



# A.J. Gallagher & Company (AJG)

Updated November 19<sup>th</sup>, 2025, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$259	<b>5 Year CAGR Estimate:</b>	13.9%	<b>Market Cap:</b>	\$67 B
<b>Fair Value Price:</b>	\$271	<b>5 Year Growth Estimate:</b>	12.0%	<b>Ex-Dividend Date:</b>	12/05/25
<b>% Fair Value:</b>	95%	<b>5 Year Valuation Multiple Estimate:</b>	0.9%	<b>Dividend Payment Date:</b>	12/19/25
<b>Dividend Yield:</b>	1.0%	<b>5 Year Price Target</b>	\$478	<b>Years Of Dividend Growth:</b>	15
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Financials	<b>Rating:</b>	Buy

## Overview & Current Events

A.J. Gallagher was founded in 1927 as a commercial insurance broker focused on risk management. Its focus has not changed much in the decades since, but the company has grown immensely and is now present in 33 countries, offering insurance and risk management programs. The brokerage segment makes up more than 80% of total insurance revenue, while the risk management business is the balance. A.J. Gallagher's strategy depends upon nearly constant acquisitions, producing scale. Its market capitalization is \$67 billion, and it generates over \$14 billion in annual revenue.

Gallagher posted third quarter earnings on October 30<sup>th</sup>, 2025, and results were much weaker than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$2.32, which missed estimates by 22 cents. Revenue was up almost 20% year-over-year to \$3.37 billion, but that also missed by \$90 million.

Brokerage segment organic growth was 4.5% for the quarter, which missed the company's own estimates by about \$11 million. The Risk Management segment saw organic growth of 6.7%, which met expectations. Margins were better for this segment as well.

The company noted that despite the expectations being missed, out of the last 30 quarters it has delivered double-digit revenue growth 26 times. This quarter was the 19<sup>th</sup> consecutive quarter of double-digit revenue growth with its strategy of constant acquisitions and some organic growth.

We now see \$10.85 in adjusted earnings-per-share for this year after a weak Q3. Still, this year's level of earnings is almost certain to be a record, and by some margin.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$2.06	\$2.32	\$2.54	\$3.40	\$3.73	\$4.72	\$5.48	\$7.74	\$8.76	\$10.09	<b>\$10.85</b>	<b>\$19.12</b>
<b>DPS</b>	\$1.48	\$1.52	\$1.56	\$1.64	\$1.72	\$1.80	\$1.92	\$2.04	\$2.20	\$2.40	<b>\$2.60</b>	<b>\$4.58</b>
<b>Shares<sup>1</sup></b>	172	178	181	186	190	194	209	212	217	250	<b>255</b>	<b>290</b>

Earnings growth has been lumpy but over time Gallagher has continued to see high single-digit long-term growth rates. The company's growth comes from an impressive mix of organic revenue growth as well as M&A, which is central to its long-term plans. Indeed, Gallagher prefers smaller acquisitions that are easy to integrate into its existing portfolio, purchasing roughly 40 or 45 businesses each year. Revenue growth has averaged mid-teens growth annually in the past decade and while our estimates are for less than that, we still forecast 12% earnings-per-share growth on average moving forward. This will be mostly achieved via a combination of acquisitions and organic growth, but Gallagher has seen a small measure of margin expansion in recent quarters. Gallagher uses common shares to fund acquisitions, typically in small amounts. Overall, however, the growth outlook is strong given its pipeline for acquisitions, its ability to produce organic revenue growth, and its focus on operating costs.

<sup>1</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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We forecast dividend growth picking up from historical levels but not outpacing earnings growth, as Gallagher has proven the chosen strategy is to invest in growth. Shareholders will likely find this agreeable as its track record of growth and outlook for the future are well above average, but it will not be a significant income stock anytime soon.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.2	20.0	23.0	20.7	22.9	21.2	26.0	24.4	25.7	28.1	23.9	25.0
Avg. Yld.	3.2%	3.3%	2.7%	2.3%	2.0%	1.8%	1.3%	1.1%	1.0%	0.8%	1.0%	1.0%

Gallagher’s price-to-earnings multiple stands at 23.9. We forecast a small tailwind from the valuation normalizing as a result of that, as the stock has traded in a range of 20 to 25 times earnings in the past decade, mostly. The above average yields of 3%+ are gone given the company’s strategy shift towards buying growth. It is certainly working, but the stock that was once a high-yielding issue isn’t any longer, and almost certainly won’t be again anytime soon. There are likely many years of dividend increases coming, however, given the company’s strong earnings outlook. We note that as a pure yield stock, Gallagher misses the mark, and that this is unlikely to change.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	72%	66%	61%	48%	46%	38%	35%	26%	25%	24%	24%	24%

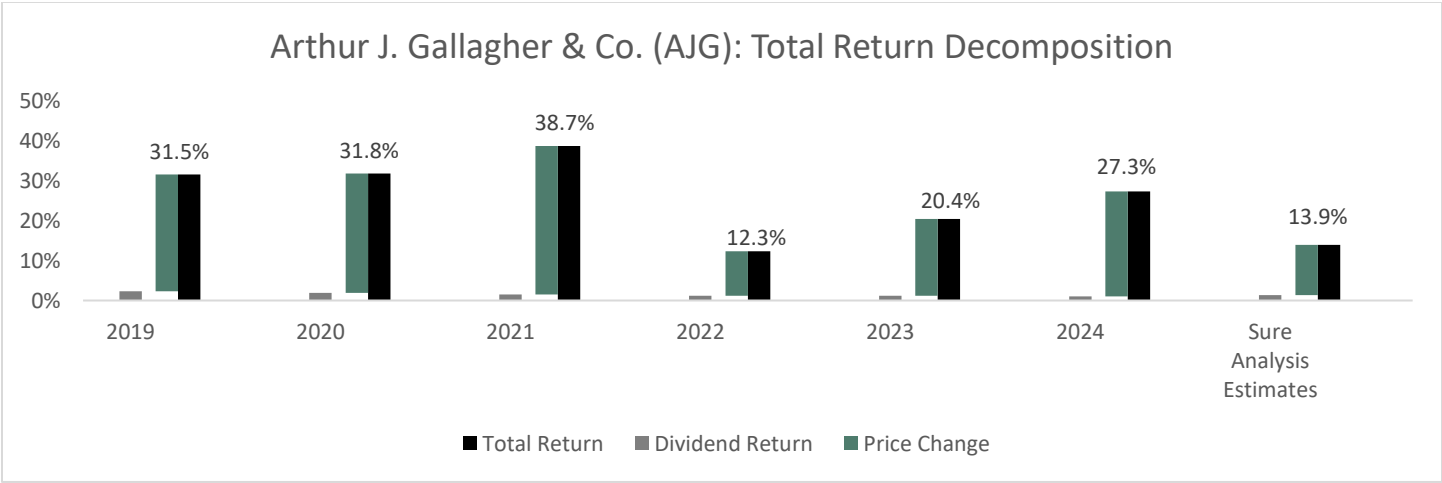
Gallagher’s dividend payout ratio has come way down in recent years as earnings growth has far exceeded growth in the payout. We see the payout as quite safe today given the company’s strong growth outlook and the sub-30% payout ratio. Gallagher’s focus on growth and not the dividend means dividend growth investors may be turned off, but the dividend is certainly safe.

Gallagher’s competitive advantage is in its sheer size as one of the largest insurance brokerages and risk management agencies in the U.S., as well as its relentless focus on growth. It has diversified itself well in recent years through prudent acquisitions, which should help it weather this economic downturn. Indeed, it performed very well during the Great Recession, growing earnings-per-share by 12% in 2009.

## Final Thoughts & Recommendation

Total return potential for A.J. Gallagher comes in at 13.9% annually, which could consist of the current 1% dividend yield, 12% earnings-per-share growth and a 0.9% tailwind from the valuation. Following Q3 results, we’re moving the stock from hold to buy.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,392	5,681	6,246	6,924	7,120	7,004	8,209	8,538	10,072	11,555
Gross Profit	1,612	1,603	1,726	1,940	2,289	2,503	2,976	3,584	4,245	4,878
Gross Margin	29.9%	28.2%	27.6%	28.0%	32.1%	35.7%	36.2%	42.0%	42.1%	42.2%
D&A Exp.	334	351	386	419	474	562	566	600	697	842
Operating Profit	437	476	511	617	746	1,034	1,337	1,654	1,859	2,282
Operating Margin	8.1%	8.4%	8.2%	8.9%	10.5%	14.8%	16.3%	19.4%	18.5%	19.8%
Net Profit	357	397	481	634	669	819	907	1,114	970	1,463
Net Margin	6.6%	7.0%	7.7%	9.1%	9.4%	11.7%	11.0%	13.0%	9.6%	12.7%
Free Cash Flow	587	432	725	641	980	1,653	1,576	1,943	1,838	2,441
Income Tax	(96)	(97)	(157)	(197)	(90)	13	20	211	219	404

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	10911	11490	12897	16334	19635	22,331	33,345	38,908	51,616	64,255
Cash & Equivalents	480	546	681	607	605	665	403	342	972	14,987
Accounts Receivable	1734	1845	2157	4858	5419	6,436	11,753	16,409	3,787	3,896
Goodwill & Int. Ass.	5362	5395	5843	6399	7937	8,527	12,620	12,862	16,109	16,800
Total Liabilities	7222	7834	8733	11764	14419	16,099	24,785	29,718	40,801	44,076
Accounts Payable	2877	2996	3476	5740	6349	7,785	13,846	18,698	---	---
Long-Term Debt	2454	2848	3133	3610	4607	4,545	6,284	6,115	7,965	13,157
Shareholder's Equity	3638	3597	4105	4499	5156	6,186	8,508	9,144	10,775	20,154
LTD/E Ratio	0.67	0.79	0.76	0.80	0.89	0.73	0.74	0.67	0.74	0.65

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.4%	3.5%	3.6%	4.1%	3.7%	3.9%	3.3%	3.1%	2.1%	2.5%
Return on Equity	10.4%	11.0%	12.3%	14.5%	13.9%	14.4%	12.3%	12.6%	9.7%	9.4%
ROIC	6.0%	6.3%	6.9%	8.1%	7.4%	7.9%	7.1%	7.4%	5.7%	5.6%
Shares Out.	172	178	181	186	190	194	209	215	219	225
Revenue/Share	31.13	31.84	34.30	37.18	37.45	35.91	39.59	39.77	45.92	51.36
FCF/Share	3.39	2.42	3.98	3.44	5.16	8.48	7.60	9.05	8.38	10.85

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

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