



Brown & Brown Inc. (BRO)

Updated January 29th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$105	5 Year CAGR Estimate:	8.4%	Market Cap:	\$30 B
Fair Value Price:	\$100	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	02/05/25
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.1%	Dividend Payment Date:	02/12/25
Dividend Yield:	0.6%	5 Year Price Target	\$153	Years Of Dividend Growth:	31
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Brown & Brown Inc. is a leading insurance brokerage firm that provides risk management solutions to both individuals and businesses, with a focus on property & casualty insurance. Brown & Brown has a notably high level of insider ownership. Overall, Brown & Brown is a very shareholder-friendly company, as its 31-year streak of consecutive dividend increases qualifies it to be a member of the Dividend Aristocrats list. The company employs about 15,000 people, should produce about \$5.2 billion in revenue this year, and trades with a \$30 billion market capitalization.

Brown & Brown posted fourth quarter and full-year earnings on January 27th, 2025, and results were better than expected on both the top and bottom lines. The company posted adjusted earnings-per-share of 86 cents for the quarter, beating estimates by nine cents. Revenue soared 15% year-over-year to \$1.18 billion, besting expectations by \$60 million.

Revenue was up 15.4% year-over-year, with 13.8% of that being organic revenue growth and the balance from acquisitions. Income before taxes came to \$275 million, falling 23% year-over-year as margin fell from 23.2% from 34.7% of revenue.

EBITDAC was \$390 million on an adjusted basis, rising almost 23% from the year-ago period. On a percentage of revenue basis, EBITDAC margin was 32.9%, up from 31% in last year's Q4. Net income was up 25%.

We start this year with \$4.15 in adjusted earnings-per-share, which would mark a sizable boost from 2024 results, should it come to fruition.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.85	\$0.92	\$1.42	\$1.21	\$1.40	\$1.67	\$2.19	\$2.28	\$2.81	\$3.84	\$4.15	\$6.39
DPS	\$0.23	\$0.25	\$0.28	\$0.31	\$0.33	\$0.35	\$0.37	\$0.42	\$0.48	\$0.54	\$0.60	\$0.92
BVPS	\$7.73	\$8.42	\$9.35	\$10.73	\$12.19	\$13.50	\$14.86	\$15.22	\$19.60	\$22.45	\$23.00	\$35.00
Shares¹	280	276	278	276	275	278	283	283	285	286	287	290

Brown & Brown has a remarkable growth track record that includes a decade-long compound annual earnings growth rate of more than 14%. The company's book value per common share has grown at a similar rate, expanding at ~11% per year over the last ten years. Brown & Brown's growth strategy is both simple and sustainable. Over the years, the company has actively acquired smaller insurance brokerage firms and integrated them into its larger operating base. We believe that this strategy has plenty of room left to run and forecast that the firm can continue to grow at 9% per year for the foreseeable future. Brown & Brown continues to perform well in all sorts of environments, and we see the growth runway as long.

In addition, we forecast 9% annual growth in the dividend for the foreseeable future given that Brown & Brown has exhibited strong earnings growth over time, and its strategy is sustainable. The company has also proven it is willing and

¹ Share count in millions

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able to return capital to shareholders via large dividend increases over time. We note the three-decade-long streak of dividend increases.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.4	20.6	24.2	18.5	23.9	25.7	24.9	25.0	25.3	26.6	25.3	24.0
Avg. Yld.	1.3%	1.3%	1.2%	1.1%	1.0%	0.8%	0.7%	0.7%	0.7%	0.5%	0.6%	0.6%

Brown & Brown has historically traded at a somewhat lofty valuation, with a 10-year average price-to-earnings ratio of ~23. Looking ahead, our fair value earnings multiple for Brown & Brown is a price-to-earnings ratio of 24. Using our 2025 earnings estimate of \$4.15 and the company's current stock price, Brown & Brown is trading at a price-to-earnings ratio of 25.3, which is back in line with prior valuations that we've seen in recent years. Given the valuation, we see a small negative impact from the valuation in the coming years.

We see the yield remaining about where it is over time as the payout rises commensurate with earnings, but the stock is highly unlikely to be a pure income stock anytime soon.

Safety, Quality, Competitive Advantage, & Recession Resiliency

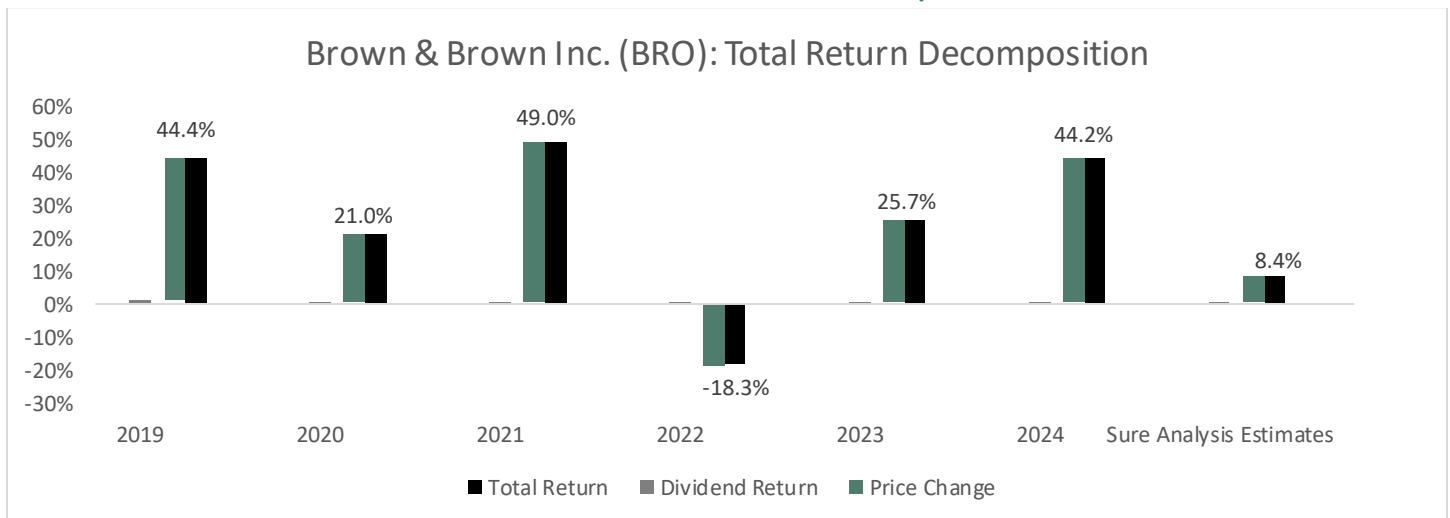
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	27%	27%	20%	26%	24%	21%	17%	18%	17%	14%	15%	15%

Brown & Brown's competitive advantage comes from its willingness to execute small and frequent acquisitions. This growth-by-acquisition strategy gives the company an enduring opportunity to continue growing its business for the foreseeable future. Brown & Brown is also modestly recession resistant. The company's earnings-per-share declined by just 20.5% during the worst of the 2007-2009 financial crisis, while its dividend continued to grow. We note the company's 2020 and 2021 results were unaffected by the COVID-19 crisis.

Final Thoughts & Recommendation

Brown & Brown has many of the characteristics of a high-quality business. It has increased its dividend for 31 consecutive years, and company insiders own a great deal of its outstanding stock. The valuation has deteriorated since our last update, driving lower total return prospects. We are reiterating the stock at a hold rating with 8.4% projected total returns. We see the growth story as very attractive at 9% annually, but the yield is just 0.6%, and the valuation will likely be a headwind for the foreseeable future, barring a big move up in earnings estimates.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,657	1,763	1,857	2,010	2,385	2,606	3,048	3,573	4,205	4,712
Gross Profit	800	838	863	941	1,077	1,170	1,411	1,757	2,018	2,306
Gross Margin	48.3%	47.5%	46.4%	46.8%	45.1%	44.9%	46.3%	49.2%	48.0%	48.9%
SG&A Exp.	---	---	---	---	---	---	---	---	---	---
D&A Exp.	108	108	108	109	129	135	153	186	206	222
Operating Profit	443	469	493	501	572	673	855	974	1,162	1,374
Operating Margin	26.7%	26.6%	26.6%	24.9%	24.0%	25.8%	28.0%	27.3%	27.6%	29.2%
Net Profit	243	257	400	344	399	481	587	672	871	1,002
Net Margin	14.7%	14.6%	21.5%	17.1%	16.7%	18.4%	19.3%	18.8%	20.7%	21.3%
Free Cash Flow	363	393	418	526	605	651	903	829	941	1,092
Income Tax	159	166	50	118	127	144	176	204	276	301

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,004	5,263	5,748	6,689	7,623	8,967	9,795	13,974	14,916	17,612
Cash & Equivalents	443	516	573	439	542	817	887	650	700	675
Accounts Receivable	466	581	1,024	910	1,001	1,143	1,279	2,355	915	2,422
Goodwill & Int. Ass.	3,331	3,383	3,357	4,332	4,663	5,446	5,818	8,269	8,962	9,784
Total Liabilities	2,855	2,903	3,165	3,688	4,273	5,212	5,599	9,367	9,337	11,175
Accounts Payable	639	717	749	945	1,114	1,389	1,591	2,551	491	373
Long-Term Debt	1,145	1,074	976	1,507	1,555	2,096	2,023	3,942	3,796	3,824
Shareholder's Equity	2,150	2,360	2,583	3,001	3,350	3,754	4,197	4,607	5,579	6,420
LTD/E Ratio	0.53	0.46	0.38	0.50	0.46	0.56	0.48	0.86	0.68	0.60

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.9%	5.0%	7.3%	5.5%	5.6%	5.8%	6.3%	5.7%	6.0%	6.2%
Return on Equity	11.4%	11.4%	16.2%	12.3%	12.5%	13.5%	14.8%	15.3%	17.1%	16.7%
ROIC	7.4%	7.7%	11.4%	8.5%	8.5%	8.9%	9.7%	9.1%	9.7%	10.2%
Shares Out.	280	276	278	276	275	278	283	279	281	284
Revenue/Share	5.91	6.40	6.69	7.29	8.68	9.45	10.99	12.82	14.97	16.59
FCF/Share	1.30	1.43	1.51	1.91	2.20	2.36	3.26	2.97	3.35	3.85

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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