

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1997.
or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-7201.

POE & BROWN, INC.

(Exact name of Registrant as specified in its charter)

Florida

59-0864469

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification
Number)

220 S. Ridgewood Ave., Daytona Beach, FL

32114

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (904) 252-9601

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past ninety (90) days. Yes No

The number of shares of the Registrant's common stock, \$.10 par value, outstanding as of May 7, 1997, was 8,700,834.

POE & BROWN, INC.

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For The Quarter Ended March 31, 1997

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ITEM 1: FINANCIAL STATEMENTS

POE & BROWN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per share data)

	For the three months ended March 31,	
	1997	1996
	_____	_____
REVENUES		
Commissions and fees	\$32,713	\$29,750
Investment income	807	841
Other income	462	135
	_____	_____
Total revenues	33,982	30,726
EXPENSES		
Employee compensation and benefits	16,838	15,468
Other operating expenses	7,157	6,604
Interest and amortization	1,353	1,367
	_____	_____
Total expenses	25,348	23,439
	_____	_____
Income before income taxes	8,634	7,287
Income taxes	3,410	2,842
	_____	_____
NET INCOME	\$ 5,224	\$ 4,445
	=====	=====
Net income per share	\$ 0.60	\$ 0.51
	=====	=====
Dividends declared per share	\$.13	\$.12
	=====	=====
Weighted average number of shares outstanding	8,665	8,714

See notes to condensed consolidated financial statements.

POE & BROWN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

(Unaudited)	(Audited)
March 31,	December 31,
1997	1996

ASSETS		
Cash and cash equivalents	\$ 47,695	\$ 31,786
Short-term investments	1,120	1,087
Premiums, commissions and fees receivable	55,017	62,940
Other current assets	6,815	7,307
	<hr/>	<hr/>
Total current assets	110,647	103,120
Fixed assets, net	12,066	12,085
Intangible assets, net	52,395	50,167
Investments	9,538	11,288
Other assets	3,230	3,083
	<hr/>	<hr/>
Total assets	\$187,876	\$179,743
	=====	=====
LIABILITIES		
Premiums payable to insurance companies	\$ 76,057	\$ 73,570
Premium deposits and credits due customers	7,039	7,329
Accounts payable and accrued expenses	12,882	11,130
Current portion of long-term debt	6,818	5,365
	<hr/>	<hr/>
Total current liabilities	102,796	97,394
Long-term debt	5,524	5,300
Deferred income taxes	2,967	3,603
Other liabilities	6,322	6,160
	<hr/>	<hr/>
Total liabilities	117,609	112,457
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY		
Common stock, par value \$.10 per share; authorized 18,000 shares; issued 8,657 shares at 1997 and 8,656 at 1996	866	866
Additional paid-in capital	1,663	1,671
Retained earnings	62,336	58,238
Net unrealized appreciation of available-for-sale securities, net of tax effect of \$3,527 in 1997 and \$4,163 in 1996	5,402	6,511
	<hr/>	<hr/>
Total shareholders' equity	70,267	67,286
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$187,876	\$179,743
	=====	=====

See notes to condensed consolidated financial statements.

POE & BROWN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	For the three months ended March 31,	
	1997	1996
	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,224	\$ 4,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,903	1,841
Net gains on sales of investments, fixed assets and customer accounts	(429)	(123)
Premiums, commissions and fees receivable, decrease	7,923	2,214
Other assets, decrease (increase)	538	(1,012)

Premiums payable to insurance companies, increase	2,487	6,331
Premium deposits and credits due customers, (decrease) increase	(290)	684
Accounts payable and accrued expenses, increase	1,752	1,330
Other liabilities, increase	162	121
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>19,270</u>	<u>15,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(713)	(1,092)
Payments for businesses acquired, net of cash acquired	(1,646)	(4,657)
Proceeds from sales of fixed assets and customer accounts	238	131
Purchases of investments	(29)	(297)
Proceeds from sales of investments	----	194
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,150)</u>	<u>(5,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long-term debt	(78)	(52)
Net exercise of stock options and issuances (repurchases) of stock	(8)	11
Cash dividends paid	(1,125)	(1,042)
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,211)</u>	<u>(1,083)</u>
Net increase in cash and cash equivalents	15,909	9,027
Cash and cash equivalents at beginning of period	31,786	28,350
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$47,695</u> =====	<u>\$37,377</u> =====

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 - Basis of Financial Reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

Results of operations for the three-month period ended March 31, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

Note 2 - Net Income Per Share

Net income per share is based upon the weighted average number of shares outstanding, adjusted for the dilutive effect of stock options, which is the same on both a primary and a fully-diluted basis.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share," (SFAS 128). SFAS 128 establishes new standards for computing and presenting earnings per share (EPS). Specifically, SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS, requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital

structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997; earlier application is not permitted. EPS for the Company for the periods ended March 31, 1997 and March 31, 1996 computed under SFAS 128 would not be different than that previously computed.

Note 3 - Acquisitions

During the first quarter of 1997, the Company acquired substantially all of the assets of Dade Underwriters Insurance Agency of Aventura, Florida and Willits Insurance Agency of Ft. Lauderdale, Florida. During the first quarter of 1996, the Company acquired a majority interest in Florida Intracoastal Underwriters, Limited Company of Miami Lakes, Florida. These acquisitions have been accounted for using the purchase method of accounting. Pro forma results of operations for the three-month periods ended March 31, 1996 and 1997 resulting from these acquisitions were not materially different from the results of operations as reported. The results of operations for the acquired companies have been combined with those of the Company since their respective acquisition dates.

Note 4 - Long-Term Debt

The Company continues to maintain its credit agreement with a major insurance company under which \$5 million (the maximum amount available for borrowings) was outstanding at March 31, 1997, at an

interest rate equal to the prime lending rate plus one percent. The available amount will decrease by \$1 million each August, as described in Note 7 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

In November 1994, the Company entered into a revolving credit facility with a national banking institution which provides for available borrowings of up to \$10 million. As of March 31, 1997, there were no borrowings against this line of credit.

Note 5 - Contingencies

The Company is not a party to any legal proceedings other than various claims and lawsuits arising in the normal course of business. Management of the Company does not believe that any such claims or lawsuits will have a material effect on the Company's financial condition or results of operations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net Income. Net income for the first quarter of 1997 was \$5,224,000, or \$.60 per share, compared with net income in the first quarter of 1996 of \$4,445,000, or \$.51 per share, an 18% increase.

Commissions and Fees. Commissions and fees for the first quarter of 1997 increased \$2,963,000, or 10% from the same period in 1996. Approximately \$1,262,000 of this increase represents revenues from acquired agencies with the remainder due to new business production.

Investment Income. Investment income for the first quarter of 1997 decreased \$34,000 from the same period in 1996 primarily due to changes in interest rate returns.

Other Income. Other income primarily includes gains and losses from the sale of customer accounts and other assets. Other income for the three-month period ended March 31, 1997 increased \$327,000 over the same period in 1996.

Employee Compensation and Benefits. Employee compensation and benefits increased 9% during the first quarter

of 1997 over the same period in 1996. This increase primarily relates to a net increase in commissions and fees and merit pay increases. Employee compensation and benefits as a percentage of total revenue remained constant at 50% in both the first quarter of 1996 and in the first quarter of 1997.

Other Operating Expenses. Other operating expenses for the first quarter of 1997 increased \$553,000, or 8%, over the same period in 1996 primary due to increases in advertising expenses and general reserves. Other operating expenses as a percentage of total revenue remained constant at 21% in both the first quarter of 1996 and in the first quarter of 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents of \$47,695,000 at March 31, 1997 increased by \$15,909,000 from \$31,786,000 at December 31, 1996. During the first quarter of 1997, \$19,720,000 of cash was provided primarily from operating activities. Of this amount, \$1,646,000 was used to acquire businesses, \$713,000 for additions to fixed assets, and the remainder primarily to pay dividends on the Company's common stock. The current ratio at March 31, 1997 was 1.08 compared to 1.06 as of December 31, 1996.

The Company has a revolving credit agreement with a major insurance company under which up to \$5 million presently may be borrowed at an interest rate equal to the prime lending rate plus one percent. The amount of available credit decreases by \$1 million each August through the year 2001, when it will expire. As of March 31, 1997, the maximum amount of borrowings was outstanding. In November 1994, the Company entered into a revolving credit facility with a national banking institution that provides for available borrowings of up to \$10 million. As of March 31, 1997, there were no borrowings against this line of credit. The Company believes that its existing cash, cash equivalents, short-term investments portfolio, funds generated from operations, and available credit facility borrowings are sufficient to satisfy its normal financial needs.

POE & BROWN, INC.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is involved in various pending or threatened proceedings by or against the Company or one or more of its subsidiaries which involve routine litigation relating to insurance risks placed by the Company and other contractual matters. The Company's management does not believe that any of such pending or threatened proceedings will have a material adverse effect on the Company's financial position or results of operations.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - Exhibit 3a - Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-K for the year ended December 31, 1994)

Exhibit 3b - Amended and Restated Bylaws (incorporated by reference to Exhibit 3b to Form 10-K for the year ended December 31, 1996)

Exhibit 11 - Statement re: Computation of Earnings Per Share

Exhibit 27 - Financial Data Schedule (for SEC use only)

(b) There were no reports filed on Form 8-K during the quarter ended March 31, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POE & BROWN, INC.

Date: May 8, 1997

/S/ WILLIAM A. ZIMMER

William A. Zimmer
Chief Financial Officer and Treasurer
(duly authorized officer, principal
financial officer and principal
accounting officer)

Exhibit 11 - Statement Re: Computation of Earnings Per Share (Unaudited)

	Three Months Ended 1997	March 31, 1996
	—	—
Average shares outstanding	8,655	8,682
Net effect of dilutive stock options, based on the treasury stock method	10	32
	—	—
Total shares used in computation	8,665 =====	8,714 =====
Net income	\$5,224 =====	4,445 =====
Net income per share	\$.60 =====	\$.51 =====

This Schedule contains summary financial information extracted from the financial statements of Poe & Brown, Inc. for the three months ended March 31, 1997, and is qualified in its entirety by reference to such financial statements.

3-MOS		DEC-31-1997	MAR-31-1997
			47,695
		1,120	
		55,017	
		0	
		0	
		110,647	
			25,663
		13,597	
		187,876	
		102,796	
		0	0
		0	0
			866
			5,402
187,876			0
		33,982	0
			0
		25,348	
		0	
		0	
		179	
		8,634	
		3,410	
		5,224	
		0	
		0	
			0
		5,224	
		.60	
		.60	