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Ryan Specialty Holdings, Inc. (RYAN)

Q1 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and thank you for joining us today for Ryan Specialty Holdings First Quarter 2024 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 statement. 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 website.

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

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

Good afternoon, and thank you for joining us to discuss our first quarter results. With me on today's call is our President, Tim Turner; our CFO, Jeremiah Bickham; and our CEO of Underwriting Managers, Miles Wuller; also with us is our Director of Investor Relations, Nick Mezick.

The first quarter represents a very strong start to the year. Our momentum throughout 2023 carried right into our excellent first quarter. We generated excellent top and bottom line results and made long-term sustainable investments in our business to fortify our competitive position. Revenue of $552 million represents growth of 20.6% year-over-year, driven by organic growth of 13.7% on top of the strong growth we posted in the first quarter of 2023.

Growth was broad-based across our specialties, a significant new business production and a meaningful contribution from our recent acquisitions. We grew adjusted EBITDAC 25.8% to $157 million. Adjusted EBITDAC margin expanded 120 basis points to 28.5%, reflecting the benefits of our ACCELERATE 2025 program and underlying margin improvement.-

Adjusted diluted EPS grew 34.6% to $0.35 per share. Our results clearly reflect our formidable value proposition of differentiated talent and niche specialization. We continue to outperform the competition as reflected in our strong new business growth. We captured broader E&S tailwinds and capitalized on specific areas of accelerated growth.

Property continued to be very strong, even on top of a great prior year. Casualty was also a significant contributor and we saw a strong acceleration of growth year-over-year. Overall, I'm very pleased with our performance in the quarter. Our industry-leading team's dedication to delivering better value and service for our clients is unmatched.

Turning to the market. Trends remain positive. We continue to believe the E&S market will consistently outpace growth in the admitted market, overshadowing any cyclical shifts in certain lines with respect to submission, flow, and pricing. We continue to believe secular changes are driving most of the growth that we're seeing in the E&S market.

Now, turning to M&A. We've completed our acquisition of Castel Underwriting Agencies. Through this transaction, we bolstered our delegated authority offering by adding top talent and differentiated intellectual capital. We also significantly enhanced our UK and European footprint and set the stage to accelerate our international expansion. We're pleased to have the Castel team on board and we look forward to integrating this great business into Ryan Specialty.

Further on the M&A front, our outlook remains ambitious. Our pipeline continues to be robust, including both tuck-ins and large deals. As we previously noted, our overall strategy is aligned around the evolving and growing needs of our clients and our trading partners, to continue providing a dynamic value proposition.

We are committed to expanding our total addressable market within specialty insurance, particularly with targeted investments in delegated authority, benefits and alternative risks, as well as deepening our considerable moat by enhancing our scale, scope, and intellectual capital. We only move forward when all of our criteria for M&A are met. Each acquisition must be a strong cultural fit, strategic and accretive.

Turning to talent. Our people remain our greatest asset. We successfully onboarded new colleagues, adding to our world-class team through the first quarter. We believe that these important investments across our specialties will drive our firm's future prospects and will position us to grow for decades. We believe our commitment to constant innovation and ongoing investment in talent, has enabled us to consistently achieve industry-leading organic growth.

Now turning to ACCELERATE 2025. As we continue to execute on the program, we identified additional opportunities to drive continued growth and innovation, deliver sustainable productivity increases over the longer term, and accelerate margin improvement. We now expect to generate annual savings of approximately $60 million in 2025, with cumulative special charges of approximately $110 million through the end of 2024. These investments will both enhance and scale up our operating model, enabling us to move faster, resulting in lasting benefits to our clients. We are creating platforms and systems that are capable of handling significant future organic and inorganic growth.

Looking ahead, the second quarter is off to a strong start and we're encouraged by continued momentum across each of our specialties. I'm confident that 2024 will be an outstanding year for our firm. We believe our growth will continue to be driven by secular factors, such as increasing risk and complexity. Retail brokers becoming larger through solid organic growth and M&A, as well as panel consolidation. Adding to this is our unique competitive positioning with strategies in high growth businesses, our ability to innovate with new product development and the expansion of our total addressable market. We remain confident these trends are sustainable and supportive of our growth for the foreseeable future.

As always, I want to thank our entire team for their dedication and once again delivering excellent performance and adding value for our clients, trading partners and ultimately our shareholders. I'm pleased to turn it over to Tim. Tim?

Timothy W. Turner

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

Thank you very much, Pat. We had a very strong start to 2024 across our specialties. Our entire team remains determined to sustain that momentum throughout the year. Diving into our specialties, our wholesale brokerage specialty generated strong growth. Our property practice had a great quarter, even on top of a great prior year. The property market continues to be impacted by elevated levels of attritional and secondary perils, including severe convective storms, more retention of risk, and moderating yet persistent inflation, driving up loss costs.

With expectations for a year of an above average number of hurricanes and other named storms, we expect concerns for large loss events to be top of mind for the industry. Add to this, growing property exposures in both high value concentrations and areas of higher catastrophe risk like flood plains, coasts and wildfire prone areas, we believe we will continue to see an increase in the frequency and severity of losses. And all of these factors are driving continued flow of new business into the E&S market and high retention as risks remain in our channel.

At the same time, our deep bench of talented professionals is successfully navigating this dynamic environment. Through our laser focus and continuously providing value to our clients, we believe we continue to win market share from our competitors. We continue to believe property will be a strong driver of growth for Ryan Specialty in the quarters ahead even as we lap last year's excellent quarter. Our casualty practice had a fantastic quarter.

More broadly, the market has seen increasing number of casualty classes faced higher loss cost. Notably, an acceleration of social inflation marked by increased frequency and more prolonged cases, higher settlements, judgments and nuclear verdicts amplified by litigation finance. A protracted impact from recent reserve charges on the 2015 to 2019 accident years, as well as rising uncertainty in reserve adequacy of more recent years, and the continued pullback in risk appetite from the admitted market in certain E&S lines like construction.

This unpredictability requires specific industry and product level knowledge. Thanks to our world-class technical expertise and deep bench, we are perfectly positioned to execute and deliver value for our clients. We are confident that casualty will be a strong contributor to our 2024 performance. Overall, our wholesale brokerage specialty team remains committed to delivering innovative strategies and products to meet the ever-changing needs of our clients.

Now, turning to our delegated authority specialties, which include both binding and underwriting management, our binding authority specialty had an excellent quarter. Through our high caliber talent and new proprietary products, we offer a seamless experience for our clients who have small but tough to place commercial P&C risks. We continue to believe the consolidation of panels and binding authority remains a long-term growth opportunity, and we are well-positioned to capitalize. Our underwriting management specialty also performed well in the quarter, led by property and casualty and meaningful contributions from our recent acquisitions.

As Pat noted, we are excited to officially onboard Castel to the Ryan Specialty family, which adds to our top decile talent, expands our international footprint, makes us stronger in the UK and Europe, and positions us well to accelerate our international expansion.

Turning to price. While we continue to experience various micro cycles across insurance lines more broadly, we see two important trends. Property is seeing a period of pricing stabilization after years of large increases and casualty due to the trends mentioned earlier, is seeing an acceleration in pricing across an increasing number of classes. Across both of these major industry classes, there remains heightened uncertainty in the loss environment. This is driving more risks at the E&S marketplace as it offers significantly more freedom of rate and form and the ability for insurers and underwriters to adjust pricing and the terms and conditions of coverage more quickly.

As we've noted consistently in any cycle, as certain lines are perceived to reach pricing adequacy, admitted markets tend to step back in on certain placements. However, this is still not playing out, and the standard market has not meaningfully impacted rate or flow in the aggregate. We are well-positioned to assist all our trading partners navigate an ever-changing insurance landscape. We continue to expect the flow of business into the non-admitted market to be a significant driver of Ryan Specialty's growth, more so than rate.

With that, I will now turn the call over to our Chief Financial Officer, Jeremiah Bickham, who will give you more detail on the financial results of our first quarter. Thank you.

Jeremiah R. Bickham

Chief Financial Officer, Ryan Specialty Holdings, Inc.

Thank you, Tim. Before getting into our results for the quarter, I want to discuss the change highlighted in our press release. Beginning this quarter, the company is modifying its method of calculating organic revenue growth. This revised calculation methodology is an improved representation of our core business performance, as it now completely removes fiduciary investment income and contingent commissions from the current and prior year period.

Whereas before we only excluded the change in fiduciary income and contingent commissions between periods. Of course, the new calculation continues to exclude the impact of M&A and FX from the current year. This formulation is a more widely used calculation methodology. And as a result, we are providing additional revenue disclosure that we believe investors will find very useful.

Now, turning to the quarter. In Q1, we grew total revenue 20.6% period-over-period to $552 million, fueled by another very strong quarter of organic revenue growth at 13.7%, and contributions from M&A which added nearly 7 percentage points to our top line. Growth was once again driven by very strong renewal retention, ongoing tailwinds in much of the E&S market, and our ability to win substantial amounts of new business.

Adjusted EBITDAC for the first quarter grew 25.8% period-over-period to $157 million. Adjusted EBITDAC margin improved 120 basis points to 28.5%, driven by another strong quarter of revenue growth, partial savings from ACCELERATE 2025, and underlying margin improvement in the business. Adjusted diluted EPS grew 34.6% to $0.35 per share. In the quarter, we returned capital to shareholders through our first dividend, including both a special and a regular quarterly dividend. Earlier today, our board declared a regular quarterly dividend of $0.11, payable later this month.

Turning to our ACCELERATE 2025 program, we had approximately $29 million in charges for the quarter, bringing our total to date to $77 million. As Pat noted, we found additional opportunities to drive more efficiencies and greater savings. We now expect cumulative special charges for the program of approximately $110 million through the end of 2024, and expect annual savings of approximately $60 million in 2025. We expect approximately half of these savings will be realized in 2024 with the majority of those savings falling to our bottom line.

Those savings will be paired with an underlying margin expansion in our business that we expect in most years, including 2024. Based on our current forecast, we expect to record GAAP interest expense, which is net of interest income on our operating funds, of approximately $32 million in Q2 and $123 million in 2024. Our adjusted effective tax rate was 26.1% for the quarter. Based on the current environment, we expect a similar tax rate for the remainder of 2024.

Now, turning to guidance. Under the legacy method for calculating organic revenue growth, we are maintaining our full year 2024 guidance for organic revenue growth. Now, adjusting solely for the modified methodology which we will be reporting under going forward, our revised guidance for the full year 2024 is now between 12.5% and 14.0%. In addition, we are maintaining our adjusted EBITDAC margin guidance of 31.0% and 31.5%.

In summary, we are pleased with our very strong first quarter performance as we grew market share in several of our businesses, invested in talent, products, and technology, all while expanding margin. Moving forward, we will continue to organically invest in our business to support sustainable and profitable growth. We will continue to execute on our disciplined M&A strategy with high quality acquisitions, and we will maintain our strong balance sheet while returning excess cash, all of which should create long-term sustainable value for shareholders.

Our dynamic and differentiated business model continues to position us well to serve our client and deliver the innovative solutions that our clients have come to expect as a hallmark of Ryan Specialty.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question is from Elyse Greenspan with Wells Fargo. Please proceed with your question.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Hi, thanks. Good evening. My first question just, I guess, your organic growth view, right, it sounds like it's similar to last quarter minus, the accounting change that you highlighted. Over the past couple months, we've seen some volatility within some stamping data that comes out from some of the largest E&S states, went down in March, and then we saw some growth in April. Can you just help us like triangulate what we see within the stamping data and what that means for the overall strength of the E&S market?

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

A

Sure, Elyse. Now, we feel that several questions about the monthly stamping office numbers in prior quarters and the stamping office data is very helpful over a full calendar year and it remains very – the flow remains very strong, as we can see. But on a month or even a quarter, it can be misleading and have timing issues. And that's really what we saw here. Our growth trends through the stamping office data are better measured over a full year. But again, they remain very strong double-digit growth flow.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Thanks. And then my second question, you had raised the savings program, right, and also raised the amount that you expect to see this year. But there wasn't a change to the margin guide. So can you – is it just that there's some offsets relative to the guidance or you're just – and I know there's obviously a range around margin that could be a two.

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

So, hi, Elyse. Fair question. So the $10 million of additional saves from ACCELERATE, remember that only about half of them like the rest of the saves from the program, are going to come through this year. And we've said the majority, but not all will fall to the bottom line.

And also, I mean, I'm sure you know that there's the possibility of fewer interest rates cut this year, too, which would present a benefit to margin as well. These are just a few variables at play, though, And while they're positive, there's still a long way to go in the year. And what we're, what we think that both of these two variables represent is just a higher likelihood that we hit the high end of the range on our margin guide.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Okay. And then you guys seem pretty positive on the casualty market, right. You said property is stabilizing. Is there anything we should be paying attention to just in terms of your mix and what quarters, I guess over the remaining three could see higher versus maybe slightly lower organic growth? I know, I think Q2 and Q4 heavier from a property perspective, but anything that you would highlight in terms of the cadence of growth in the back three quarters?

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

A

No, nothing that stands out, Elyse. Casualty – our casualty practice had a fantastic quarter. We're seeing an acceleration in pricing across that increasing number of classes, higher loss trends are really driving pricing. We can see a significant increase in flow into the channel in some of the classes we've talked about before, transportation, habitational. And in property, we've mentioned before it continues to be a very strong driver for us into 2024.

However, we're seeing some pricing stabilization and after years of large increases. But the data is mixed because so much of it is slanted towards admitted standard lines property, business. What we're seeing in the non-admitted market is more volatility, more difficult risks being layered. We see growth opportunities throughout the market. As you know, it's a win buying season in the second quarter and we're very excited about that. We see it as a growth opportunity this year.

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

And Elyse I want to add to that and try to be helpful. There's seasonality to our business. So we've said Q2 is our biggest in terms of dollars, but there's not seasonality, predictable seasonality anyway to our organic growth. And if you look at any two quarters and you infer a trend from that, you're just as likely to get a wrong answer as you are, a right answer. So please don't make the mistake of inferring a trend just because one quarter follows higher or lower than the other. That's why we give guidance in the first place, is to give people the best possible view of how the year will turn out versus an individual quarter.

Elyse Greenspan
Analyst, Wells Fargo Securities LLC

Q

Thank you.

Operator: Our next question is from Mike Zaremski with BMO Capital Markets.

Mike Zaremski
Analyst, BMO Capital Markets Corp.

Q

Thanks. Good afternoon. I was kind of hoping being later in the queue because it's – we don't – there's not a lot of time to figure out this, the new improved organic guide, in a good way. But – so under the old – the 12.5% to 14% is the – okay. The organic are used to be 12% to 13.5% last quarter. What would have – it have been under the new definition.

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

The new definition is 12.5% to 14%. The old guide range was 12% to 13.5%. And the reason we changed it is because our expectation is that under – just under – just changing the calculation methodology could improve organic by about 50 basis points this year. So we're trying to be transparent and really just give you an apples-to-apples guide range. We're definitely more confident, even more confident than we were the last time we spoke and our ability to deliver in this guide range. But we're just reiterating the guide range on an apples-to-apples basis.

Mike Zaremski
Analyst, BMO Capital Markets Corp.

Q

Okay. Okay. So maybe another one, but if you – if we just went back to the last quarter when you gave your original 12% to 13.5%, what would have been under than your new definition or am I not thinking about it correctly, but it's still [indiscernible] (25:45).

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Oh, no. If we had made the change last quarter, we would have come out with an annual guide range of 12.5% and 14%.

Mike Zaremski
Analyst, BMO Capital Markets Corp.

Q

Okay, just make it – so 50 bps is what – okay. Just want to...

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Yeah. It's expected to be worth 50 bps this year. And it's more pronounced in – the difference is more pronounced in Q1 because Q1 is typically when there's actually more profit commissions that hit.

Mike Zaremski
Analyst, BMO Capital Markets Corp.

Q

Okay. Bear with me on that. Okay. My follow-up is if we look at where the business mix is heading and I know you don't break out organic by the three business lines, but it's – underwriting management and binding authorities are growing disproportionately, whereas obviously wholesale still growing at a very healthy rate. But anything incremental you'd want to add and given us a lot of color about these segments in the past, but anything changing, anything incremental that you can kind of – I feel like process and maybe sell-side, maybe some investors did focus a little too much on the hope that the largest segments. But anything more you want to add on kind of what's driving this and maybe other seasonality patterns, too? Thanks.

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Well, I'll give some color, Mike, on the numbers you're probably looking at, like a 30-plus percent in underwriting management. Remember, that's total revenue growth, and there's a significant impact this quarter. I mean, the growth numbers from both the delegated authority businesses were terrific, but it's even more [ph] gody (27:29) in underwriting management because of M&A last year. That's where the benefits business is being housed until it's material enough to be broken out on its own. So if that's the number you're reacting to, that's a big part of the story. But longer term, growth prospects, Miles can give you a much more fulsome color on that.

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

A

Well, look, we appreciate the question on that. So I think at the heart of it, yes, underwriting is definitely contributing to the double-digit organic trajectory. I think we highlighted each quarter a lot of the ingredients that we delivered on last year; and structurally, they're all in place to continue into this year. Last year, we brought several new MGUs to life. We've already launched one in Q1 of this year. Last year, we launched several tangential lines to existing MGUs. And now, we're seeing the benefit of that coming into the earnings statement as organic revenue.

And then lastly, we're able to include our carrier capital under management with the greater majority of our partners last year. And that was through incremental lines of business, as well as increased capital being deployed. And so, again, those increases of capital under management, we're seeing flow into organic this year. So, that's specific to the underwriting line. And I'll let Tim comment on binding.

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

A

Our binding authority had a tremendous first quarter. We're seeing just great expansion and market share being taken there. We're capitalizing on the consolidation of the use of binding authority, intermediaries by the retailers. We're winning a lot of RFDs and the outlook for 2024 looks fantastic.

Mike Zaremski
Analyst, BMO Capital Markets Corp.

Q

Thank you.

Operator: Our next question is from Rob Cox with Goldman Sachs.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Hey, thanks. Just in regards to organic growth pacing and how to think about it for the balance of the year, I know there's a lot of property business next quarter and it seems like property is still strong. But there's also a lot of property cat and I think that's an area where we've heard there's some more meaningful price deceleration. So I'm just curious if you think that's a headwind next quarter. If you could give any color on sort of the pacing of organic growth throughout the remainder of the year?

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

A

We don't see it as a headwind. We see the pricing stabilization. We're not seeing dramatic cuts at all. We're not seeing a shift in the migration of the non-admitted business. We're seeing a continued heavy flow into the channel. We're seeing a little bit more competition in London. But again, the flow remains very strong and we're optimistic to have a great year in property.

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Yeah. And Rob, building on the response that I chimed in with to Elyse's question, growth for the year doesn't follow a straight line. I'm sorry, we can't be more helpful. But there's nothing significant in any of the quarters this year that's worth calling out to guide you to something to a big shift. Like Tim said, the growth we expect is really balanced across property and casualty this year.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thanks. That's really helpful. And then maybe just as a follow-up, I was just curious on some of the specific areas you guys have called out in the past, like the D&O headwinds, the M&A headwinds. How did those shape up in the quarter? And I was also curious on the construction projects which I think you guys have previously called out, seems like it might have been a material tailwind for some of your peers. Did you also see that in the quarter?

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

A

Yeah. We've seen the construction market have a real strong rebound. Our project opportunities increased, our quote-to-bind ratios increased. We're capturing a lot more construction business across the board, residential construction in particular, infrastructure projects picked up. And that lag time from quote-to-bind has decreased. So, we're very optimistic to have a great year in construction.

D&O would be where the tailwinds have slowed. I think we're through the pain phase. We see some moderation there and the tougher D&O. Our E&O book continues to grow in areas like healthcare and social service. We're getting opportunities in things like architects and engineers E&O, lawyers E&O. The headwinds on that pro executive book have clearly slowed. And we see growth opportunities in 2024. And then, Pat can address the M&A.

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

A

Yeah. The M&A is strong. As I said in my opening comments, a very robust pipeline. There's no seasonality to the M&A calendar. Well, often at periods of time that acquire, and then periods where we announce multiple deals in a short period. But to answer your question, the outlook is very strong. And we've been engaged in several discussions.

We've encountered more opportunities, made pretty encouraging progress on most of the open dialogues. The flow of deals are all high strategic value deals that we're working on, and the theme of sellers preferring Ryan Specialty as a destination of choice is very exciting for us because historically, well over a half of the just short of 60 acquisitions that we've done, we were the destination of choice. And in the discussions that we're engaged in, that's being sustained.

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

A

Rob, this is Miles. I'll just jump in, on transactional liability as it pertains to like our rep and warranty and tax practice, so there are tailwinds. So global M&A, deal volumes are ticking back up. We believe our transactional liability practices materially outpacing the industry. I think everybody on the call, we highlighted several times during 2023 that we had been investing heavily in transactional liability talent and geographic reach as the market was contracting. And all those decisions are bearing fruit and we expect to be great contributors to 2024.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Thanks for the color.

Operator: [Operator Instructions] Our next question is from Meyer Shields with KBW.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks so much and good afternoon. Tim, I was hoping you could go maybe one level deeper in terms of the property business that's still migrating to E&S, because I guess the [indiscernible] (35:26) model I had was that last year you had primary companies just dealing with much higher reinsurance attachment points. So the cat exposed business kind of moved over. And I'm wondering maybe overly simplistically what's left to go to E&S now?

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

A

We see opportunities to get market share and just head-to-head competition. That's always a big factor. As you know, there's competition on all this business. We don't see any sign of migration of the business going back. So there's still very strong flow of opportunities that move around in the marketplace.

The only real competition in terms of taking business away from the US E&S market, Meyer, would be London, and that's hardly measurable. But we did notice it and we did mention it in our last call. But in terms of opportunities, we see a very strong flow coming our way. There's no standard carrier making an impact on taking E&S business back. We just don't see it. In fact, we're having to layer and have more shared and layered opportunities on these towers. It's still very, very robust out there.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, fantastic. That's very helpful. I think this is probably for Jeremiah. When we look at the adjusted ratios, so comp & ben on one hand and G&A on the others, the comp & ben went down year-over-year and G&A went up. Should we expect that trend to accelerate or decelerate as we start seeing the $60 million of savings target bottom line this year, next year?

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

So we are going to see additional scaling in comp for sure. And over time, we'll see scaling in G&A too. But this quarter in particular, there were some timing issues related to some of our plan spend. Even on like the T&E side, events change between quarters year-over-year. And we also have some new revenue lines that are coming on that we will incur third-party expenses, too, on some of the upfront work. So, overall, I would say you're going to see trending in the – you're going to see scaling in both, but it's probably going to come a little – it's going to be a little bit more pronounced and be quicker on the comp side, call it over the next 24 – or next seven quarters.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, perfect. Thank you so much.

Jeremiah R. Bickham
Chief Financial Officer, Ryan Specialty Holdings, Inc.

A

Yes.

Operator: Our next question is from Alison Jacobowitz with UBS.

Alison Jacobowitz
Analyst, UBS Securities LLC

Q

Hi. I was just wondering, you touched on what you're seeing – that you're seeing great opportunities internationally. So, wondering if you could dive a little deeper into that, where are you most focused, what you're seeing there? And maybe some highlights, some of the dramatic differences you might be seeing there, if there any, versus domestic?

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

A

Yeah, no, we appreciate that. And I want to highlight with the Castel acquisition. We benefited from several levers there. So first, it brought 135 like-minded individuals based in the UK and the Benelux region. All like-minded builders, entrepreneurs, great track record of underwriting profitability and building businesses. It brought 10 new lines to the company, and it actually allowed us to double down in a few capabilities that we believe deeply in renewables, SME, rep and warranty.

But that – on top of those facilities, it also brought us some local leadership in those jurisdictions that are going to be great resources and identifying talent, essentially getting city to city. It's not going to surprise you that a lot of distributors want to deal with a local presence. And it's going to take an on-the-ground approach to meet those folks. And so, this team will be a force multiplier in helping us identify M&A opportunities as well as increase the speed to market of international startups.

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

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I'd like to add that we see international, particularly Europe and the UK, as not fertile ground for a wholesale broking, but very fertile ground for delegated authority. There's been a lot of consolidation of carriers in those countries. The right companies in each one of the various European countries, including the UK, but there are far fewer. And it allows an opportunity for delegated authority for us to bring in a new capital providers or work with some of the existing over there with innovative ideas on product, innovative ideas on servicing different parts of the insurance industry.

So as we look at international, particularly Europe and UK, it's really a delegated authority, but we think it's quite wide open. It requires, as Miles said, attracting the right talent and that's why the Castel acquisition was so exciting plus that great underwriting record. There's a lot of talent that we know over there from other experiences, and we believe that we can de novos and possibly some M&A opportunities.

Alison Jacobowitz
Analyst, UBS Securities LLC

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Thanks very much.

Operator: [Operator Instructions] Ladies and gentlemen, there are no further question at this time, and I will turn the call back to Pat Ryan for closing remarks.

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

Well, thank you for your very good questions and for your continued interest and support of our firm. We look forward to speaking with you again soon, and have good evening. Thank you.

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