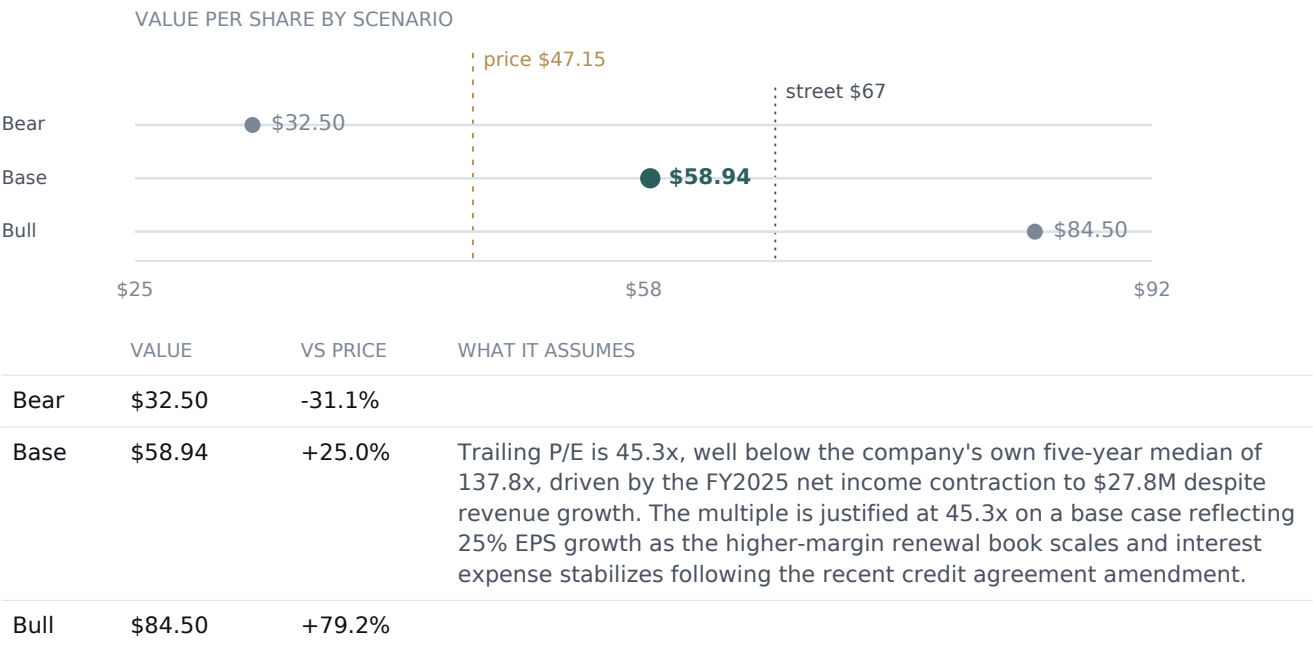


EQUITY RESEARCH / GSHD

Goosehead Insurance Inc

LONG CANDIDATE · historical study through 2026-10-01 · horizon 540 days · EARNINGS MULTIPLE

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$47.15	\$58.94	+25.0%	\$56.12	n/a	45.3x



STREET CHECK			
Street target \$67 (+42.6% vs price) · 6 buy / 6 hold / 1 sell · forward P/E 16.2x · EPS estimates \$2.13 this year, \$2.68 next			
Our base case is 0.88x the Street target: within the Street's range.			
Consensus is shown for calibration only. The model never receives it.			

Thesis

Goosehead Insurance is trading at \$47.15, well below a base-case target of \$58.94, reflecting a temporary earnings dislocation driven by a one-time FY2025 net income dip to \$27.8M and a 224% surge in interest expense to \$23.8M. The business fundamentals are accelerating, with TTM revenue growing 21.73% to \$402.2M and strong client retention of 85%. As the higher-margin renewal book scales and interest costs stabilize following a credit agreement amendment that reduced the rate by 0.50%, EPS is forecast to grow to \$1.30, justifying a re-rating toward the lower end of the company's historical valuation band.

What the market may be missing

The market prices GSHD at a 45.34x trailing P/E, a steep discount to the company's five-year median of 137.82x, by overreacting to the FY2025 interest expense spike and net income contraction. This dislocation ignores the accelerating TTM revenue growth (+21.73%), the stabilizing debt service environment post-amendment, and the structural margin expansion inherent in the company's scaling renewal book, which supports EPS growth back above \$1.30 next year.

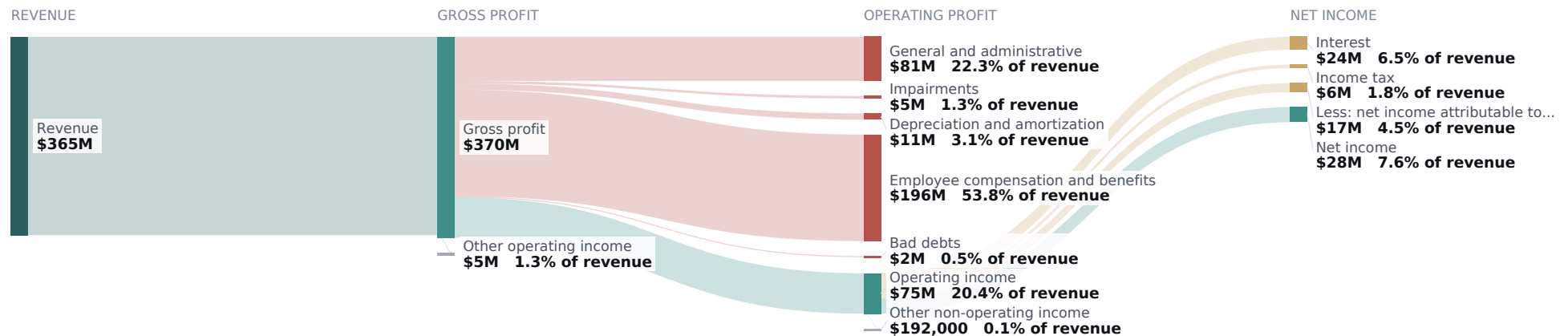
Why the opportunity exists

A transient setback. The market is pricing GSHD at a 45.34x multiple, a steep discount to its five-year median of 137.82x, due to a temporary earnings depression caused by surging interest expense from recent debt issuance and a one-time FY2025 net income dip. This dislocation ignores the accelerating TTM revenue growth, the stabilizing interest cost environment following a successful credit agreement amendment, and the structural margin expansion inherent in the company's scaling renewal book. Evidence: Fact sheet: interest_expense fy 23.8 (prior 7.3), net_income_growth -0.0853, revenue_growth_ytd 0.2173. Business read: Interest rate on term loan reduced by 0.50% to Term SOFR + 3.00%, management expects 12-19% revenue growth, and client retention is 85%.

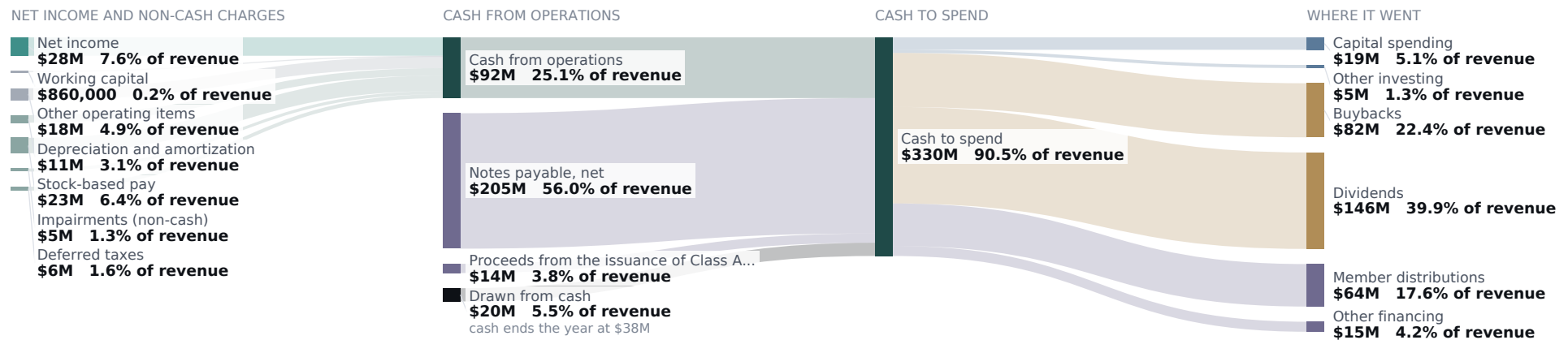
Follow the money: fiscal 2025

Of every \$100 of revenue, \$0.0 went to cost of revenue, \$80 to operating costs and \$8.3 to interest and tax, and \$7.6 became net income. Operations turned that into \$25 of cash; \$1.6 went to capital spending and \$62 back to shareholders.

1 WHERE EVERY DOLLAR OF REVENUE WENT



2 HOW PROFIT BECAME CASH, AND WHERE THE CASH WENT



From the 10-K for the fiscal year ended 2025-12-31, XBRL accession 0001726978-26-000010. Every band ties to a reported figure; where the tagged lines do not add up, the difference appears as an explicit other or working-capital band. Lines outside the standard set are placed by the filing's own calculation links, under the company's labels; borrowing and investment flows are netted by instrument.

The business

Rapidly growing independent personal lines insurance agency distributing policies through a hybrid corporate, franchise, and enterprise platform backed by proprietary technology and centralized service.

What it sells

Personal lines insurance brokerage services, including home, auto, umbrella, motorcycle, flood, and recreational insurance. Revenue is generated through commissions on placed premiums, non-refundable agency fees for new policies, contingent commissions from carriers, initial franchise fees, and ongoing royalty fees from franchise sales. Distributor of personal and commercial property and casualty insurance policies, including homeowner's, automotive, dwelling property, flood, wind, earthquake, excess liability, specialty lines, commercial lines, and life insurance. Revenue is generated through commissions, agency fees, royalty fees, initial franchise fees, and contingent commissions. Independent personal lines insurance products and distribution services, including new business placement, policy servicing, and renewal management, earned primarily through commissions, royalties, agency fees, and contingent commissions from over 200 participating carriers.

Customers and channels

Sells personal lines coverage to individual consumers across the United States. Distribution occurs through three channels: 13 corporate-owned sales offices, 1,009 franchise locations, and enterprise sales/embedded partnerships with mortgage servicers, lenders, and real estate companies. Serves U.S. individual consumers and small businesses primarily through corporate sales offices and a franchised network. New accounts are largely sourced via referrals tied to home closing transactions. As of Dec 31, 2025, the company employed 489 corporate sales agents and operated 1,009 franchise units with 2,113 franchise agents. Licensed and registered as a franchisor in all 50 states. Individual consumers purchasing personal lines insurance. Distribution occurs through two primary channels: a directly managed corporate sales force and an independent franchise network operating across the United States.

Unit economics and costs

Average commission rate on new business premium was 14% and on renewal business premium was 12% (range 10.0% to 20.0%). Corporate agents with >1 year tenure produced \$107k in new business; franchise agents produced \$138k. Service expenses were 2.0x lower than industry best practice as a percentage of gross commissions in 2025. Client retention rate was 85%, premium retention 90%. Service team average compensation exceeded \$55,000. Franchise royalty structure earns 20% of new business commissions/fees and 50% of renewal commissions/fees. Core revenue margins expand as new business converts to renewals; royalty share increases from 20% to 50% on renewals, and servicing costs are lower on renewal book. Employee compensation and benefits are the largest expense at \$196.4 million (67% of revenue), growing 14%. G&A was \$81.4 million (28%), including \$4.3 million impairment and tech/professional services. Net income margin was 12% (down from 16%), while Adjusted EBITDA margin was 31% (down from 32%). Interest expense surged 224% to \$23.8 million due to increased borrowings. Renewal commissions and royalties are highly predictable with higher margin profiles, while new business streams carry lower margins due to higher agent payouts and first-term back-office costs. Operating expenses increased due to investments in corporate producers, technology talent, and professional services. Equity-based compensation was \$4.8 million in Q2 2026, and interest expense was \$5.7 million, down 9% YoY following a credit agreement amendment that reduced the rate by 0.50%.

Segments

- **Corporate Sales** - Company-owned offices where employed agents generate new business and renewals; company retains 100% of commissions and fees. Directly managed agency force selling personal lines insurance.
- **Franchise Sales** - Independent franchised locations; company earns 20% of new business commissions/fees and 50% of renewal commissions/fees, plus initial franchise fees.
- **Enterprise Sales** - B2B partnerships generating lead flow to corporate or embedded franchises; revenue embedded within corporate sales results.
- **Franchise** - Independent franchise network selling personal lines insurance.

Revenue drivers

- Total written premium growth
- Agent recruitment and retention
- New business production per agent
- Renewal policy retention
- Contingent commissions from carriers
- Franchise expansion
- Enterprise referral partnerships
- Total Written Premium growth (+17% to \$4.4 billion)

Competitive position

Differentiated model separates sales from service, allowing agents to focus on acquiring new business. Proprietary technology (Digital Agent) shops over 200 carriers quickly. 77 Net Promoter Score (3.5x industry average). Younger, highly motivated corporate workforce and proven franchise system yield 2.0x to 2.5x higher new business production than industry best practices. Differentiated dual-distribution model combining corporate offices and a franchised network. Leverages proprietary technology platform and world-class service centers to drive scalability and client retention. Licensed in all 50 states, representing over 200 carriers. Strong historical conversion from new to renewal business provides predictable, higher-margin revenue streams. Leverages a differentiated business model with innovative technology, broad product choice from over 200 carriers, and a world-class service experience (CSAT 4.1). Management believes the company is well-positioned for continued durable growth and profitability.

Industry direction

U.S. personal lines P&C market is approximately \$533 billion. Industry experiences soft and hard cycles tied to premium pricing and underwriting capacity. Direct insurers face agent preference trends, while traditional agencies grapple with aging workforces and high fixed costs. Growth is shifting toward independent agencies with tech-enabled distribution and centralized servicing. P&C insurance premiums are cyclical, shifting between soft (declining rates) and hard (rising rates) markets. Rising rates currently boost commissions but may pressure client retention. New business is highly sensitive to housing market cyclicity and interest rates, with seasonal peaks April-August. Contingent commissions depend on carrier underwriting accuracy and are volatile due to weather/disaster losses. The product market is described as more favorable than it has been in years. Moderating premium rate increases are assisting client retention, with overall industry growth supported by personal lines independent agency distribution.

Recent developments

- Q2 2026 total revenue increased 21% YoY to \$113.4 million
- Q2 2026 Core Revenue increased 10% YoY to \$95.6 million
- Q2 2026 net income increased 106% to \$17.0 million (\$0.42 EPS)
- Q2 2026 Adjusted EBITDA increased 30% to \$37.9 million (33% margin)
- Total Written Premiums increased 14% YoY to \$1.34 billion
- Policies in force grew 15% to ~2.1 million
- Corporate sales headcount increased 22% to 583; operating franchises decreased 16% to 898
- Adopted CSAT as primary client experience metric, reporting 4.1 for the period

Management outlook

Management expects full-year 2026 total revenue organic growth between 12% and 19%, and total written premium growth between 12% and 20%. CEO Mark Miller highlighted accelerating momentum, improved client retention, and a more favorable product market, expressing confidence in continued durable growth and profitability. Management aims to expand its national footprint, increase revenue-producing headcount, and invest in technology for scalability. Priorities include penetrating established markets with new franchises (covering >97% of U.S. population), retaining existing book of business, and converting new business to higher-margin renewals. Management anticipates margin expansion as the book matures, while acknowledging headwinds from softening insurance markets, housing slowdowns, interest rate volatility, and contingent commission unpredictability. Aims to be the premier national distributor of personal lines insurance. Focuses on expanding corporate recruiting, national franchise penetration, driving productivity via technology, and maximizing renewal revenue retention. 10-year TWP CAGR was 39% and 5-year was 33%.

Accounting flags

- Use of non-GAAP measures including Core Revenue, Adjusted EBITDA, and Adjusted EPS
- Revenue classified into Core, Cost Recovery, and Ancillary streams
- Prior year comparatives benefited from \$3.0M in renewal commissions and \$1.0M in royalties from release of variable consideration constraint
- No material changes to critical accounting policies from the 2025 Annual Report
- Tax Receivable Agreement liability of \$171.9 million, requiring 85% payout of tax savings to Pre-IPO members
- Revenue recognition includes constraint on variable consideration; \$4.0 million release of constraint recognized in 2025

Key figures

KEY FIGURES	TTM TO 2026-06-30	FY2025	
Revenue	\$402.2M	\$365.3M	
Operating income	\$93.8M	\$74.4M	23.3% margin
Net income	\$35.3M	\$27.8M	
Operating cash flow	\$86.2M	\$91.8M	+28.2% y/y
Capital spending	\$6.5M	\$5.7M	1.6% of revenue
Unlevered FCFF	\$97.7M		
Cash and short-term investments	\$23.7M	\$34.4M	
Net debt	\$293.7M		
Share repurchases	\$134.9M	\$81.7M	

Figures from the filings' XBRL; definitions in the method section. Flows are trailing twelve months to 2026-06-30 (fiscal year 2025 plus year to date less the same period a year earlier, from the 10-Q filed 2026-07-23). No matching year-to-date fact, so these stay on fiscal-year figures: eps_diluted. Balance-sheet items are as of 2026-06-30 from the quarterly report. Interest tax shield uses the 21.0% statutory rate from the filing's rate reconciliation. Current debt of \$3.0M (Notes payable) falls due within twelve months of 2026-06-30; the price date is 93 days later, so check in the filing whether any of it matured or was refinanced before 2026-10-01.

The counter-case

The severe debt load (\$317.4M) and negative equity position make the company's financial structure fragile. If the personal lines market softens, housing closings decline, or floating-rate interest costs remain persistently high, the interest overhang will permanently compress net margins. The massive \$174.5M Tax Receivable Agreement liability further constrains free cash flow, meaning the current 45.34x multiple may actually be a fair reflection of structural earnings risk and capital allocation headwinds rather than a transient mispricing. The balance sheet is highly leveraged with \$317.4M in total financial debt and negative shareholders' equity of -\$112.4M. Net income declined 8.53% in FY2025 to \$27.8M primarily due to interest expense surging to \$23.8M and G&A rising to \$81.4M (28% of revenue). The franchise network contracted 16% to 898 units, raising questions about franchisee profitability and royalty sustainability. If housing activity slows or interest rates remain elevated, debt service will continue to compress net margins, and the Tax Receivable Agreement liability of \$174.5M creates a significant long-term cash outflow obligation that could force equity dilution or halt the aggressive \$81.7M buyback program.

Valuation

Positive, sustainable EPS with clear earnings power; DCF is flagged as infeasible by the calculator due to balance sheet structure, making an earnings multiple the appropriate valuation approach.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear (P/E)	25.0x forward EPS \$1.30 (reported diluted, growth +25.0%)	\$32.50	-31.1%
Base (P/E)	45.3x forward EPS \$1.30 (reported diluted, growth +25.0%)	\$58.94	+25.0%
Bull (P/E)	65.0x forward EPS \$1.30 (reported diluted, growth +25.0%)	\$84.50	+79.2%

- Anchors from the company's own history: base-case growth band +20.4% to +30.1% a year; worst revenue decline -100% (2022-2023); own trailing P/E 70.82-1144.67x (median 137.82x) over the last five fiscal year ends.
- Probability-weighted value \$56.12 (+19.0% vs price) at 30%/50%/20% weights.

Bear case assumes a softening personal lines market, housing slowdown, and higher-than-expected interest expenses that compress net margins and cap EPS growth, warranting a 25x multiple on depressed earnings. Base case assumes management delivers 12-19% revenue growth, interest costs stabilize post-credit amendment, and the expanding renewal book drives EPS to \$1.30, supporting the current 45.34x trailing multiple. Bull case assumes accelerated housing activity, strong contingent commission tailwinds, and successful corporate sales scaling, pushing multiple expansion toward 65x on outperforming earnings.

No listed peer was judged comparable. The software's peer packet reports 'unavailable' status with no rows, so no peer comparison is possible. The multiple is grounded entirely in the company's own five-year P/E range (70x-138x) and its current 45.3x trailing multiple.

What would change the view

Key debates

- Insurance market cycle and contingent commissions: Contingent commissions are a volatile revenue stream that drops sharply during carrier loss cycles, directly impacting top-line growth and operating margins in a soft market. (Business read: Contingent commissions depend on carrier underwriting accuracy and are volatile due to weather/disaster losses.)
- Debt service and interest expense: Interest expense surged 224% to \$23.8M in FY2025, compressing net margins. The cost of debt and refinancing risk dictate whether earnings can recover or continue to bleed out. (Fact sheet: interest_expense fy 23.8, prior 7.3. Business read: Interest expense surged 224% to \$23.8 million due to increased borrowings.)
- Franchise network contraction vs corporate expansion: Operating franchises decreased 16% while corporate headcount grew 22%. The shift affects commission structures, royalty revenue, and fixed cost base. (Business read: Corporate sales headcount increased 22% to 583; operating franchises decreased 16% to 898.)

Sensitivities the company discloses

- Interest rates: 10% gives Not material

Catalysts

- Q3 2026 earnings release confirming TTM revenue growth exceeds the 12% guidance floor
- Credit agreement refinancing execution demonstrating interest expense stabilization below \$25M annualized
- Management's full-year 2026 guidance delivery (12-19% revenue growth, 12-20% TWP growth)
- Renewal book conversion rate hitting 85%+ retention targets, driving operating margin expansion
- Housing market stabilization boosting new business placements during the seasonal April-August peak

Invalidation

- TTM revenue growth decelerates below the 12% guidance floor for consecutive quarters
- Net income margin compresses below 10% despite the credit agreement rate cuts
- Franchise unit count declines faster than corporate expansion offsets royalty revenue loss
- Interest expense rises meaningfully above \$25M, invalidating the cost stabilization thesis
- Tax Receivable Agreement payments force equity dilution or halt the \$81.7M buyback program

Risks

- Softening insurance market cycles depressing contingent commissions and premium growth
- Housing market slowdown reducing new business referrals and seasonal peaks
- Rising variable interest rates increasing debt service on \$317.4M in borrowings
- Franchise compliance and operator performance risks shrinking the 898-unit network
- High concentration risk with two carriers representing over 10% of revenue each

- Tax Receivable Agreement liability of \$174.5M creating long-term cash outflow obligations

Short side

Shorting is not advised given the base-case valuation upside. Borrow availability is not explicitly disclosed, but squeeze risk is elevated if earnings recover and the multiple expands toward historical norms. Unbounded loss risk remains inherent to equity shorting. The position is structured as a long, with timing dependent on Q3/Q4 2026 guidance delivery and interest cost normalization.

Open questions

What is the exact maturity schedule and refinancing terms for the \$317.4M total financial debt? (missing fact)

Monitor Q3/Q4 2026 10-K/10-Q filings for debt maturity details and credit agreement amendments. Watch: Any debt maturity falling within 12 months of the reporting date.

How will the \$174.5M Tax Receivable Agreement liability impact distributable cash flow and buyback capacity? (missing fact)

Review cash flow statements and tax agreement notes for payout schedules and projected cash outflows. Watch: Actual cash payments versus accrued liability and any changes to buyback authorizations.

What is the long-term impact of the 16% decline in operating franchises on royalty revenue growth? (forecast uncertainty)

Track franchise same-store sales, new franchise openings, and royalty revenue trends quarter-over-quarter. Watch: Quarterly franchise unit count and royalty revenue trends deviating from corporate sales growth.

Limitations

The base-case P/E of 45.34x is applied to a forecasted EPS of \$1.30, derived from a 25% growth assumption. This multiple sits below the company's historical five-year median of 137.82x, and the valuation does not explicitly discount the \$174.5M Tax Receivable Agreement liability or the negative equity position. If interest expense remains elevated, contingent commissions face structural headwinds, or the housing market slows, the assumed EPS growth trajectory may be optimistic and require downward adjustment. Software checks raised during valuation: the base P/E 45.3x sits outside the company's own five-year range 70.82-1144.67x; the stated reason: The 45.3x base multiple sits below the company's own five-year P/E range (70x-138x) because the FY2025 net income dip and surging interest expense have temporarily depressed earnings. A discount is warranted as the market prices in the near-term debt service overhang and contingent commission volatility. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: exposure quote unverified:consumer demand; exposure quote unverified:rates; exposure quote unverified:refinancing; multiple outside anchors.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-19 (accession 0001726978-26-000010).

10-Q for the quarter ended 2026-06-30, filed 2026-07-23 (accession 0001726978-26-000060).

8-K for the earnings release dated 2026-07-22, filed 2026-07-22 (accession 0001726978-26-000056).

- Price: historical close of \$47.15 on 2026-10-01.
- 8 cited claims and 11 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: Qwen3.6-35B-A3B-NVFP4 · run discovery-20260911 · job 396 · memo SHA-256 3937f405dce4cf93... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.