A.J. Gallagher & Company (AJG)

Updated May 12th, 2026, by Josh Arnold

Key Metrics

Current Price:	$199	**5 Year CAGR Estimate:**	25.8%	**Market Cap:**	$51 B
Fair Value Price:	$331	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	06/05/26
% Fair Value:	60%	**5 Year Valuation Multiple Estimate:**	10.7%	**Dividend Payment Date:**	06/19/26
Dividend Yield:	1.4%	**5 Year Price Target**	$610	**Years Of Dividend Growth:**	16
Dividend Risk Score:	A	**Sector:**	Financials	**Rating:**	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 $51 billion, and it generates almost $17 billion in annual revenue.

Gallagher posted first quarter earnings on April 30th, 2026, and results were mixed. The company posted adjusted earnings-per-share of $4.47, which was four cents ahead of estimates. Revenue was up 28% year-on-year to $4.76 billion, but missed estimates by $10 million.

Organic growth came to 5%, while M&A saw the top line move 23% higher in the core Brokerage and Risk Management segments combined. Earnings for the segments grew 12% while adjusted EBITDAC was up 18%.

The company repurchased 1.4 million shares for $310 million.

During the first quarter the company completed nine new mergers, representing about $60 million of estimated annualized revenue. There are an additional 40 term sheets being signed or prepared, representing a further $400 million in annualized revenue. Despite weak market conditions, Gallagher is continuing to execute its growth strategy, building its pipeline for the years to come.

Management also noted margin expansion of 50 basis and that for the full-year, 40 to 60 basis points of margin expansion is expected.

We have left our estimate of earnings-per-share flat at $13.25 after Q1 results.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.32	$2.54	$3.40	$3.73	$4.72	$5.48	$7.74	$8.76	$10.09	$10.69	***$13.25***	***$24.41***
DPS	$1.52	$1.56	$1.64	$1.72	$1.80	$1.92	$2.04	$2.20	$2.40	$2.60	***$2.80***	***$4.11***
Shares[1]	178	181	186	190	194	209	212	217	250	257	***260***	***290***

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 13% 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.

[1] Share count in millions

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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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.0	23.0	20.7	22.9	21.2	26.0	24.4	25.7	28.1	24.2	***15.0***	***25.0***
Avg. Yld.	3.3%	2.7%	2.3%	2.0%	1.8%	1.3%	1.1%	1.0%	0.8%	1.0%	***1.4%***	***0.7%***

Gallagher's price-to-earnings multiple stands at just 15, which is the lowest it's been in more than a decade, and by a wide margin. We forecast a huge 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. There are likely many years of dividend increases coming 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, but it's now yielding more than the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	66%	61%	48%	46%	38%	35%	26%	25%	24%	24%	***21%***	***17%***

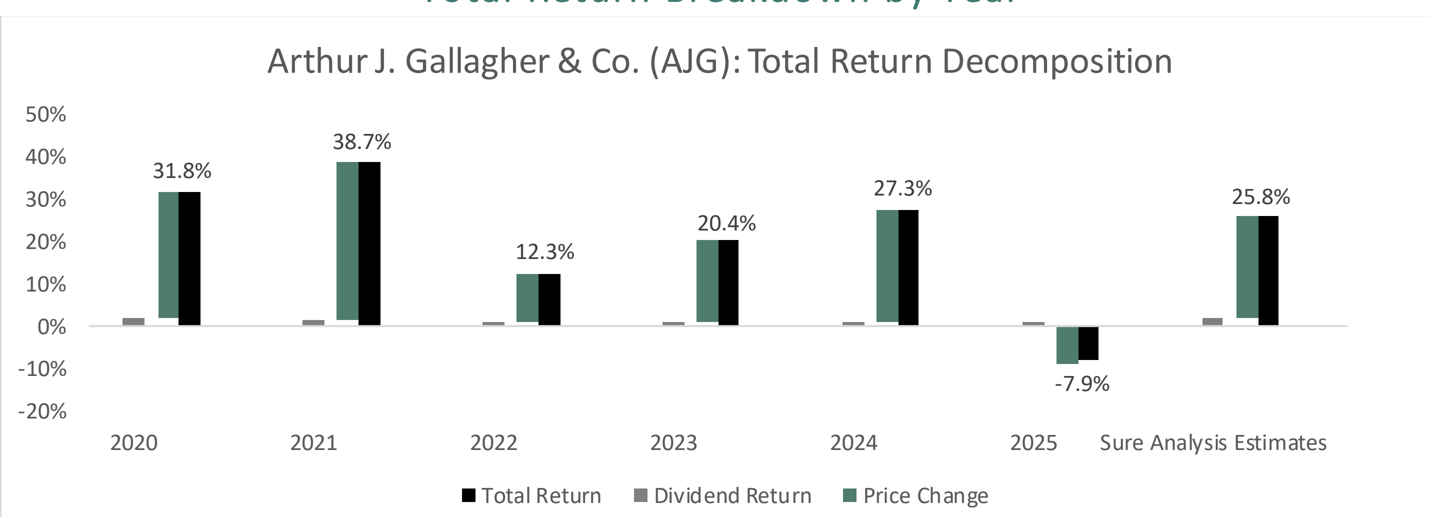
Gallagher's dividend payout ratio has come way down in recent years as earnings growth has far exceeded growth in the payout. We see the payout as quite safe today given the company's strong growth outlook and the sub-30% payout ratio. Gallagher's focus on growth and not the dividend means dividend growth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

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 25.8% annually, which could consist of the current 1.4% dividend yield, 13% earnings-per-share growth and a 10.7% tailwind from the valuation. Following Q1 results, we're reiterating the stock at a buy rating on outstanding dividend safety and extremely high total return potential.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	5,681	6,246	6,924	7,120	7,004	8,209	8,538	10,072	11,555	13,942
Gross Profit	1,603	1,726	1,940	2,289	2,503	2,976	3,584	4,245	4,878	12,656
Gross Margin	28.2%	27.6%	28.0%	32.1%	35.7%	36.2%	42.0%	42.1%	42.2%	90.8%
D&A Exp.	351	386	419	474	562	566	600	697	842	1,122
Operating Profit	476	511	617	746	1,034	1,337	1,654	1,859	2,282	2,556
Operating Margin	8.4%	8.2%	8.9%	10.5%	14.8%	16.3%	19.4%	18.5%	19.8%	18.3%
Net Profit	397	481	634	669	819	907	1,114	970	1,463	1,503
Net Margin	7.0%	7.7%	9.1%	9.4%	11.7%	11.0%	13.0%	9.6%	12.7%	10.8%
Free Cash Flow	432	725	641	980	1,653	1,576	1,943	1,838	2,441	1,785
Income Tax	(97)	(157)	(197)	(90)	13	20	211	219	404	368

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	11490	12897	16334	19635	22,331	33,345	38,908	51,616	64,255	70,665
Cash & Equivalents	546	681	607	605	665	403	342	972	14,987	1,396
Accounts Receivable	1845	2157	4858	5419	6,436	11,753	16,409	3,787	3,896	---
Goodwill & Int. Ass.	5395	5843	6399	7937	8,527	12,620	12,862	16,109	16,800	33,277
Total Liabilities	7834	8733	11764	14419	16,099	24,785	29,718	40,801	44,076	47,318
Accounts Payable	2996	3476	5740	6349	7,785	13,846	18,698	---	---	---
Long-Term Debt	2848	3133	3610	4607	4,545	6,284	6,115	7,965	13,157	13,259
Shareholder's Equity	3597	4105	4499	5156	6,186	8,508	9,144	10,775	20,154	23,321
LTD/E Ratio	0.79	0.76	0.80	0.89	0.73	0.74	0.67	0.74	0.65	0.58

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.5%	3.6%	4.1%	3.7%	3.9%	3.3%	3.1%	2.1%	2.5%	2.2%
Return on Equity	11.0%	12.3%	14.5%	13.9%	14.4%	12.3%	12.6%	9.7%	9.4%	6.9%
ROIC	6.3%	6.9%	8.1%	7.4%	7.9%	7.1%	7.4%	5.7%	5.6%	4.3%
Shares Out.	178	181	186	190	194	209	215	219	225	260
Revenue/Share	31.84	34.30	37.18	37.45	35.91	39.59	39.77	45.92	51.36	53.60
FCF/Share	2.42	3.98	3.44	5.16	8.48	7.60	9.05	8.38	10.85	6.86

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