



Brown & Brown, Inc.

Second Quarter 2017 Results – July 18, 2017





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 second quarter 2017, the market performance of our business segments, 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 second quarter 2017 that our financial results differ from the current preliminary unaudited numbers set forth herein; 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; 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; our ability to retain key employees and clients and attract new business; 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; 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 US healthcare or Federal Income Tax reform, or National Flood Insurance Program legislation; 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.

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.

Our forward-looking statements speak only as of the date made and we will not update these forward-looking statements unless the securities laws require us to do so.



Important Disclosures Regarding Non-GAAP Measures

This presentation contains references to "non-GAAP financial measures" as defined in SEC Regulation G, including, Net income – adjusted, EBITDAC, EBITDAC Margin, Income before income taxes – adjusted, Income before income taxes margin – adjusted, Diluted earnings per share – adjusted, and Organic Revenue. We present these measures because we believe they are of interest to the investment community and because we believe they provide 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. These financial measures 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 other companies and, therefore, comparability may be limited.

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.

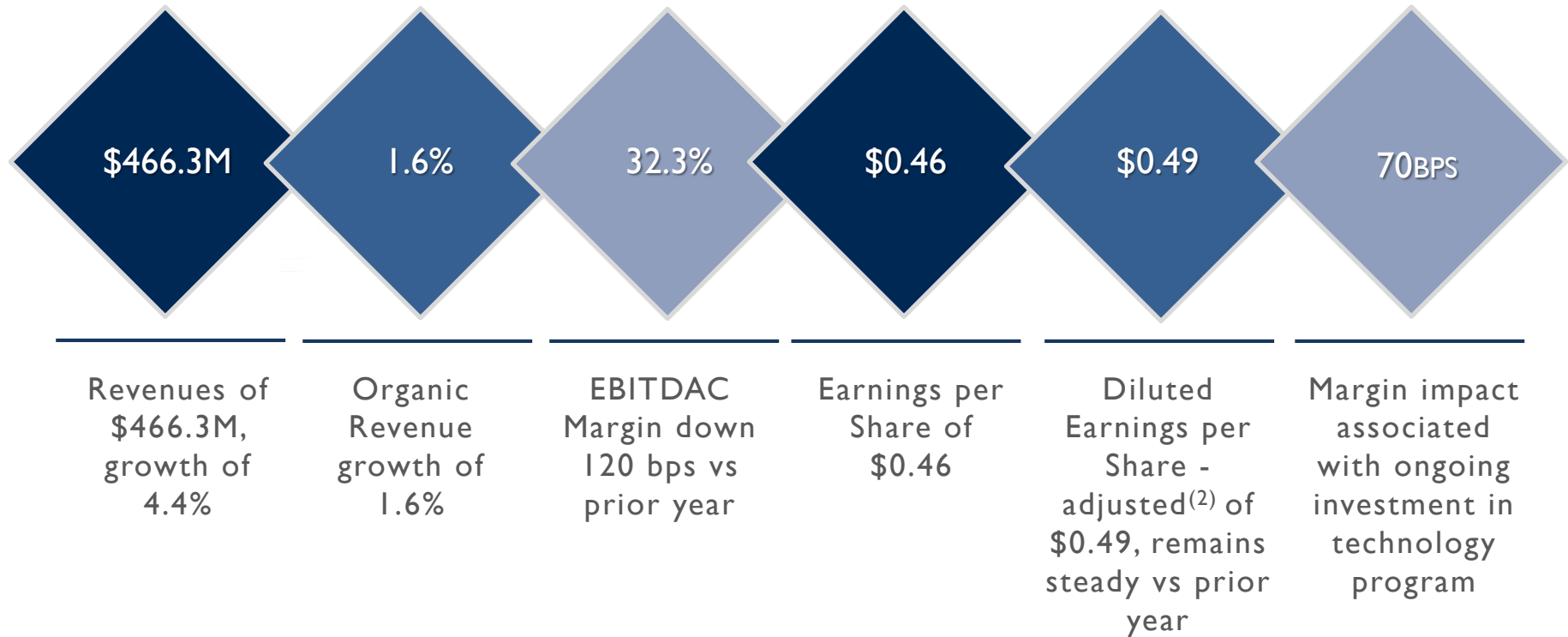
- **Net income – adjusted** is defined as Net income when removing the after-tax Change in estimated acquisition earn-out payables.
- **EBITDAC** is defined as income before interest, income taxes, depreciation, amortization and the Change in estimated acquisition earn-out payables.
- **EBITDAC Margin** is defined as EBITDAC divided by Total revenues.
- **Income before income taxes – adjusted** is defined as Income before income taxes, after removing the pre-tax Change in estimated acquisition earn-out payables.
- **Income before income taxes margin – adjusted** is defined as Income before income taxes – adjusted divided by Total revenues.
- **Diluted earnings per share – adjusted** is defined as Diluted earnings per share after removing the Change in estimated acquisition earn-out payables.

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"), and 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.



Second Quarter 2017 Results⁽¹⁾



(1) Unaudited financial results.

(2) Q2 2017 was adjusted for the removal of the expense associated with the Change in estimated acquisition earn-out payables of \$5.6M. Q2 2016 was adjusted for the removal of the expense associated with the Change in estimated acquisition earn-out payables of \$4.0M.



Market Overview – 2Q17



Continue to see economic expansion in many industries and geographic locations



Capital within the insurance market remains high, with risk bearers aggressively seeking to retain and write new business, putting pressure on premium rates



Further delay of ACA repeal or modification is causing continued concern regarding impact on healthcare costs and related impacts on potential tax reform



Premium rates for coastal properties down 5%-15%. Workers' compensation and Professional liability rates remain generally flat, with some lines up slightly



Commercial auto rates continue to trend upward toward 5% due to increasing frequency of losses. All other lines, flat to down slightly





Consolidated Financial Highlights

(\$ Millions, except per share data; unaudited)

Second Quarter

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$466.3	\$446.5	\$19.8	4.4%
Organic Revenue	\$441.9	\$435.1	\$6.8	1.6%
Income before income taxes	\$108.0	\$109.0	(\$1.0)	-0.9%
Income before income taxes margin	23.2%	24.4%		(120bps)
EBITDAC	\$150.6	\$149.8	\$0.8	0.5%
EBITDAC Margin	32.3%	33.5%		(120bps)
Net income	\$66.1	\$66.2	(\$0.1)	-0.2%
Diluted earnings per share	\$0.46	\$0.47	(\$0.01)	-2.1%
Weighted average number of shares outstanding – Diluted (in thousands)	139,101	137,581	1,520	1.1%
Dividends declared per share ⁽¹⁾	\$0.14	\$0.12	\$0.01	10.2%

(1) Actual dividend per share is \$0.1350, an increase of 10.2% vs \$0.1225 in 2016



Consolidated Financial Highlights – adjusted ⁽¹⁾

(\$ Millions, except per share data; unaudited)	Second Quarter			
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$466.3	\$446.5	\$19.8	4.4%
Organic Revenue	\$441.9	\$435.1	\$6.8	1.6%
Income before income taxes - adjusted	\$113.6	\$113.0	\$0.6	0.5%
Income before income taxes margin - adjusted	24.4%	25.3%		(90bps)
EBITDAC	\$150.6	\$149.8	\$0.8	0.5%
EBITDAC Margin	32.3%	33.5%		(120bps)
Net income - adjusted	\$69.5	\$68.7	\$0.8	1.2%
Diluted earnings per share - adjusted	\$0.49	\$0.49	\$0.00	0.0%

(1) Q2 2017 Income before income taxes was adjusted for the expense associated with the Change in estimated acquisition earn-out payables of \$5.6M. Q2 2016 was adjusted for the removal of the expense associated with the Change in estimated acquisition earn-out payables of \$4.0M.



Revenue Analysis

(\$ Millions; unaudited)		Second Quarter		
REVENUES	2017	2016	\$ Change	% Change
Total revenues	\$466.3	\$446.5	\$19.8	4.4%
Investment income	(0.4)	(0.5)	0.1	
Other income, net	(1.2)	(0.4)	(0.8)	
Commissions and fees	464.7	445.6	19.1	4.3%
Profit-sharing contingent commissions	(11.8)	(7.4)	(4.4)	
Guaranteed supplemental commissions	(3.0)	(2.7)	(0.3)	
Core commissions and fees	449.9	435.5	14.4	3.3%
Acquisitions	(8.0)	-	(8.0)	
Dispositions	-	(0.4)	0.4	
Organic Revenue	\$441.9	\$435.1	\$6.8	1.6%



EBITDAC Analysis

Second Quarter (unaudited)

EBITDAC Margin - 2016	33.5%
2016 Wright Tax Refunds	(0.6%)
2016 Gain on Disposal	(0.2%)
Incremental IT Investment	(0.7%)
Retail "5 for 5" Incentive Plan	(0.6%)
Other	0.9%
EBITDAC Margin - 2017	32.3%



Retail Segment

(\$ Millions; unaudited)

Second Quarter

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$239.0	\$234.6	\$4.4	1.9%
Organic Revenue	\$232.7	\$230.1	\$2.6	1.1%
Income before income taxes	\$48.0	\$49.2	(\$1.2)	(2.4%)
Income before income taxes margin	20.1%	21.0%		(90bps)
EBITDAC	\$72.9	\$75.7	(\$2.8)	(3.7%)
EBITDAC Margin	30.5%	32.3%		(180bps)

Business and Market Commentary

Continued solid new business across most lines of business and geographies

Organic revenue growth impacted by ~100bps of Q1/Q2 timing

Coastal property remains under pressure, larger increases in Auto and EB. Exposure units increasing slightly

Income before income taxes down due to incremental acquisition earn-out expense of \$1.1M, “5 for 5” incentive plan, technology investment, offset partially by lower intercompany interest charges

EBITDAC Margin decreased due to “5 for 5” incentive plan, incremental investment in technology and prior year gain on book of business sale



National Programs Segment

(\$ Millions; unaudited)

Second Quarter

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$113.7	\$108.8	\$4.9	4.5%
Organic Revenue	\$104.8	\$104.1	\$0.7	0.7%
Income before income taxes	\$23.4	\$22.2	\$1.2	5.4%
Income before income taxes margin	20.6%	20.4%		20bps
EBITDAC	\$41.3	\$42.8	(\$1.5)	(3.5%)
EBITDAC Margin	36.3%	39.3%		(300bps)

Business and Market Commentary

Total revenue benefitting from \$4.2M of incremental contingent commissions from multiple carriers

Organic Revenue growth driven by lender placed business & several other programs, offset by a change in carrier for two programs

Continue to engage with carriers regarding creation of new programs

Income before income taxes increased, due to lower interest charges, partially off-set by premium tax refunds in 2Q 2016

EBITDAC Margin decreased primarily due to non-recurring premium tax refunds in 2Q 2016 and lower organic revenue



Wholesale Brokerage Segment

(\$ Millions; unaudited)	Second Quarter			
	2017	2016	\$ Change	% Change
Total revenues	\$72.0	\$61.3	\$10.7	17.5%
Organic Revenue	\$62.8	\$59.1	\$3.7	6.2%
Income before income taxes	\$20.1	\$16.3	\$3.8	23.3%
Income before income taxes margin	27.9%	26.6%		130bps
EBITDAC	\$25.0	\$20.1	\$4.9	24.4%
EBITDAC Margin	34.7%	32.8%		190bps

Business and Market Commentary

Delivered growth across most lines of business, driven by solid new business, despite coastal property rate decreases in the range of 5%-15%

Business mix and moderating rate declines on coastal property rates have a positive impact on growth and margins

Income before income taxes up due to EBITDAC expansion, partially offset by increased intercompany interest charges

EBITDAC increase resulting from Organic Revenue growth, leveraging our scale



Services Segment

(\$ Millions; unaudited)	Second Quarter			
	2017	2016	\$ Change	% Change
Total revenues	\$41.6	\$41.8	(\$0.2)	(0.5%)
Organic Revenue	\$41.5	\$41.8	(\$0.3)	(0.7%)
Income before income taxes	\$8.4	\$6.9	\$1.5	21.7%
Income before income taxes margin	20.2%	16.5%		370bps
EBITDAC	\$10.8	\$9.8	\$1.0	10.2%
EBITDAC Margin	26.0%	23.4%		260bps

Business and Market Commentary

Organic Growth impacted by lower storm/hail claims in current quarter vs prior year

Advocacy and workers' compensation claims management business growing well on volumes and new business

EBITDAC Margin expansion due to timing of expenses related to our Advocacy business and cost control efforts



Arrowhead Core Commercial Highlights

- Division launched on July 5th, 2017 and is headquartered in Sun Prairie, Wisconsin
- QBE granted a multi-year commitment for underwriting authority to Arrowhead for the Core Commercial Program in all of North America
- Target market is standard commercial business with premiums generally under \$100K
- Core Commercial Program will consist of Business Owner and Commercial Package Policies
- Increased nationwide independent agency partners
- 50+ new teammates
- Early losses due to investment in technology platform and program start-up costs
- EBITDAC Margins for the Core Commercial Program in 2020 are projected to be commensurate with the margins of the National Programs division

(\$ Millions; unaudited)	2017	2018
Core commissions and Fees	\$6-\$8	\$15-\$17
Income before income taxes	(\$3)-(\$1)	(\$4)-(\$2)
EBITDAC	(\$3)-(\$1)	(\$4)-(\$2)



Closing Comments



Economy continues to improve, driving exposure unit improvement across most industries and geographies



Premium rates expected to remain flat to down for remainder of 2017



Optimistic about new Arrowhead Core Commercial offering and carrier changes in National Programs progressing well

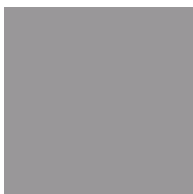


Technology programs continue to gain momentum, focused on core infrastructure and agency management system upgrades



M&A space remains very competitive. Actively engaging with many targets





Brown & Brown, Inc.

Second Quarter 2017 Reconciliation of Non-GAAP Measures





GAAP to adjusted Reconciliation – Second Quarter 2017

	Second Quarter		
	(\$ Millions, except per share data; unaudited)		
	<u>As Reported</u> <u>2017</u>	<u>Change in</u> <u>Earn-Out</u> <u>Payables</u>	<u>Adjusted</u> <u>2017</u>
Total revenues	\$466.3	-	\$466.3
Income before income taxes	\$108.0	\$5.6	\$113.6
<i>Income before income taxes margin</i>	23.2%	-	24.4%
Net income	\$66.1	\$3.4	\$69.5
Diluted earnings per share	\$0.46	\$0.03	\$0.49



GAAP to adjusted Reconciliation – Second Quarter 2016

(\$ Millions, except per share data; unaudited)

Second Quarter

	<u>As Reported</u> <u>2016</u>	<u>Change in</u> <u>Earn-Out</u> <u>Payables</u>	<u>Adjusted</u> <u>2016</u>
Total revenues	\$446.5	-	\$446.5
Income before income taxes	\$109.0	\$4.0	\$113.0
<i>Income before income taxes margin</i>	24.4%	-	25.3%
Net income	\$66.2	\$2.5	\$68.7
Diluted earnings per share	\$0.47	\$0.02	\$0.49



Income before income taxes to EBITDAC and EBITDAC Margin

(\$ Millions; unaudited)	Second Quarter	
	<u>Total</u>	
	<u>2017</u>	<u>2016</u>
Income before income taxes	\$108.0	\$109.0
<i>Income before income taxes margin</i>	23.2%	24.4%
Amortization	\$21.4	\$21.6
Depreciation	\$5.7	\$5.4
Interest	\$9.9	\$9.8
Change in estimated acquisition earn-out payables	\$5.6	\$4.0
EBITDAC	\$150.6	\$149.8
<i>EBITDAC Margin</i>	32.3%	33.5%

Income before income taxes to EBITDAC and EBITDAC Margin

(\$ Millions; unaudited)	Second Quarter							
	Retail		Programs		Wholesale		Services	
	2017	2016	2017	2016	2017	2016	2017	2016
Income before income taxes	\$48.0	\$49.2	\$23.4	\$22.2	\$20.1	\$16.3	\$8.4	\$6.9
<i>Income before income taxes margin</i>	20.1%	21.0%	20.6%	20.4%	27.9%	26.6%	20.2%	16.5%
Amortization	\$10.5	\$10.9	\$6.8	\$7.0	\$2.8	\$2.6	\$1.1	\$1.1
Depreciation	\$1.3	\$1.6	\$1.6	\$2.0	\$0.5	\$0.5	\$0.4	\$0.5
Interest	\$8.1	\$10.0	\$8.9	\$11.5	\$1.6	\$0.7	\$0.9	\$1.3
Change in estimated acquisition earn-out payables	\$5.0	\$4.0	\$0.6	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
EBITDAC	\$72.9	\$75.7	\$41.3	\$42.8	\$25.0	\$20.1	\$10.8	\$9.8
<i>EBITDAC Margin</i>	30.5%	32.3%	36.3%	39.3%	34.7%	32.8%	26.0%	23.4%

Commissions and Fees to Organic Revenue

	Second Quarter									
	Retail		Programs		Wholesale		Services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Commissions and Fees	\$238.0	\$234.1	\$113.6	\$108.5	\$71.6	\$61.2	\$41.5	\$41.8	\$464.7	\$445.6
Total Change	\$3.9		\$5.1		\$10.4		(\$0.3)		\$19.1	
Total Growth %	1.7%		4.7%		17.0%		(0.7%)		4.3%	
Contingents	\$1.4	\$1.4	\$8.6	\$4.4	\$1.9	\$1.6	\$0.0	\$0.0	\$11.9	\$7.4
GSCs	\$2.7	\$2.2	\$0.0	\$0.0	\$0.3	\$0.5	\$0.0	\$0.0	\$3.0	\$2.7
Core Commissions and Fees	\$233.9	\$230.5	\$105.0	\$104.1	\$69.4	\$59.1	\$41.5	\$41.8	\$449.8	\$435.5
Acquisition Revenues	\$1.2		\$0.2		\$6.6		\$0.0		\$8.0	
Divested Business		\$0.4		\$0.0		\$0.0		\$0.0		\$0.4
Organic Revenue	\$232.7	\$230.1	\$104.8	\$104.1	\$62.8	\$59.1	\$41.5	\$41.8	\$441.8	\$435.1
Organic Revenue Growth	\$2.6		\$0.7		\$3.7		(\$0.3)		\$6.6	
Organic Revenue Growth %	1.1%		0.7%		6.2%		(0.7%)		1.5%	

- (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”).



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 1983.

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