

Brown & Brown, Inc.

Fourth Quarter and Full Year 2018 Results

January 28, 2019

Information Regarding Forward-Looking Statements

This presentation and the statements made during our Earnings Call may contain certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. These forward-looking statements include information about possible or assumed future results of our operations.

All statements, other than statements of historical facts, included in this document that address activities, events or developments that we expect or anticipate may occur in the future, including such things as those relating to our anticipated financial results for the fourth quarter and full year ended December 31, 2018, the market performance of our business segments, our acquisition from the Hays Companies (“Hays”), quarterly interest expense, share repurchases, margin expansion, changes in exposure units, the pipeline of acquisition candidates, future capital expenditures, growth in commissions and fees including Organic Revenue growth, business strategies, competitive strengths, goals, the benefits of new initiatives, plans, and references to future successes are forward-looking statements. Also, when we use words such as ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘plan’, ‘probably’ or similar expressions, we are making forward-looking statements.

There are important uncertainties, events and factors that could cause our actual results or performance to differ materially from those forward-looking statements contained in this document or made during our Earnings Call, including the following: our determination as we finalize our financial results for the fourth quarter and full year that our financial results differ from the current preliminary unaudited numbers set forth herein; those factors relevant to Brown & Brown’s consummation and integration of the acquisition from Hays, including any matters analyzed in the due diligence process, and material adverse changes in the business and financial condition of the seller, the buyer, or both, and their respective customers; the impact of any regional, national or global political, economic, business, competitive, market, environmental or regulatory conditions on our business operations; the impact of current market conditions on our results of operations and financial condition; risks that could negatively affect the success of our acquisition strategy, including continuing consolidation in our industry, which could make it more difficult to identify targets and could make them more expensive, execution risks, integration risks, the risk of post-acquisition deterioration leading to intangible asset impairment charges, and the risk we could incur or assume unanticipated regulatory liabilities such as those relating to violations of anti-corruption and sanctions laws; any insolvencies of, or other difficulties experienced by our clients, insurance carriers or financial institutions; volatility or declines in insurance markets and premiums on which our commissions are based, but which we do not control; our ability to continue to manage our indebtedness; our ability to compete effectively in our industry, material changes in commercial property and casualty markets generally or the availability of insurance products or changes in premiums resulting from a catastrophic event, such as a hurricane; disintermediation within the insurance industry, including increased competition from insurance companies, technology companies and the financial services industry, as well as the shift away from traditional insurance markets; our ability to attract and retain key employees and clients and attract new business; our ability to maintain our corporate culture; the timing or ability to carry out share repurchases; the timing or ability to carry out refinancing or take other steps to manage our capital and the limitations in our long-term debt agreements that may restrict our ability to take these actions; fluctuations in our earnings as a result of potential changes to our valuation allowance(s) on our deferred taxes; any fluctuations in exchange and interest rates that could affect expenses and revenue; the potential costs and difficulties in complying with a wide variety of laws and regulations and any related changes; changes in the tax or accounting policies or treatment of our operations and fluctuations in our tax rate; any potential impact of U.S. healthcare or National Flood Insurance Program legislation; the impact of federal income tax reform; the impact of the recent federal government shutdown and the possibility of a future federal government shutdown; uncertainties in U.S. administrative policy regarding trade agreements and international trade relations; exposure to potential liabilities arising from errors and omissions and other potential claims against us; and the interruption or loss of our information processing systems or failure to maintain secure information systems and other factors that the Company may not have currently identified or quantified, and other risks, relevant factors and uncertainties identified in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and the Company’s other filings with the Securities and Exchange Commission. All forward-looking statements made herein are made only as of the date of this release, and the Company does not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur or of which the Company hereafter becomes aware.

Many risks and uncertainties may impact the matters addressed in these forward-looking statements. Information about such risks and uncertainties may be found in our filings with the Securities and Exchange Commission. These risks and uncertainties could cause our results or performance to differ materially from those we express in our forward-looking statements.

All forward-looking statements made herein are made only as of the date of this presentation, and the Company does not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur or of which the Company hereafter becomes aware.



Important Disclosures Regarding Non-GAAP Measures

This presentation contains references to "non-GAAP financial measures" as defined in SEC Regulation G, including, Total Revenues – Adjusted and Excluding the New Revenue Standard, Net Income – Adjusted and Excluding the New Revenue Standard, EBITDAC, EBITDAC Margin, EBITDAC – Adjusted and Excluding the New Revenue Standard, EBITDAC Margin – Adjusted and Excluding the New Revenue Standard, Income Before Income Taxes – Adjusted and Excluding the New Revenue Standard, Income Before Income Taxes Margin – Adjusted and Excluding the New Revenue Standard, Diluted Net Income Per Share – Adjusted and Excluding the New Revenue Standard and Organic Revenue. We also present Total Revenues, Income Before Income Taxes, Income Before Income Taxes Margin, EBITDAC and EBITDAC Margin excluding the impact of the New Revenue Standard (defined below). We present these measures because we believe such information is of interest to the investment community and because we believe it provides additional meaningful methods of evaluating certain aspects of the Company's operating performance from period to period on a basis that may not be otherwise apparent on a generally accepted accounting principles ("GAAP") basis. This supplemental financial information should be considered in addition to, not in lieu of, the Company's consolidated income statements and balance sheets as of the relevant date. Consistent with Regulation G, a description of such information is provided below and a reconciliation of such items to GAAP information can be found in our periodic filings with the SEC. Our method of calculating these non-GAAP financial measures may differ from the methods used by industry peers and, therefore, comparability may be limited.

Revenue Measures – We believe that Organic Revenue, as defined below, provides a meaningful representation of the Company's operating performance and improves the comparability of results between periods by eliminating the impact of certain items that have a high degree of variability. The Company has historically viewed Organic Revenue growth as an important indicator when assessing and evaluating the performance of its four segments.

- **Organic Revenue**, a non-GAAP measure, is defined as commissions and fees less (i) the first twelve months of commission and fee revenues generated from acquisitions, less (ii) profit-sharing contingent commissions (revenues from insurance companies based upon the volume and the growth and/or profitability of the business placed with such companies during the prior year - "contingents"), less (iii) guaranteed supplemental commissions (commissions from insurance companies based solely upon the volume of the business placed with such companies during the current year - "GSCs"), less (iv) divested business (net commissions and fees generated from offices, and books of business sold by the Company) with the associated revenue removed from the corresponding period of the prior year, and less (v) the New Revenue Standard. Organic Revenue can be expressed as a dollar amount or a percentage rate when describing Organic Revenue growth. We view Organic Revenue and Organic Revenue growth as important indicators when assessing and evaluating our performance on a consolidated basis and for each of our segments, because it allows us to determine a comparable, but non-GAAP, measurement of revenue growth that is associated with the revenue sources that were a part of our business in both the current and prior year and that are expected to continue in the future.
- **Total Revenues – Adjusted and Excluding the New Revenue Standard** is defined as total revenues, excluding (i) the New Revenue Standard, and (ii) the beneficial revenue impact of a \$20.0 million legal settlement in the first quarter of 2017 ("Legal Settlement").

New Revenue Standard is defined to include Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" and Accounting Standards Codification Topic 340 – Other Assets and Deferred Cost, both of which were adopted by the Company effective on January 1, 2018. We adopted these standards by recognizing the cumulative effect as an adjustment to opening retained earnings at January 1, 2018, also referred to as the modified retrospective method of adoption. Under the modified retrospective method, we are not required to restate comparative financial information prior to the adoption of these standards and, therefore, such information for the three and twelve months ended December 31, 2017 continues to be reported under our previous accounting policies.

Important Disclosures Regarding Non-GAAP Measures

Earnings Measures – We believe these non-GAAP measures, as defined below, provide a meaningful representation of the operating performance of the Company and improve the comparability of results between periods by eliminating the impact of certain items that have a high degree of variability.

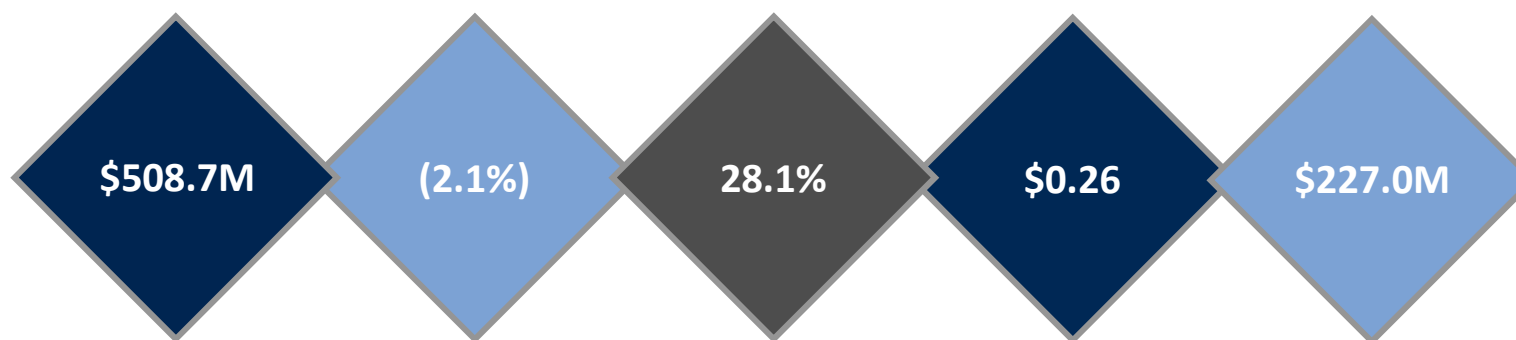
- **Net Income – Adjusted and Excluding the New Revenue Standard** is defined as Net Income, excluding (i) the after-tax change in estimated acquisition earn-out payables, (ii) the New Revenue Standard, (iii) the Legal Settlement, and (iv) the impact of the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act").
- **EBITDAC** is defined as income before interest, income taxes, depreciation, amortization and the change in estimated acquisition earn-out payables.
- **EBITDAC – Adjusted and Excluding the New Revenue Standard** is defined as EBITDAC, excluding (i) the New Revenue Standard, and (ii) the Legal Settlement.
- **EBITDAC Margin** is defined as EBITDAC divided by total revenues.
- **EBITDAC Margin – Adjusted and Excluding the New Revenue Standard** is defined as EBITDAC - Adjusted and Excluding the New Revenue Standard divided by Total Revenues-Adjusted and Excluding the New Revenue Standard.
- **Income Before Income Taxes – Adjusted and Excluding the New Revenue Standard** is defined as Income Before Income Taxes, excluding (i) the pre-tax change in estimated acquisition earn-out payables, (ii) the New Revenue Standard, and (iii) the Legal Settlement.
- **Income Before Income Taxes Margin – Adjusted and Excluding the New Revenue Standard** is defined as Income Before Income Taxes Margin – Adjusted and Excluding the New Revenue Standard divided by Total Revenues – Adjusted and Excluding the New Revenue Standard.
- **Diluted Net Income Per Share – Adjusted and Excluding the New Revenue Standard** is defined as diluted net income per share, excluding (i) the change in estimated acquisition earn-out payables, (ii) the New Revenue Standard, (iii) the Legal Settlement, and (iv) the Tax Reform Act.

On slides 12 to 15, we present for each of our segment's Total Revenues, Income Before Income Taxes, Income Before Income Taxes Margin, EBITDAC and EBITDAC Margin excluding the impact of the New Revenue Standard. These terms carry the definitions above, but have been adjusted to exclude the impact of the New Revenue Standard as reconciled to the closest comparable GAAP measures on slides 21 to 33.



Fourth Quarter 2018 Results

(Unaudited)



Total revenues
growth of
7.3%

Organic
Revenue
growth, impacted
by revenues
associated with
weather-related
events in prior
year

EBITDAC
Margin
decreased by
210 bps,
which includes
impact from the
New Revenue
Standard and
lower claims
processing
revenues

Diluted net
income per
share decreasing
60.6% from the
prior year; Diluted
Net Income Per
Share - Adjusted
and Excluding the
New Revenue
Standard
increasing 12.5%

Annual revenue of
five businesses
acquired during
the quarter

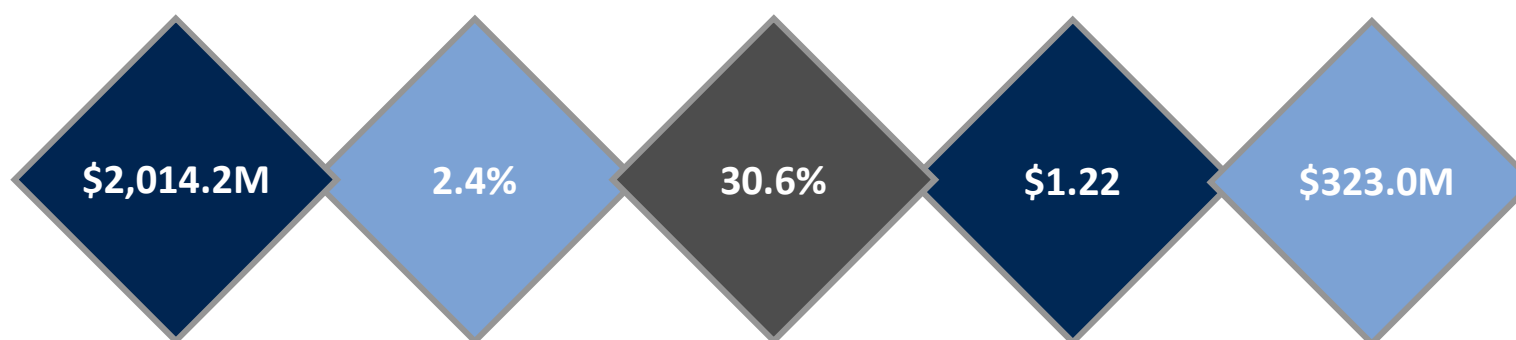


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Full Year 2018 Results

(Unaudited)



Total revenues growth of 7.1%

Organic Revenue growth, impacted by revenues associated with weather-related events in prior year

EBITDAC Margin decreased by 160 bps, primarily from lower claims processing revenues

Diluted net income per share decreasing 12.9% from the prior year; Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard increasing 22.9%

Annual revenue of 23 businesses acquired during the year



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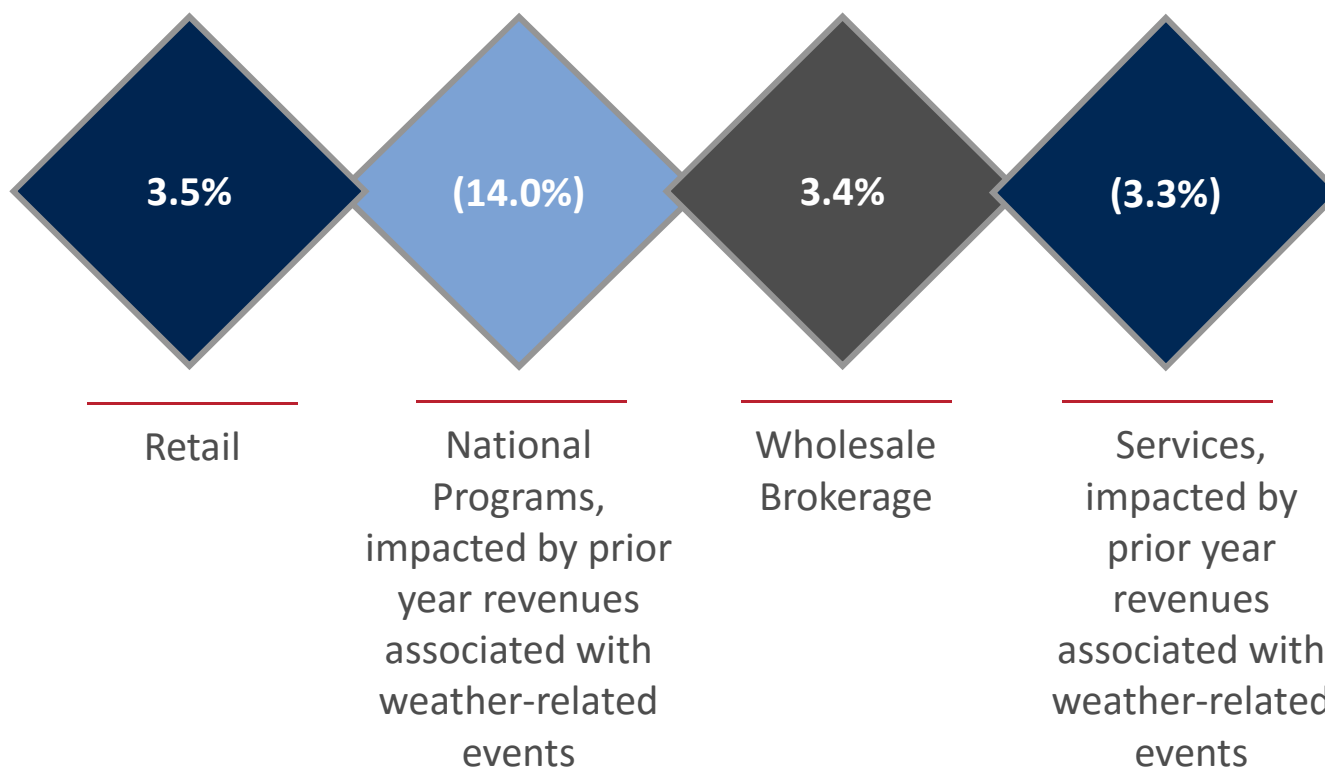
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Market & Business Overview – 4Q18

- ✓ Economic expansion continues; employers are investing and adding employees
- ✓ Premium rates generally remain flat; the exceptions continue to be commercial auto and employee benefits; increases and decreases to workers' compensation
- ✓ No material changes in rates, except for upward pressure on commercial auto and employee benefits
- ✓ Risk-bearers and acquirers of businesses still have significant access to capital
- ✓ Investments in technology, innovation and new programs remain on plan

Segment Organic Revenue Growth

(Unaudited)



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Consolidated Financial Highlights

(\$ Millions, Except Per Share Data; Unaudited)	Fourth Quarter			
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$508.7	\$474.3	\$34.4	7.3%
<i>Organic Revenue</i>	<i>\$454.2</i>	<i>\$464.1</i>	<i>(\$9.9)</i>	<i>(2.1%)</i>
Income before income taxes	\$100.7	\$106.3	(\$5.6)	(5.3%)
<i>Income Before Income Taxes Margin</i>	<i>19.8%</i>	<i>22.4%</i>		<i>(260bps)</i>
EBITDAC	\$143.0	\$143.1	(\$0.1)	(0.1%)
<i>EBITDAC Margin</i>	<i>28.1%</i>	<i>30.2%</i>		<i>(210bps)</i>
Net income	\$73.5	\$187.5	(\$114.0)	(60.8%)
Diluted net income per share	\$0.26	\$0.66	(\$0.40)	(60.6%)
Weighted average number of shares outstanding – diluted (in thousands)	275,273	276,202	(929)	(0.3%)
Dividends declared per share	\$0.080	\$0.075	\$0.005	6.7%



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Consolidated Financial Highlights

Adjusted and Excluding the New Revenue Standard

(\$ Millions, Except Per Share Data; Unaudited)		Fourth Quarter			
		<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues - Adjusted and Excluding the New Revenue Standard		\$515.0	\$474.3	\$40.7	8.6%
<i>Organic Revenue</i>		\$454.2	\$464.1	(\$9.9)	(2.1%)
Income Before Income Taxes - Adjusted and Excluding the New Revenue Standard		\$105.7	\$107.2	(\$1.5)	(1.4%)
<i>Income Before Income Taxes Margin - Adjusted and Excluding the New Revenue Standard</i>		20.5%	22.6%		(210bps)
EBITDAC - Adjusted and Excluding the New Revenue Standard		\$147.5	\$143.1	\$4.4	3.1%
<i>EBITDAC Margin - Adjusted and Excluding the New Revenue Standard</i>		28.6%	30.2%		(160bps)
Net Income - Adjusted and Excluding the New Revenue Standard		\$77.1	\$67.1	\$10.0	14.9%
Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard		\$0.27	\$0.24	\$0.03	12.5%



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Revenue Analysis

(\$ Millions; Unaudited)	Fourth Quarter			
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$508.7	\$474.3	\$34.4	7.3%
Investment income	(0.6)	(0.5)	(0.1)	
Other income, net	(0.4)	(0.4)	0.0	
Commissions and fees	507.7	473.4	34.3	7.2%
Profit-sharing contingent commissions	(15.9)	(6.8)	(9.1)	
Guaranteed supplemental commissions	(1.4)	(2.2)	0.8	
Core commissions and fees	490.4	464.4	26.0	5.6%
New Revenue Standard impact on core commissions and fees	15.5	-	15.5	
Acquisitions	(51.7)	-	(51.7)	
Dispositions	-	(0.3)	0.3	
Organic Revenue	\$454.2	\$464.1	(\$9.9)	(2.1%)



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Analysis of EBITDAC Margin

Fourth Quarter (Unaudited)	
EBITDAC Margin - 2017	30.2%
Net change in gain/loss on disposal	0.1%
Hays	(0.1%)
Non-cash stock-based compensation	(0.3%)
New Revenue Standard	(0.5%)
Other	(1.3%)
EBITDAC Margin - 2018	28.1%



Retail Segment

(\$ Millions; Unaudited)		Fourth Quarter				
					Excluding the New Revenue Standard*	
	2018	2017	\$ Change	% Change	\$ Change	% Change
Total revenues	\$270.0	\$230.7	\$39.3	17.0%	\$51.5	22.3%
Organic Revenue	\$235.5	\$227.5	\$8.0	3.5%	\$8.1	3.5%
Income before income taxes	\$41.9	\$44.8	(\$2.9)	(6.5%)	\$3.2	7.1%
Income Before Income Taxes Margin	15.5%	19.4%		(390 bps)		(240bps)
EBITDAC	\$71.4	\$64.3	\$7.1	11.0%	\$13.2	20.5%
EBITDAC Margin	26.4%	27.9%		(150bps)		(40bps)

Business and Market Commentary

Strong growth in total revenues driven by acquisition activity and good Organic Revenue growth across most lines of business

Coastal property rates generally flat during Q4 depending upon loss experience. Continued increases in auto and employee benefits rates. Workers' compensation rates continued to decline

Income before income taxes is down due to the New Revenue Standard, higher intercompany interest expense, amortization, and the drivers of EBITDAC

EBITDAC excluding the New Revenue Standard grew 20.5% driven by leveraging revenues, with slight negative impact by investments in technology and an increase in non-cash stock compensation expense



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* See reconciliation on page 30

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National Programs Segment

(\$ Millions; Unaudited)		Fourth Quarter				
					Excluding the New Revenue Standard*	
	2018	2017	\$ Change	% Change	\$ Change	% Change
Total revenues	\$120.0	\$137.2	(\$17.2)	(12.5%)	(\$15.1)	(11.0%)
Organic Revenue	\$114.2	\$132.9	(\$18.7)	(14.0%)	(\$18.7)	(14.0%)
Income before income taxes	\$25.6	\$41.8	(\$16.2)	(38.8%)	(\$13.4)	(32.1%)
Income Before Income Taxes Margin	21.3%	30.5%		(920bps)		(720bps)
EBITDAC	\$39.7	\$58.2	(\$18.5)	(31.8%)	(\$15.7)	(27.0%)
EBITDAC Margin	33.1%	42.4%		(930bps)		(760bps)

Business and Market Commentary

Total revenues declined from the prior year primarily as a result of significantly lower claims revenue related to weather-related events, as compared to the prior year, along with the impact of the New Revenue Standard and partially offset by revenues from acquisitions

Organic Revenue decrease driven substantially by lower flood claim revenue as compared to the prior year

Income before income taxes declined primarily from the drivers of EBITDAC, the New Revenue Standard, and partially offset by lower intercompany interest expense

EBITDAC excluding the New Revenue Standard decreased by 27%, primarily driven by lower Organic Revenue and the finalization of year-end bonus calculations as a result of the performance of certain programs



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* See reconciliation on page 31

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Wholesale Brokerage Segment

(\$ Millions; Unaudited)		Fourth Quarter				
	2018	2017	\$ Change	% Change	Excluding the New Revenue Standard*	
					\$ Change	% Change
Total revenues	\$67.3	\$62.9	\$4.4	7.0%	\$2.3	3.7%
Organic Revenue	\$62.9	\$60.9	\$2.0	3.4%	\$2.0	3.4%
Income before income taxes	\$14.6	\$12.3	\$2.3	18.7%	\$0.1	0.8%
Income Before Income Taxes Margin	21.7%	19.6%		210bps		(60bps)
EBITDAC	\$18.9	\$17.3	\$1.6	9.2%	(\$0.6)	(3.5%)
EBITDAC Margin	28.1%	27.5%		60bps		(190bps)

Business and Market Commentary

Organic Revenue growth driven by increasing economic expansion across most industries and geographies

Rates for coastal property generally flat depending upon loss experience. General property is flat to up 3%. Personal lines rates in the excess and surplus space disruptive up 5-30%. Professional lines are generally down 3-5%

Income before income taxes growth outpaced total revenues growth primarily due to the New Revenue Standard and was partially offset by the drivers of EBITDAC

EBITDAC excluding the New Revenue Standard decreased by 3.5%, driven by lower contingent commissions of approximately \$1 million, an increased non-cash stock-based compensation, and intercompany IT allocations



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* See reconciliation on page 32

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Services Segment

(\$ Millions; Unaudited)		Fourth Quarter				
					Excluding the New Revenue Standard*	
	2018	2017	\$ Change	% Change	\$ Change	% Change
Total revenues	\$51.2	\$43.0	\$8.2	19.1%	\$2.3	5.3%
Organic Revenue	\$41.5	\$42.9	(\$1.4)	(3.3%)	(\$1.4)	(3.3%)
Income before income taxes	\$10.6	\$8.0	\$2.6	32.5%	\$0.4	5.0%
Income Before Income Taxes Margin	20.7%	18.6%		210bps		(10bps)
EBITDAC	\$13.2	\$10.3	\$2.9	28.2%	\$0.7	6.8%
EBITDAC Margin	25.8%	24.0%		180bps		30bps

Business and Market Commentary

Total revenue growth in excess of Organic Revenue growth due to the New Revenue Standard and a current year acquisition

Organic Revenue decreased for the quarter due to lack of weather-related events as compared to prior year, which more than offset Organic Revenue growth in other businesses

Income before income taxes growth primarily driven by the New Revenue Standard

EBITDAC excluding the New Revenue Standard increased due to leveraging revenue growth



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* See reconciliation on page 33

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Consolidated Financial Highlights

(\$ Millions, Except Per Share Data; Unaudited)	Full Year			
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$2,014.2	\$1,881.3	\$132.9	7.1%
<i>Organic Revenue</i>	<i>\$1,836.7</i>	<i>\$1,793.2</i>	<i>\$43.5</i>	<i>2.4%</i>
Income before income taxes	\$462.5	\$449.7	\$12.8	2.8%
<i>Income Before Income Taxes Margin</i>	<i>23.0%</i>	<i>23.9%</i>		<i>(90bps)</i>
EBITDAC	\$615.4	\$605.3	\$10.1	1.7%
<i>EBITDAC Margin</i>	<i>30.6%</i>	<i>32.2%</i>		<i>(160bps)</i>
Net income	\$344.3	\$399.6	(\$55.3)	(13.8%)
Weighted average number of shares outstanding – diluted (in thousands)	275,542	277,586	(2044)	(0.7%)
Diluted net income per share	\$1.22	\$1.40	(\$0.18)	(12.9%)



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Consolidated Financial Highlights

Adjusted and Excluding the New Revenue Standard

(\$ Millions, Except Per Share Data; Unaudited)	Full Year			
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues - Adjusted and Excluding the New Revenue Standard	\$1,995.8	\$1,861.3	\$134.5	7.2%
<i>Organic Revenue</i>	<i>\$1,836.7</i>	<i>\$1,793.2</i>	<i>\$43.5</i>	<i>2.4%</i>
Income Before Income Taxes - Adjusted and Excluding the New Revenue Standard	\$448.9	\$440.1	\$8.8	2.0%
<i>Income Before Income Taxes Margin - Adjusted and Excluding the New Revenue Standard</i>	<i>22.5%</i>	<i>23.6%</i>		<i>(110bps)</i>
EBITDAC - Adjusted and Excluding the New Revenue Standard	\$598.8	\$586.5	\$12.3	2.1%
<i>EBITDAC Margin - Adjusted and Excluding the New Revenue Standard</i>	<i>30.0%</i>	<i>31.5%</i>		<i>(150bps)</i>
Net Income - Adjusted and Excluding the New Revenue Standard	\$334.1	\$272.8	\$61.3	22.5%
Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard	\$1.18	\$0.96	\$0.22	22.9%



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Impact of the New Revenue Standard

2018

	<u>Q1 Actual</u>	<u>Q2 Actual</u>	<u>Q3 Actual</u>	<u>Q4 Actual</u>	<u>Full-Year Actual</u>
Core commissions and fees	\$45.6	(\$28.4)	\$14.4	(\$15.5)	\$16.1
Profit-sharing contingent commissions	(18.2)	1.2	10.1	9.2	2.3
Total revenues	27.4	(27.2)	24.5	(6.3)	18.4
Employee compensation and benefits	10.2	(12.3)	(1.2)	(5.5)	(8.8)
Other operating expenses	2.7	2.0	2.3	3.6	10.6
Total expenses	12.9	(10.3)	0.9	(1.8)	1.8
Income before income taxes	\$14.5	(\$16.9)	\$23.4	(\$4.5)	\$16.6



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Hays

(\$ Millions, Except Per Share Data; Unaudited)	Financial Projections				
	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Projected Total</u>
Revenues	\$73-\$77	\$43-\$45	\$48-\$50	\$46-\$48	\$210-\$220
Expenses (Comp. & Other Operating)	\$49-\$50	\$38-\$39	\$38-\$39	\$38-\$39	\$163-\$167
EBITDAC	\$24-\$27	\$5-\$6	\$10-\$11	\$8-\$9	\$47-\$53
EBITDAC Margin	32.9%-35.1%	11.6%-13.3%	20.8%-22.0%	17.4%-18.8%	22.4%-24.1%
Diluted net income per share	~\$0.03	~(\$0.01)	-	-	~\$0.02-\$0.03

Closing Comments



Economic outlook remains good, but watching trade Relations, interest rates and the government shutdown for ripple effects



Premium rates expected to remain competitive. Not expecting material changes in early 2019. Rising interest rates not having a material impact to date



M&A pipeline remains full and we are actively looking for businesses that fit culturally and financially



Acquisition activity in 2018 will help drive more growth in 2019 with addition of new teammates and expanded capabilities



Optimistic about opportunities for all four segments in 2019



Brown & Brown, Inc.

Fourth Quarter and Full Year 2018 Reconciliation of Non-GAAP Measures

GAAP to Adjusted Reconciliation

Fourth Quarter 2018

(\$ Millions, Except Per Share Data; Unaudited)		Fourth Quarter		
	As Reported <u>2018</u>	Change in Earn-Out <u>Payables</u>	New Revenue <u>Standard</u>	Adjusted and Excluding the New Revenue <u>Standard 2018</u>
Total Revenues	\$508.7	-	\$6.3	\$515.0
Income before income taxes	\$100.7	\$0.5	\$4.5	\$105.7
<i>Income Before Income Taxes Margin</i>	<i>19.8%</i>			<i>20.5%</i>
EBITDAC	\$143.0	-	\$4.5	\$147.5
<i>EBITDAC Margin</i>	<i>28.1%</i>			<i>28.6%</i>
Net income	\$73.5	\$0.3	\$3.3	\$77.1
Diluted net income per share	\$0.26	-	\$0.01	\$0.27



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GAAP to Adjusted Reconciliation

Fourth Quarter 2017

	Fourth Quarter			
	(\$ Millions, Except Per Share Data; Unaudited)			
	As Reported 2017	Change in Earn-Out Payables	Tax Reform Act	Adjusted and Excluding the New Revenue Standard 2017 ⁽¹⁾
Total Revenues	\$474.3	-	-	\$474.3
Income before income taxes	\$106.3	\$0.9	-	\$107.2
<i>Income Before Income Taxes Margin</i>	<i>22.4%</i>			<i>22.6%</i>
EBITDAC	\$143.1	-	-	\$143.1
<i>EBITDAC Margin</i>	<i>30.2%</i>			<i>30.2%</i>
Net income	\$187.5	\$0.5	(\$120.9)	\$67.1
Diluted net income per share	\$0.66	-	(0.43)	\$0.24 ⁽²⁾

(1) 2017 was not adjusted for the impact of the New Revenue Standard as it was not adopted until January 1, 2018.

(2) Due to rounding, the numbers in this column do not add up to the total indicated. The Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard for the three months ended December 31, 2017 was \$0.2373, which equals \$0.6624, minus the one-time impact of the Tax Reform Act in 2017 of \$0.4272, plus the impact of the change in estimated acquisition earn-out payables of \$0.0021.

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GAAP to Adjusted Reconciliation

Full Year 2018

(\$ Millions, Except Per Share Data; Unaudited)		Full Year		
	As Reported <u>2018</u>	Change in Earn-Out <u>Payables</u>	New Revenue <u>Standard</u>	Adjusted and Excluding the New Revenue <u>Standard 2018</u>
Total Revenues	\$2,014.2	-	(\$18.4)	\$1,995.8
Income before income taxes	\$462.5	\$3.0	(\$16.6)	\$448.9
<i>Income Before Income Taxes Margin</i>	<i>23.0%</i>			<i>22.5%</i>
EBITDAC	\$615.4	-	(\$16.6)	\$598.8
<i>EBITDAC Margin</i>	<i>30.6%</i>			<i>30.0%</i>
Net income	\$344.3	\$2.2	(\$12.4)	\$334.1
Diluted net income per share	\$1.22	0.01	(\$0.04)	1.18 ⁽¹⁾

(1) Due to rounding, the numbers in this column do not add up to the total indicated. The Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard for the year ended December 31, 2018 was \$1.1836, which equals \$1.2195, minus the impact of the New Revenue Standard of \$0.0437, plus the impact of the change in estimated acquisition earn-out payables of \$0.0078.



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GAAP to Adjusted Reconciliation

Full Year 2017

(\$ Millions, Except Per Share Data; Unaudited)	Full Year				
	As Reported 2017	Change in Earn-Out Payables	Legal Settlement	Tax Reform Act	Adjusted and Excluding the New Revenue Standard 2017 ⁽¹⁾
Total Revenues	\$1,881.3	-	(\$20.0)	-	\$1,861.3
Income before income taxes	\$449.7	\$9.2	(\$18.8)	-	\$440.1
<i>Income Before Income Taxes Margin</i>	<i>23.9%</i>				<i>23.6%</i>
EBITDAC	\$605.3	-	(\$18.8)	-	\$586.5
<i>EBITDAC Margin</i>	<i>32.2%</i>				<i>31.5%</i>
Net income	\$399.6	\$5.7	(\$11.6)	(\$120.9)	\$272.8
Diluted net income per share	\$1.40	0.02	(\$0.0)	(0.43)	\$0.96 ⁽²⁾

(1) 2017 was not adjusted for the impact of the New Revenue Standard as it was not adopted until January 1, 2018.

(2) Due to rounding, the numbers in this column do not add up to the total indicated. The Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard for the year ended December 31, 2017 was \$0.9586, which equals \$1.4046, minus the impact of the Tax Reform Act of \$0.4251 and the Legal Settlement of \$0.0409, plus the impact of the change in estimated acquisition earn-out payables of \$0.0200.



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Income Before Income Taxes to EBITDAC and EBITDAC Margin

(\$ Millions; Unaudited)	Fourth Quarter		Full Year	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Income before income taxes	\$100.7	\$106.3	\$462.5	\$449.7
<i>Income Before Income Taxes Margin</i>	19.8%	22.4%	23.0%	23.9%
Amortization	23.5	21.0	86.5	85.4
Depreciation	6.4	5.5	22.8	22.7
Interest	11.9	9.4	40.6	38.3
Change in estimated acquisition earn-out payables	0.5	0.9	3.0	9.2
EBITDAC	\$143.0	\$143.1	\$615.4	\$605.3
<i>EBITDAC Margin</i>	28.1%	30.2%	30.6%	32.2%



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Income Before Income Taxes to EBITDAC and EBITDAC Margin

(\$ Millions; Unaudited)		Fourth Quarter							
	<u>Retail</u>		<u>Programs</u>		<u>Wholesale</u>		<u>Services</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Income before income taxes	\$41.9	\$44.8	\$25.6	\$41.8	\$14.6	\$12.3	\$10.6	\$8.0	
<i>Income Before Income Taxes Margin</i>	<i>15.5%</i>	<i>19.4%</i>	<i>21.3%</i>	<i>30.5%</i>	<i>21.7%</i>	<i>19.6%</i>	<i>20.8%</i>	<i>18.6%</i>	
Amortization	12.8	10.6	6.5	6.6	2.9	2.8	1.3	1.2	
Depreciation	1.5	1.2	1.4	1.4	0.4	0.4	0.4	0.4	
Interest	14.6	7.2	6.1	8.3	1.2	1.5	0.8	0.7	
Change in estimated acquisition earn-out payables	0.6	0.5	0.0	0.1	(0.2)	0.3	0.1	0.0	
EBITDAC	\$71.4	\$64.3	\$39.6	\$58.2	\$18.9	\$17.3	\$13.2	\$10.3	
<i>EBITDAC Margin</i>	<i>26.4%</i>	<i>27.9%</i>	<i>33.1%</i>	<i>42.4%</i>	<i>28.1%</i>	<i>27.6%</i>	<i>25.8%</i>	<i>24.0%</i>	



Commissions and Fees to Organic Revenue

(\$ Millions; Unaudited)

Fourth Quarter

	<u>Retail⁽¹⁾</u>		<u>Programs</u>		<u>Wholesale</u>		<u>Services</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Commissions and fees	\$269.4	\$230.5	\$119.9	\$137.1	\$67.2	\$62.9	\$51.2	\$42.9	\$507.7	\$473.4
Total Change	39.0		(17.2)		4.3		8.3		34.4	
Total Growth %	16.9%		(12.4%)		6.8%		19.3%		7.3%	
Contingent Commissions	(6.6)	(1.1)	(6.6)	(4.0)	(2.7)	(1.7)	0.0	0.0	(15.9)	(6.8)
Guaranteed Supplemental Commissions	(1.2)	(2.0)	0.0	0.0	(0.2)	(0.2)	0.0	0.0	(1.4)	(2.2)
Core commissions and fees ⁽²⁾	\$261.6	\$227.4	\$113.3	\$133.1	\$64.3	\$61.0	\$51.2	\$42.9	\$490.5	\$464.4
New Revenue Standard	17.6		3.8		0.0		(5.9)		15.5	
Acquisition revenues	(43.7)		(2.8)		(1.4)		(3.8)		(51.7)	
Divested business		(0.1)		(0.1)		(0.1)		0.0		(0.3)
Organic Revenue	\$235.5	\$227.5	\$114.2	\$132.9	\$62.9	\$60.9	\$41.5	\$42.9	\$454.2	\$464.1
Organic Revenue growth	\$8.0		(\$18.7)		\$2.0		(\$1.4)		(\$9.9)	
Organic Revenue growth %	3.5%		(14.0%)		3.4%		(3.3%)		(2.1%)	
New Revenue Standard impact on contingent commissions	5.4		1.7		2.1		0.0		9.2	

(1) The Retail Segment includes commissions and fees that are reported in the "Other" column of the Segment Information in the Notes to the Consolidated Financial Statements in our SEC filings, which includes corporate and consolidation items.

(2) Core commissions and fees is defined as commissions and fees less (i) profit-sharing contingent commissions (revenues from insurance companies based upon the volume and the growth and/or profitability of the business placed with such companies during the prior year ("Contingents")) and less (ii) guaranteed supplemental commissions (commissions from insurance companies based solely upon the volume of the business placed with such companies during the current year ("GSCs")).



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Commissions and Fees to Organic Revenue

Full Year

(\$ Millions; Unaudited)	Fourth Quarter			
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$2,014.2	\$1,881.3	\$132.9	7.1%
Investment income	(2.7)	(1.6)	(1.1)	
Other income, net	(1.6)	(22.4)	20.8	
Commissions and fees	2,009.9	1,857.3	152.6	8.2%
Profit-sharing contingent commissions	(55.9)	(52.2)	(3.7)	
Guaranteed supplemental commissions	(10.0)	(10.4)	0.4	
Core commissions and fees	1,944.0	1,794.7	149.3	8.3%
New Revenue Standard impact on core commissions and fees	(16.1)	-	(16.1)	
Acquisitions	(91.2)	-	(91.2)	
Dispositions	-	(1.5)	1.5	
Organic Revenue	\$1,836.7	\$1,793.2	\$43.5	2.4%



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GAAP to Adjusted Reconciliation

Fourth Quarter 2018 - Retail

(\$ Millions; Unaudited)		Fourth Quarter				
	As Reported <u>2018</u>	New Revenue <u>Standard</u>	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$270.0	(\$12.2)	\$282.2	\$230.7	\$51.5	22.3%
Income before income taxes	\$41.9	(\$6.1)	\$48.0	\$44.8	\$3.2	7.1%
<i>Income Before Income Taxes Margin</i>	15.5%	-	17.0%	19.4%		(240bps)
EBITDAC	\$71.4	(\$6.1)	\$77.5	\$64.3	\$13.2	20.5%
<i>EBITDAC Margin</i>	26.4%		27.5%	27.9%		(40bps)

* U.S GAAP basis prior to adopting the New Revenue Standard.



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GAAP to Adjusted Reconciliation

Fourth Quarter 2018 - National Programs

(\$ Millions; Unaudited)		Fourth Quarter				
	As Reported <u>2018</u>	New Revenue Standard	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$120.0	(\$2.1)	\$122.1	\$137.2	(\$15.1)	(11.0%)
Income before income taxes	\$25.6	(\$2.8)	\$28.4	\$41.8	(\$13.4)	(32.1%)
<i>Income Before Income Taxes Margin</i>	<i>21.3%</i>		<i>23.3%</i>	<i>30.5%</i>		<i>(720bps)</i>
EBITDAC	\$39.7	(\$2.8)	\$42.5	\$58.2	(\$15.7)	(27.0%)
<i>EBITDAC Margin</i>	<i>33.1%</i>		<i>34.8%</i>	<i>42.4%</i>		<i>(760bps)</i>

* U.S GAAP basis prior to adopting the New Revenue Standard.



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GAAP to Adjusted Reconciliation

Fourth Quarter 2018 - Wholesale Brokerage

(\$ Millions; Unaudited)		Fourth Quarter				
	As Reported <u>2018</u>	New Revenue Standard	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$67.3	\$2.1	\$65.2	\$62.9	\$2.3	3.7%
Income before income taxes	\$14.6	\$2.2	\$12.4	\$12.3	\$0.1	0.8%
<i>Income Before Income Taxes Margin</i>	<i>21.7%</i>		<i>19.0%</i>	<i>19.6%</i>		<i>(60bps)</i>
EBITDAC	\$18.9	\$2.2	\$16.7	\$17.3	(\$0.6)	(3.5%)
<i>EBITDAC Margin</i>	<i>28.1%</i>		<i>25.6%</i>	<i>27.5%</i>		<i>(190bps)</i>

* U.S GAAP basis prior to adopting the New Revenue Standard.



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GAAP to Adjusted Reconciliation

Fourth Quarter 2018 - Services

(\$ Millions; Unaudited)		Fourth Quarter				
	As Reported <u>2018</u>	New Revenue Standard	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$51.2	\$5.9	\$45.3	\$43.0	\$2.3	5.3%
Income before income taxes	\$10.6	\$2.2	\$8.4	\$8.0	\$0.4	5.0%
<i>Income Before Income Taxes Margin</i>	<i>20.7%</i>		<i>18.5%</i>	<i>18.6%</i>		<i>(10bps)</i>
EBITDAC	\$13.2	\$2.2	\$11.0	\$10.3	\$0.7	6.8%
<i>EBITDAC Margin</i>	<i>25.8%</i>		<i>24.3%</i>	<i>24.0%</i>		<i>30bps</i>

* U.S GAAP basis prior to adopting the New Revenue Standard.



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The Cheetah:

Since our beginning, we've known that doing the best for our customers requires constant persistence and vision. The cheetah, which represents vision, swiftness, strength, and agility, embodies our corporate culture and has served as a symbol for our company since 1988.