pleased with our team's execution, continuing to deliver for our clients, advancing our technology and AI investments, and driving the Empower Program forward with great collaboration.

With that, we thank you for your time and we'd like to open up the call for Q&A. Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question will come from Elyse Greenspan with Wells Fargo. Please unmute your line and ask your question.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Hi, thanks. Good evening. My first question is on margin. You guys have guided to a margin in the low 30s for the quarter. You came in better than that. I'm just trying to get a sense, is that just – is that a function of the stronger organic revenue growth than you guys had expected? Is there also a change in the level of investments, talent investment you have pointed to? Maybe it's a combination of both? Hoping to get a sense there. And then what is the driver, I guess, of the margin – the change in the full year margin guide relative to prior expectations?

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Yeah. Elyse, I can take that. This is Janice. Thanks for the question. Maybe I'll just start with the performance for the quarter. So, as you noted, the stronger-than-expected organic growth is a significant driver of the margin beat for the quarter. On top of that, last quarter, I mentioned that we were going to be focused on expense discipline and cost management, and that is another driver of the beat this quarter and part of what we're anticipating for the full year, which I'll come back to, and then also really starting to work through some of our Empower actions. I mentioned last quarter that we intended on getting ahead on accelerating some of those activities. And so, early days still but some of that also plays in.

Maybe just to touch on a reminder for next quarter, it's going to be our toughest comp, but it also is the quarter or the last quarter really where we're lapping the significant talent investment. Those all came in towards the end of the third quarter, beginning of the fourth. So, it's our last full quarter from that perspective. The full year guide, we've raised that 50 basis points on both ends. That really reflects, again, the organic growth, but also the anticipation of those cost savings measures and Empower.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Thanks. So, then my second question is on organic growth. I recognize you guys said, right, the high end of mid-single digits now for the year. You guys had a strong second quarter, right, so being at just under 9% for the first half of the year does imply, right, a slowdown in the second half. I'm just trying to get a sense of – greater sense of just how you guys are thinking about the second half. And then is it fair to assume that maybe a biggest wildcard is just what happens on the construction side as I think, Janice, like you said that that's lumpy and you guys are expecting that to slow in the second half of the year.

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Yeah, Elyse, I think Tim said it best in his opening here that we're still monitoring a number of different uncertainties when we think about the broader macro economic uncertainties, when we think about geopolitical, but also the broader insurance market. And specifically within our guide, you touched on the expectation and what I noted that, from a construction standpoint, we had a very strong quarter. All of the activity really ticked up in the month of June. We're expecting that to be more normalized for the remainder of the year. So, that's going to be a component of it.

Also on the property front, still expecting to see a lot of the pricing headwinds and the competition. We talked about that last quarter, continued to see it a bit from the admitted market as well. And then in casualty overall, last quarter, I commented on construction – sorry, I commented on the competition impacting the small and middle market side, but we are anticipating some of that to go a bit beyond. And that was what Tim said in his remarks just now.

And then we still continue to face pressures within the builder's risk line of business. We've talked about that in past quarters, but the broader macroeconomic uncertainty certainly continues to create a headwind for us there. And then Tim also mentioned the additional competition that we're facing in the small commercial area led by the influx of facilities.

So, when we think about the second half of the year, there's a number of uncertainties that we're facing that's built within the guide. I just commented on the fact that third quarter for us is going to be a difficult comp over last year. As a reference point, we grew property last quarter – sorry, last year in the third quarter. Currently that's not the expectation for this quarter, this Q3. And then we also had great growth on the underwriting manager side in transactional liability, structured solutions, reinsurance and those really create a tough comp for us.

Overall, as we did this quarter, we're going to continue to make sure that we're outworking and out-executing competition focusing on what we can control. And that really drives our sentiment in the higher end of range.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC
Q

Thank you.

Operator: Our next question will come from Andrew Kligerman from TD Cowen. Please unmute your line and ask your question.

Andrew Kligerman
Analyst, TD Cowen
Q

Great. I'm coming through?

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.
A

Yes, you are.

Andrew Kligerman
Analyst, TD Cowen
Q

Excellent. I just want to follow up on the prior question, because the math, having grown about 9% last – in the first half of the year, you could achieve your mid – your higher end mid-single digit, meaning 6% growth with less than 3% in the second half. And Janice, you outlined about quite a few headwinds. And I think with Tim's commentary around the moderating of pricing, I'm wondering, could you frame where you see pricing going very broadly in E&S casualty? And with that, are you actually thinking that 3% is where you're going to kind of land in the second half of the year to get high-single digit organic growth?

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.
A

Well, thank you, Andrew. Tim Turner here. I'll take a shot at the first part of that. The casualty market remains, generally speaking, firm, although it's bifurcated. There's competition in certain segments that is expanding. Others continue to firm, frankly, transportation, habitational, sports and entertainment, certain parts of healthcare, and of course, public entity and human services continue to firm for us. But there's others that we see some softening, small and medium hazard risks as an example.

Professional lines, another real positive for us. We outperformed the market at a stellar quarter. So, it's really by specific product line where we have to break it down. But generally speaking, it remains firm, but we expect more competition. Construction is another headliner for us, but we do see competition around the edges.

Andrew Kligerman
Analyst, TD Cowen
Q

And so, around that 3%, is that where you're framing it, the organic?

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.
A

Yeah, Andrew, I think you've done the math to back into what that looks like for the second half of the year. We're trying to provide some of the uncertainties in the context for what contributes to that guide. From a different perspective, when we think about from a downside perspective relative to the range, that's where we're talking about some of the property pricing pressures going beyond our expectations and then also if competition in casualty rapidly intensifies. Tim talked about a lot of the drivers of what might drive prices further from a hardening perspective. But we are seeing competition intensify across casualty, and that could lead to further downside risk. So, we have to factor that into our guide.

Alternatively, from a property perspective, if pricing moderates, that will be a benefit. And we do continue to have a strong pipeline both on the construction, data center and transactional liability front. So, all of those pieces have to come together when we're thinking about how we put the guidance together for the remainder of the year.

Andrew Kligerman
Analyst, TD Cowen
Q

Got it. And then just my follow-up is around, Tim, your commentary around captive management, employee benefits and other areas that might not be cyclical. What proportion of your delegated and wholesaling businesses are kind of tied to those areas where you might be outside of the kind of cyclical pressures that we're seeing across P&C?

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.
A

This is Pat. We have reinsurance underwriting, which we have now had been building for the last five-plus years, working closely with Nationwide Mutual. That capability of our talented underwriters, blended with the Nationwide brand, has just continued growing its market acceptance. So, that is a line of business that we have been building as a true differentiator. We consider a true moat because it's very difficult for anybody to get a relationship with a carrier like Nationwide, with that balance sheet and credit rating, and then get the talent to be able to be a leader in that space. So, that is one.

Alternative risk, which is feeding and fueling the interest of clients who want to put up some of their own capital in order to get more capacity than the market will provide. Or in some cases, they just don't like the pricing. And so, that, again, is reinsurance behind their capital. So, these are, we think, a very differentiated lines of service for our clients that we have.

I would add the next one is benefits. And benefits is countercyclical in the pricing cycle to P&C, so it gives good balance. Now, I want to be clear that these are all new businesses, essentially de novo, a little bit of investment in benefits in terms of M&A, but it's modest. But they were all designed to balance our firm against inevitable softening of the E&S, P&C market. And although they are much smaller than wholesale distribution and smaller certainly than our underwriting management businesses under what we call RSUM, discrete MGUs and programs are now becoming quite material in terms of contribution of incremental growth, incremental margin, incremental earnings per share and EBITDAC per share.

Andrew Kligerman
Analyst, TD Cowen

Q

Thanks for that, Pat.

Operator: Our next question will come from Alex Scott with Barclays. Please unmute your line and ask your question.

Alex Scott
Analyst, Barclays Capital, Inc.

Q

I think it should be working. So, first question, I wanted to see if you could talk a bit about the RAC Re and just its contribution to growth this quarter, and how we should think about how much it contributed in the first half relative to what you'd expect in the back half and so forth.

Miles Wuller
Chief Executive Officer-Ryan Specialty Underwriting Managers, Ryan Specialty Holdings, Inc.

A

Yeah. No, thank you for that. This is Miles Wuller. So, we don't disclose the exact levels. But what I – we want to note is we feel structures like RAC Re, our alternative capital practice that has been in operation for about 18 months and investments in our traditional capital management practice, which is we had a headline a few weeks ago launching our own Lloyd's consortium stamp in that marketplace, all of those are deliberate efforts to monetize this great investment in our platform, our results and our central underwriting structure around that.

So, they also – I want to add, there's direct economic result and new revenue. It's converting at a high margin, but perhaps equally or more important, it is accelerating our speed to market as we can become – as we have more aligned capital to our outcomes, as familiar with our overall syndicated portfolio, we're able to innovate faster, build faster and respond to market dislocation faster. So, I apologize, we can't share an exact number, but it's an exciting and growing part of our business.

Alex Scott
Analyst, Barclays Capital, Inc.

Q

Got it. Okay. Follow up question. I wanted to ask about just general concentration in your business around construction. How do we think about that? And I guess, in the construction lines, are you seeing any impact from potentially higher inflation from some of the things going on in Middle East? And are you seeing any kind of changes in the recent trends in that business as we think about 3Q?

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.
A

No, actually, Alex, it continues to be a steady, heavy flow of business, especially in the renewable construction book. The general contractors, the subcontractors, the artisan contractors, the renewable, annual renewable book is a large part of our construction success. The projects themselves are lumpy. We've mentioned that, the data centers, the large infrastructure projects, our pipeline is very full, very strong. The submit to quote to bind process is moving along very smoothly. They just sit a little bit longer as we await binding instructions. And so, we had some very meaningful success in the second order in binding some large projects and we see that continuing.

But we have said before, it's lumpy. It's hard to predict when they'll actually bind. But again, we believe we're industry leading in that specialty practice group. So, we're winning a lot of head-to-head battle. We're getting market share. And I think the outlook is very positive for us in construction.

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.
A

This is Pat. I'll add one thought to that. We consider these construction projects recurring income. They happen to be different risks. They recur from the same source. So, it's a great differentiator for us. We really believe we have the best talent, the expertise to work with the retail brokers who specialize in construction. And they're the larger brokers. And so, we have very strong trading relationships. So, it's recurring. It's just projects.

Alex Scott
Analyst, Barclays Capital, Inc.
Q

Got it. Thank you.

Operator: Our next question will come from Brian Meredith with UBS. Please unmute your line and ask your question.

Brian Meredith
Analyst, UBS Securities LLC
Q

Yeah, thank you. So, first question, I want to talk a little bit about the durability of the growth you're seeing in the underwriting management business. And also narrowing a little bit on what are you seeing with respect to carrier appetite or demand to commit capital as well as alternative capital in that business? And then the other side, as we're getting the more competitive market and you're looking at the business, what's your appetite to receive more capital in that business?

Miles Wuller
Chief Executive Officer-Ryan Specialty Underwriting Managers, Ryan Specialty Holdings, Inc.
A

Thank you for that. This is Miles. So, I'll talk about growth and then appetite. So, we're successfully finding growth through all of the key levers I've mentioned in the past. And that would be an emphasis on new product launch, product and geographic expansion, certainly more capital under management.

Our results and alignment and the scope and scale of our platform has drawn significant interest and partners both traditional and alternative. We've seen a steady increase over the last 12 to 18 months. Realistically, we've talked about it in the past. Carriers are seeing record levels of returns. It's driving flush balance sheets that are looking to be deployed in the E&S channel. I mean, I think we've done a great job helping validate the E&S

marketplace as the environment for carriers to get the risk-adjusted returns that they deserve on the highest hazard, monoline risks.

We're still finding growth on top of that new product just by core efficiency. And my colleagues mentioned that in the opening, but I want to tack on that, that certainly our investments in AI and machine learning, which I've been speaking about for three or four quarters, are starting to deliver measurable efficiency outcomes in certain lines, perhaps most notably property. So, there's, without a doubt, rate headwinds, but there's countervailing efficiency headwinds on top of new products and more capital. So, the average RSUM property employee and this is property employees, not just the underwriters, achieved 11% more quotes per head in the last 12 months than the prior year.

So, that certainly includes hustle, but it also represents our investments in automated data extraction, data structuring enrichment and rating pre-population coming to life. So, we're excited about optimizing our core platform as well as new products and certainly new verticals as Pat touched on it.

Brian Meredith
Analyst, UBS Securities LLC

Q

That's helpful. Thank you. And then my second question, I'm just curious, thinking about 2026, you've had a couple of nice tailwinds, be it the Markel business coming in, be it RAC Re, that's really helped your organic growth. How do you think about 2027 or what are you thinking about your ability to overcome some of those, call it, tailwinds, you got this to kind of continue to drive, call it, mid to high-single digit organic growth in 2027? Is it achievable?

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Brian, I'll start that one and then, Pat, if you want to add to it, feel free. But effectively when we think about 2027, obviously we're not going to be guiding where we are from that perspective. But I think Pat and Tim really outlined where we see the growth drivers of our business. And when we think about the secular trends that we've talked about on our prior calls, that's effectively the starting point for how we think about our growth.

Layering on top of that the scale that we have being number two and number one in wholesale and delegated respectively, the vantage point that that gives us to be able to see new and unique risks coming into the channel and develop products through the innovative solutions and expertise that we have within the organization, all of these factors really lend themselves towards making sure that we can control our destiny and that we can ensure that we're really focused on overcoming some of the headwinds and cyclical headwinds that we've been talking about thus far.

So, the combination of cyclical – the secular trends, our talent, the innovation that we have, all of those really lead us towards industry-leading growth as we've said before, in addition to having strong margins. And we're really proud about how we think about that formula and how we look towards 2027 and even in light of some of the transitioning and changing market trends that are out there.

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.

A

And Brian, you mentioned Markel Re?

Brian Meredith
Analyst, UBS Securities LLC

Q

Yeah.

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.

A

Okay.

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Brian, any other follow-ups?

Brian Meredith
Analyst, UBS Securities LLC

Q

Oh, yeah. No, sorry, I thought Pat was talking about the Markel exactly and tailwind. And I was also just wondering about...

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.

A

[indiscernible] (00:51:38). We are looking for – as I mentioned, we believe we have a really differentiated value prop to bring to our clients in terms of outsourced reinsurance, managing underwriting, a combination I have articulated. We're looking for more opportunities like that. We provided a great service to Markel. It's a wonderful opportunity for Nationwide Mutual and a great opportunity for us. And we're out scouting other opportunities like that. For us, that's a de novo opportunity. It's – we take on HR obligations. But that's it. Then it becomes a matter of the talent that we bring to helping the reinsurer, the sub-scale reinsurer, solve that problem. And there are people out there that are candidates for the change. So, we're on the prowl.

Brian Meredith
Analyst, UBS Securities LLC

Q

Got you. I guess, what I was trying to get at [indiscernible] (00:52:56) is all this talent that you've been investing in and would we see that kind of as a tailwind in 2027?

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

The talent that we acquired last year, that for us, from a margin perspective, has been a headwind but has been...

Brian Meredith
Analyst, UBS Securities LLC

Q

Yeah.

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

...accretive to our growth from day one. And you're absolutely right, that is a component of the growth that we anticipate in 2027. I didn't explicitly call it out, but talent is certainly an element of how we think about the building blocks for 2027 and beyond organic growth.

Patrick G. Ryan
Founder & Executive Chairman, Ryan Specialty Holdings, Inc.

A

Another part to that is we were able to bring in 42 really solid professional reinsurance underwriters with the Markel Re deal. We took the HR risk, but it's been very, very successful and we're very pleased to have that incremental increase in our talent in reinsurance underwriting. So, it was a win-win-win.

Brian Meredith
Analyst, UBS Securities LLC

Q

Great. Thank you.

Operator: Our next question will come from Rob Cox with Goldman Sachs. Please unmute your line and ask your question.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Hey. Thanks for taking my question. Yeah. I just want to ask the underwriting management segment, if you could talk a little bit about how the firm is exercising discipline, just given some of the property pricing in the market? Are you growing exposure in property there outside of some of these larger RAC Re, Ryan Re deals? And if so, where are you finding opportunity?

Miles Wuller
Chief Executive Officer-Ryan Specialty Underwriting Managers, Ryan Specialty Holdings, Inc.

A

Yeah, Rob, it's Miles. Thank you for that. So, let's start with discipline and talk a little bit about the environment. So, I want to emphasize discipline lives with us daily. So, really Ryan's $12 billion delegated platform wins through standard of care, alignments, and the material investment in our platform and people, and that spans the front line and our mid-office government – governance apparatus and throughout the executive team.

I've touched on these in the past, but we have multiple prongs of alignment to our partners. So, our underwriters and executives have a substantial portion of their bonus related to profit commissions, which is aligned to the carrier profitability. We have a real-time underwriting governance mechanism monitoring rate, frequency, severity and returns. And that's allowed us and we've proven the output is we're proactively shaping the profile of our overall portfolio and proudly with both investment and augmentation of AI, we're auditing five times as many files as we did last year. And we're increasing the probability of getting to the right files within that subset. So, I think that is ingrained in our culture.

Further, our staff have an owner mentality and are aligned to protect our investment in Geneva Re, which, although modest, is perfectly aligned to the results of our other syndicated capital partners.

On the capital deployment, so, yes, the reality is we are attracting incremental capital. And – but what we're doing, Rob, is we're in a constant dialog to fit to the carrier's appetite and return profile. So, the opportunity set is different. But I think I talked about our execution. But within that, are our portfolio analytics. So, our CAT portfolio tools, we believe, are industry leading. We've gotten that feedback from some of the blue-chip capital that supports us, but we have the ability to perform real-time marginal impact analysis across our portfolio. We understand the exposures exceptionally well. We can make informed decisions, we just deploy capital at scale.

And so, we're looking to arbitrage concentrations and geography and scale. Not all risks are created equal. We think we can sift through the right ones and use them to optimize our – the balance of our portfolio. So, we are still finding select growth in profits, but we are very measured and we're very aligned to the risk return expectations of our capital providers.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Thank you, Miles. And I just wanted to ask on submission growth. Submissions still seem pretty strong in the E&S market. So, I was just wondering if you could talk about what you're seeing from a submission perspective and really how that's changed since the hard market.

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

A

Well, it continues to grow, Rob. The stamping offices are one metric check that we get to see the larger states. There is a little bit of a slowdown on the new flow, but it's still positive, still growing. We're capturing more of it as we've alluded to. We look at the non-admitted market to be 24% or 25% of the overall commercial market. So, remains very strong.

And one point I'd like to make is we don't expect the market to recede and to soften like it has in cycles gone by because of the structural change. And that most large admitted carriers now own a non-admitted surplus lines company and that business is where it belongs. It's in a place where they have freedom of rate and form. And we don't see a lot of it migrating back into the admitted market.

There's constant niche firming phenomenon going on that continue to create dumping and shedding of new business opportunities. With our $32 billion lens, we see that change in the market before our competitors do. We can move in quickly with our de novo facility machine. And we can create proprietary product that helps us get an edge on capturing that new business. So, we see those phenomenon continuing, and while the flow has slowed a bit, it's still growing.

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Yeah. And just to put a finer point on that. The flow is slowing largely because of the pricing headwinds. But from an item count perspective, those continue to grow. And that's really where the opportunity is for us...

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

A

Yeah.

Janice Marie Hamilton
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

...right, to continue to work for those new accounts and buying that new business. And so, that's really the distinction between the premium metrics that we're seeing and the real underlying...

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

A

Yeah, great point, Janice. The item counts significantly up, Rob.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Thanks. That's helpful.

Operator: Our next question will come from Tracy Benguigui from Wolfe Research. Please unmute your line and ask your question.

Tracy Benguigui
Analyst, Wolfe Research LLC

Q

Thank you. On a seasonality perspective, the second quarter is your largest property quarter, so I thought it's worth unpacking more on Tim's comments that property book declined only modestly, better than your expectations throughout the quarter, notably in June. Can you elaborate what is driving that? Is it – we're hearing about a lot of capacity in the property market, are you seeing less of that or greater insurance demand? Or is it just simply a change in your business mix? And if you could touch on if you're seeing similar trends in July?

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

A

I think what we experienced was our quality and the performance of our property brokers was much stronger than we expected. They were winning head to head more frequently, retaining business. Our retention levels were high. And so, while the prices on the CAT book were down as much as 25% or 35%, we were hanging on to the business and, again, winning new business. So, we were surprised that the book declined modestly. So, much better than expectations. And we applaud the performance of our property brokers and we remain optimistic that we could be a storm away from a re-firming. The wildfire season is coming. There's lots of other perils that can drive a change in the marketplace. So, we're on the edge of our seat. We're poised and ready to pounce on new opportunities. And we're confident that our team will get market share when that happens.

Tracy Benguigui
Analyst, Wolfe Research LLC

Q

Great. And on the structural changes discussion, that's very fair that admitted writers had E&S paper as well so that could limit reverse flow. But what about the fact that there's just so many more E&S players right now? It looks like these startups' growth has outpaced the incumbents. How does that change your outlook?

Timothy W. Turner
Chief Executive Officer, Director; Chairman-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

A

The number of new E&S players is noted and there's more capacity pouring into the non-admitted channel. That's a good point. And so, there is competition and we see it alive and well in property. It's not the business isn't leaving the non-admitted channel. It's ferocious competition from additional surplus and additional capacity. We don't see that in other lines necessarily. There's always competition. There's always new facilities. However, most of them remain wholesale dedicated. So, we have a lot of control over the marketing exercise as we get a lot more opportunities with the new capital, and we use it to win. So, we don't see it as detrimental, although it has aided in the softness in property. Again, it's not going to the admitted market. It's inter-E&S competition that's driving the price.

Miles Wuller
Chief Executive Officer-Ryan Specialty Underwriting Managers, Ryan Specialty Holdings, Inc.

A

Tracy, I'd like to add, it's Miles, that we see those new E&S carriers as client opportunities for both underwriting and RT. So, RT is obviously delegated distribution for those E&S carriers, but many of those new E&S balance sheets are looking to delegate to shops like Ryan Specialty Underwriting Managers for access to specialty underwriting. So, the capital is real. The rate pressure is real, but it's a net positive opportunities set for – across Ryan.

Patrick G. Ryan

Founder & Executive Chairman, Ryan Specialty Holdings, Inc.

Okay, this is Pat. You've been very generous with your time. Excellent questions. Thanks for your support and interest. We're all working hard. We're proud of what we achieved in the quarter. Proud of the team. Tim just summed up that we outperformed our expectations and we have high expectations for them. So, thank you and we'll be seeing you, many of you over the next 90 days. But see you hopefully all of you in 90 days. Thank you.

Operator: Thank you for calling. You may now disconnect.