

Heritage Insurance (HRTG): 0.9x EV/EBITDA and 1.3x EV/FCF Against 32.5% ROIC and 120.8% FCF Growth

HRTG | Heritage Insurance Holdings, Inc. | Financial Services | Insurance - Property & Casualty | FY 2025 | 2026-06-11T10:34:50.831Z

At 0.9x EV/EBITDA and 1.3x EV/FCF, the market is pricing Heritage Insurance as if its 214.9% EPS growth and 120.8% free cash flow growth will reverse, despite 32.5% ROIC, 43.7% ROE, and a -1.45x net debt/EBITDA balance sheet.

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THESIS RISK
Mixed but researchable candidate	66 / 100	76 / 100	0 / 100	3 / 100
Value / Quality Candidate				

PRIMARY DEBATE — The debate centers on whether the rebound is durable. Evidence: latest revenue growth is 3.7% while EPS growth is 214.9% and net income growth is 217.8%, indicating margin and underwriting improvement rather than top-line acceleration. Interpretation: profitability gains are not revenue-led and may reflect pricing, loss experience, or expense shifts within a residential property insurer exposed to Florida and wind-only policies. Implication: if underwriting volatility re-emerges, earnings could revert toward the 5Y average EPS growth of -134.5%, supporting the market’s caution; if margins hold, the current multiples of 0.9x EV/EBITDA and 1.3x EV/FCF appear calibrated for decline rather than stability.

INVESTMENT NARRATIVE

Archetype	Earnings recovery/inflection with a show-me overhang	<p>Core Tension: Whether the sharp rebound in earnings/FCF and high returns is sustainable versus reverting due to underwriting volatility and reliance on guidance</p> <p>Market Assumption: Current profitability is not durable; modest top-line growth and exposure to volatile property risks mean earnings will normalize lower, justifying very low multiples</p> <p>Trajectory: From multi-year earnings challengedness to a sharp profitability and cash flow rebound with a de-risked balance sheet, while top-line growth remains modest</p> <p>Mispricing Hypothesis: The market is anchored to prior losses and volatility concerns, discounting recent earnings/FCF strength and balance sheet improvement. If EPS guidance holds or improves and beats continue, current sub-1x EV/EBITDA and ~30% cash/earnings yields imply significant valuation reassessment potential as durability is demonstrated.</p>
Company Type	Residential property insurer (personal and commercial) operating across 17 states with commercial focus in FL/NJ/NY; also offers wind-only coverage and reinsurance services	
Key Monitoring Metric	Forward EPS guidance changes and subsequent EPS beat/miss cadence	

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTION EVIDENCE
5Y EPS growth: -134.5% (history of challenged/negative earnings)	EV/EBITDA: 0.886 and EV/FCF: 1.27 (extremely low valuation)
Revenue beat rate: 37.5% (execution/forecasting uncertainty on top line)	FCF yield: 29.8% and earnings yield: 29.6% (implies high cash/earnings generation at current price)
Geographic/product mix includes Florida and wind-only policies (implies higher volatility exposure per product/state mix provided)	ROE: 43.7% and ROIC: 32.5% (supported current returns)
Latest revenue growth: 3.7% (modest top-line; recent bottom-line strength may be non-structural)	Net Debt/EBITDA: -1.45 (net cash balance sheet)
Coverage clusters around earnings_guidance (market focus on guidance sustainability)	Latest EPS growth: 214.9% and FCF growth: 120.8% (sharp improvement)
	EPS beat rate: 75% (earnings execution improving)
	5Y revenue growth: 7.4% (longer-term premium/revenue expansion)

SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
5	4	4	3	4	3	4
SUPPORTED	SUPPORTED	SUPPORTED	MIXED	SUPPORTED	MODERATE	SUPPORTED

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
0.9x	1.3x	29.8%	32.5%	3.7%	214.9%	120.8%	75.0%

EXECUTIVE SUMMARY

Core Tension	Whether the sharp rebound in earnings/FCF and high returns is sustainable versus reverting due to underwriting volatility and reliance on guidance
Market Assumption	Current profitability is not durable; modest top-line growth and exposure to volatile property risks mean earnings will normalize lower, justifying very low multiples
Current Pricing	At 0.3x EV/Sales and 29.6% earnings yield, the market is pricing low durability of earnings despite ROIC of 32.5%.
Valuation	Current EV/EBITDA of 0.9x is below the fiscal-year trend latest EV/EBITDA of 1.6x and above the 3Y average of 0.1x, while ROIC of 32.5% is below the 3Y average ROIC of 53.2%.
Quality	Return metrics show ROE of 43.7% and ROIC of 32.5%, with income quality of 1.02 indicating earnings supported by cash.
Growth	Latest EPS growth of 214.9% exceeds the 3Y average EPS growth of 120.2% and contrasts with the 5Y average of -134.5%.
Cash Flow	Latest operating cash flow growth of 109.2% and free cash flow growth of 120.8% both exceed the 5Y average free cash flow growth of 27.4%.
Execution	Over 8 quarters, EPS beat rate is 75% versus revenue beat rate of 37.5%, with average EPS surprise of 84.0%.
Primary Monitor	Can ROIC remain at 32.5% in a Florida-focused wind exposure portfolio?

CURRENT VALUATION VS HISTORICAL TREND

METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	0.9x	1.6x	0.1x	0.3x
EV/FCF	1.3x	2.6x	0.3x	0.4x
FCF Yield	29.8%	19.3%	25.3%	2.8%

Current EV/EBITDA is 0.9x, while fiscal-year trend data shows latest EV/EBITDA of 1.6x versus a 3Y average of 0.1x. Current EV/FCF is 1.3x, while fiscal-year trend data shows latest EV/FCF of 2.6x versus a 3Y average of 0.3x.

THESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	EPS Growth	214.9%	1	EPS Dispersion	23.7%
2	FCF Growth	120.8%	2	Revenue Beat Rate	37.5%
3	EPS Beat Rate	75.0%			
4	ROIC	32.5%			
5	FCF Yield	29.8%			
6	Revenue Growth	3.7%			

COMPANY & BUSINESS MODEL

Heritage Insurance Holdings, Inc. (HRTG) operates through its subsidiaries, specializing in providing comprehensive insurance products for both personal and commercial residential properties. For individual policyholders, the company offers personal residential property coverage, which includes policies for single-family homeowners, condominium owners, and rental properties. This extensive personal coverage is available across seventeen U.S. states: Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Maryland, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Rhode Island, South Carolina, and Virginia. Additionally, Heritage provides specific personal residential and wind-only property insurance options. In the commercial sector, Heritage delivers residential insurance solutions tailored for properties located in Florida, New Jersey, and New York. The company also holds a licensing credential in the state of Pennsylvania. Beyond its core insurance offerings, Heritage Insurance Holdings, Inc. also delivers various supplementary services, such as restoration, emergency and recovery operations, property management, and reinsurance services. The distribution of its personal line policies is facilitated through diverse channels, including a network of retail independent agents, wholesale agents, and a dedicated partnership with a direct agency. Furthermore, its market reach indirectly extends to approximately 1,500 retail locations via eight distinct wholesale agency relationships. Both personal and commercial insurance policies are also offered through a network comprising around 70 independent agencies. Established in 2012, Heritage Insurance Holdings, Inc. is headquartered in Tampa, Florida.

INVESTMENT THESIS

Heritage Insurance trades at \$22.2 per share with a market cap of \$673.8M and an enterprise value of \$255.7M, reflecting 0.9x EV/EBITDA and 1.3x EV/FCF alongside earnings and free cash flow yields of 29.6% and 29.8%. Evidence: ROE of 43.7%, ROIC of 32.5%, EPS growth of 214.9%, and free cash flow growth of 120.8% indicate a sharp profitability and cash inflection following a 5Y average EPS growth of -134.5%. Interpretation: the company has moved from multi-year earnings challengedness to a high-return, cash-generative profile. Implication: the current valuation embeds an assumption that current profitability will normalize lower, consistent with the narrative of underwriting volatility and Florida wind exposure, rather than persist at recent levels.

INVESTABLE DEBATE

The debate centers on whether the rebound is durable. Evidence: latest revenue growth is 3.7% while EPS growth is 214.9% and net income growth is 217.8%, indicating margin and underwriting improvement rather than top-line acceleration. Interpretation: profitability gains are not revenue-led and may reflect pricing, loss experience, or expense shifts within a residential property insurer exposed to Florida and wind-only policies. Implication: if underwriting volatility re-emerges, earnings could revert toward the 5Y average EPS growth of -134.5%, supporting the market's caution; if margins hold, the current multiples of 0.9x EV/EBITDA and 1.3x EV/FCF appear calibrated for decline rather than stability.

MARKET EXPECTATIONS

At 0.3x EV/Sales and 29.6% earnings yield, the market is pricing low durability of earnings despite ROIC of 32.5%. Evidence: net debt/EBITDA of -1.45 and free cash flow to firm of \$208.1M relative to enterprise value of \$255.7M imply high cash generation versus capital employed. Interpretation: valuation assumes earnings and free cash flow will contract from current levels. Implication: the price reflects skepticism that the recent 120.8% free cash flow growth rate can persist in a catastrophe-exposed business.

VALUATION ANALYSIS

Current EV/EBITDA of 0.9x is below the fiscal-year trend latest EV/EBITDA of 1.6x and above the 3Y average of 0.1x, while ROIC of 32.5% is below the 3Y average ROIC of 53.2%. Evidence: EV/FCF of 1.3x versus fiscal-year latest EV/FCF of 2.6x and 3Y average of 0.3x. Interpretation: multiples have expanded from distressed levels but remain low relative to current returns. Implication: the valuation is not aligned with ROE of 43.7% and earnings yield of 29.6%, suggesting the price discounts a decline in profitability rather than continuation.

QUALITY & CAPITAL EFFICIENCY

Return metrics show ROE of 43.7% and ROIC of 32.5%, with income quality of 1.02 indicating earnings supported by cash. Evidence: net debt/EBITDA of -1.45 reflects net cash and reduces financial risk, while current ratio of 0.8 and working capital of -\$277.3M reflect insurance balance sheet structure. Interpretation: capital efficiency is elevated compared to the 5Y average ROE of -11.8%. Implication: the business currently exhibits high underwriting profitability and balance sheet flexibility, though returns are below the 3Y average ROIC of 53.2%, indicating some normalization already.

GROWTH TRAJECTORY

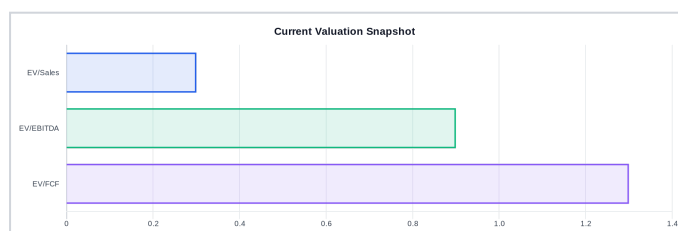
Latest EPS growth of 214.9% exceeds the 3Y average EPS growth of 120.2% and contrasts with the 5Y average of -134.5%. Evidence: revenue growth of 3.7% is below the 3Y average revenue growth of 8.6%. Interpretation: growth is margin-driven rather than premium volume-driven. Implication: sustainability depends more on underwriting and loss ratios than on top-line expansion, reinforcing the core tension.

CASH FLOW GROWTH & CONVERSION

Latest operating cash flow growth of 109.2% and free cash flow growth of 120.8% both exceed the 5Y average free cash flow growth of 27.4%. Evidence: net income growth of 217.8% outpaced stock-based compensation growth of 65.6%. Interpretation: cash generation is improving in tandem with earnings. Implication: the inflection is supported by cash metrics rather than accounting alone.

Operating cash flow growth of 109.2% and free cash flow growth of 120.8% indicate positive conversion, while capex growth of 1.9% is well below operating cash flow growth. Evidence: capex to revenue of 1.0% versus 3Y average of 1.1%. Interpretation: capital intensity remains low for an insurer, allowing earnings to convert into free cash flow. Implication: current 29.8% free cash flow yield is supported by cash conversion rather than capex restraint.

VISUAL ANALYSIS



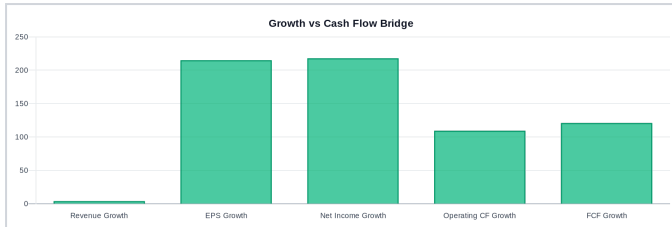
CURRENT VALUATION SNAPSHOT

Current multiples separate market valuation from historical trend metrics.



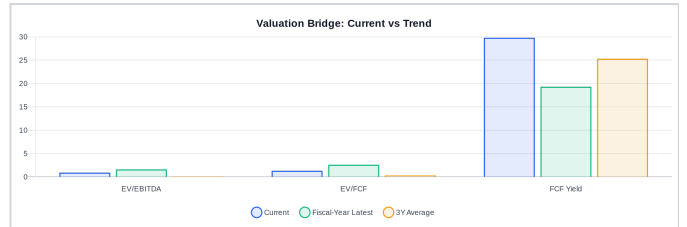
QUALITY & RETURN PROFILE

Return metrics show ROE of 43.7% and ROIC of 32.5%, with income quality of 1.02 indicating earnings supported by cash.



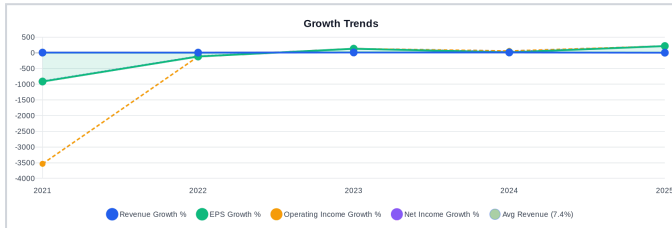
GROWTH VS CASH FLOW BRIDGE

Latest EPS growth of 214.9% exceeds the 3Y average EPS growth of 120.2% and contrasts with the 5Y average of -134.5%.



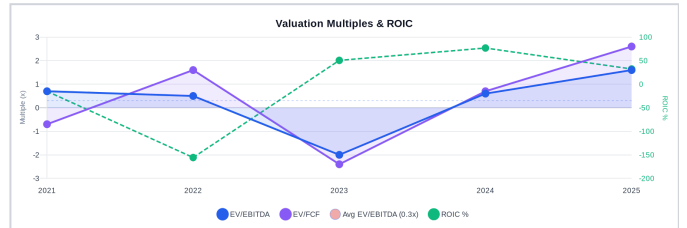
VALUATION BRIDGE: CURRENT VS TREND

Current EV/EBITDA is 0.9x, while fiscal-year trend data shows latest EV/EBITDA of 1.6x versus a 3Y average of 0.1x.



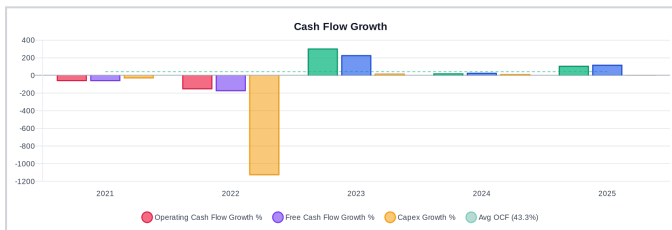
HISTORICAL GROWTH TRENDS

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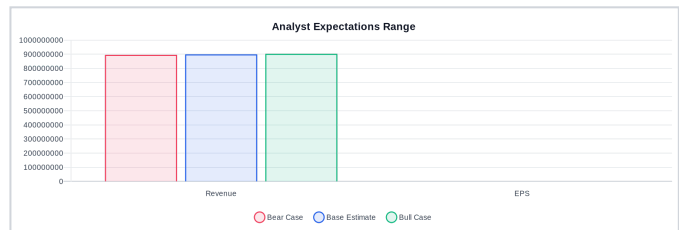
VALUATION MULTIPLES & ROIC OVERLAY

Current EV/EBITDA of 0.9x is below the fiscal-year trend latest EV/EBITDA of 1.6x and above the 3Y average of 0.1x, while ROIC of 32.5% is below the 3Y average ROIC of 53.2%.



CASH FLOW GROWTH — OCF, FCF & CAPEX

Latest operating cash flow growth of 109.2% and free cash flow growth of 120.8% both exceed the 5Y average free cash flow growth of 27.4%.



ANALYST EXPECTATIONS RANGE

Next revenue estimate of \$899.4M sits between bull and bear cases of \$903.0M and \$895.7M, with revenue dispersion of 0.8% across 1 analyst.



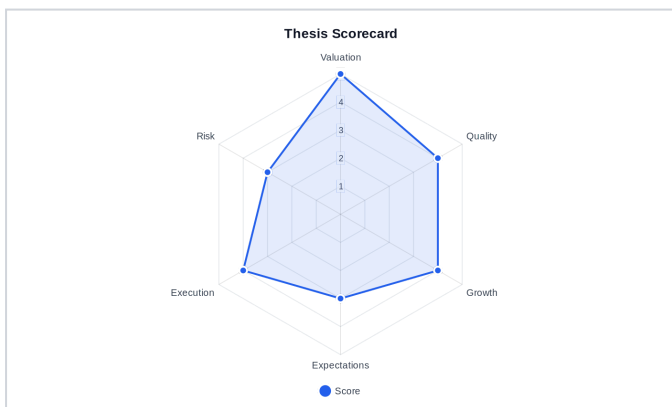
EXECUTION HISTORY

Over 8 quarters, EPS beat rate is 75% versus revenue beat rate of 37.5%, with average EPS surprise of 84.0%.



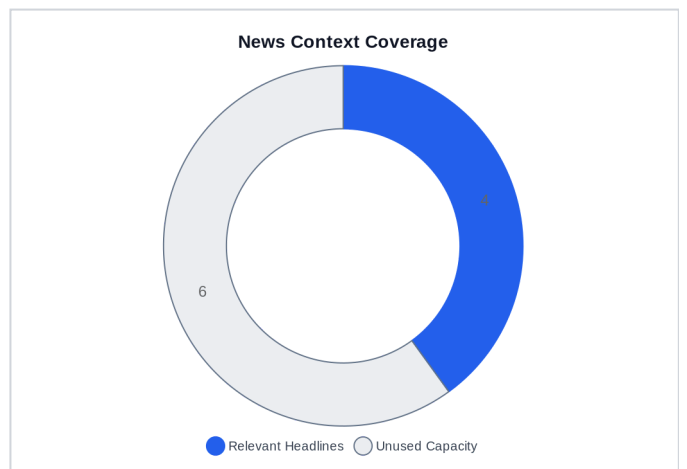
RISK & THESIS MONITOR

Can ROIC remain at 32.5% in a Florida-focused wind exposure portfolio?



THESIS SCORECARD RADAR

Scores represent model-normalised evidence quality across valuation, quality, growth, expectations, execution, and risk.



NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings_guidance.

ANALYST EXPECTATIONS

Next Revenue Estimate	\$899.4M
Revenue Bull Case	\$903.0M
Revenue Bear Case	\$895.7M
Next EPS Estimate	4.7
EPS Bull Case	5.26
EPS Bear Case	4.14
Revenue Dispersion	0.8%
EPS Dispersion	23.66%
Revenue Coverage	1
EPS Coverage	2

Next revenue estimate of \$899.4M sits between bull and bear cases of \$903.0M and \$895.7M, with revenue dispersion of 0.8% across 1 analyst. Evidence: next EPS estimate of \$4.7 sits between \$5.26 and \$4.14, with EPS dispersion of 23.7% across 2 analysts. Interpretation: top-line expectations are tight but earnings expectations are dispersed, and coverage is limited. Implication: expectations are Reasonable but with high uncertainty due to limited coverage and EPS dispersion of 23.7%.

EXECUTION QUALITY

Quarters Analysed	8
EPS Beat Rate	75.0%
Revenue Beat Rate	37.5%
Avg EPS Surprise	84.0%
Avg Revenue Surprise	-0.1%
EPS Beats / Misses	6 / 2
Revenue Beats / Misses	3 / 5

Over 8 quarters, EPS beat rate is 75% versus revenue beat rate of 37.5%, with average EPS surprise of 84.0%. Evidence: the most recent quarter showed EPS miss of -22.2% and revenue miss of -1.3%. Interpretation: execution has been supported at the earnings line than revenue, but recent variance highlights volatility. Implication: estimate credibility is supported by history but challenged by episodic misses.

EPS beat rate of 75% over 8 quarters supports the \$4.7 forward EPS estimate, yet revenue beat rate of 37.5% and EPS dispersion of 23.7% indicate forecasting variability. Interpretation: guidance-driven narratives carry risk in a catastrophe-exposed insurer. Implication: credibility is moderate, contingent on continued beats relative to \$4.7.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
If revenue reaches \$903.0M and EPS reaches \$5.26 while ROIC remains at 32.5%, then current EV/EBITDA of 0.9x would reflect sustained underwriting profitability rather than temporary recovery.	If revenue approximates \$899.4M and EPS remains near \$4.7 with free cash flow yield at 29.8%, then valuation at 1.3x EV/FCF reflects steady but non-expanding profitability.	If revenue declines toward \$895.7M and EPS falls to \$4.14 while ROIC drops below 32.5%, then 29.6% earnings yield would reflect contracting underwriting returns.
Revenue Bull Case \$903.0M EPS Bull Case \$5.26 ROIC 32.5%	Revenue Estimate \$899.4M EPS Estimate \$4.7 FCF Yield 29.8%	Revenue Bear Case \$895.7M EPS Bear Case \$4.14 Earnings Yield 29.6%

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
37%	50%	13%	70 / 100

12-24 MONTH CONDITIONAL OUTLOOK

Revenue growth of 3.7% versus 3Y average of 8.6% suggests stable but modest premium expansion around the \$899.4M estimate.

EPS growth of 214.9% versus 5Y average of -134.5% frames earnings as in recovery mode, anchored to the \$4.7 estimate.

At 0.9x EV/EBITDA and 1.3x EV/FCF, multiples imply contraction from ROE of 43.7% unless durability is demonstrated.

EPS beat rate of 75% supports monitoring of quarterly surprises against the \$4.7 estimate.

If EPS continues to exceed \$4.7 and ROIC remains near 32.5%, the valuation case would be supported by durability of underwriting returns.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can ROIC remain at 32.5% in a Florida-focused wind exposure portfolio?	If EPS Estimate rises above \$4.7 while EPS beat rate remains at or above 75%, then durability concerns would lessen.	If EPS Growth falls below 0.0% from 214.9%, then the profitability recovery thesis challenged.
Will Free Cash Flow Growth remain above 27.4% over a full catastrophe cycle?	If ROIC increases above the 3Y average of 53.2%, then capital efficiency would exceed prior cycle levels.	If ROE declines below the 3Y average of 26.8%, then underwriting returns would revert toward prior norms.
Can revenue growth re-accelerate above the 3Y average of 8.6%?	If Free Cash Flow Growth exceeds the 3Y average of 127.0%, then the cash-flow inflection would accelerate.	If Free Cash Flow Growth falls below the 5Y average of 27.4%, then cash-flow trend would revert toward historical levels.

RISK ASSESSMENT

DIMENSION	SCORE	LEVEL
Valuation Risk	1 / 5	Low
Growth Risk	2 / 5	Low
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	2 / 5	Low
Overall Risk	3 / 5	Moderate

Composite Risk Score **2.2 / 5**

- Current Ratio 0.8
- Working Capital -\$277.3M
- Net Debt/EBITDA -1.45x

NEWS NARRATIVE

The headline "Heritage Announces Full Placement of 2026-2027 CAT XOL Reinsurance Program" is relevant to monitoring underwriting risk and capital protection, but additional evidence is required to determine financial impact relative to ROIC of 32.5% and free cash flow yield of 29.8%.

INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Positive evidence balance	High	Moderate	Value / Quality Candidate

Core Thesis: At 0.9x EV/EBITDA and 1.3x EV/FCF, the market is pricing Heritage Insurance as if its 214.9% EPS growth and 120.8% free cash flow growth will reverse, despite 32.5% ROIC, 43.7% ROE, and a -1.45x net debt/EBITDA balance sheet.

Primary Risk: Net Income Growth 217.8%

Monitor: Can ROIC remain at 32.5% in a Florida-focused wind exposure portfolio?

DATA DIAGNOSTICS

Source Node	NORMALIZE REPORT LOOKUP
Fallback Used	true
Current vs Trend Valuation Separated	true
Has Current EV/EBITDA	true
Has Current EV/FCF	true
Has Key Metrics Trend	true
Has Cash Flow Context	true
Has Analyst Expectations	true
Has Earnings History	true
Total Charts	12