



Brown & Brown, Inc. Announces Quarterly Revenues of \$433.6 Million, an Increase of 7.1%; and Earnings per Share of \$0.41

January 23, 2017

DAYTONA BEACH, FL -- (Marketwired) -- 01/23/17 --

Brown & Brown, Inc. (NYSE: BRO) (the "Company") today announced its unaudited financial results for the fourth quarter of 2016.

Revenues for the fourth quarter of 2016 under U.S. generally accepted accounting principles ("GAAP") were \$433.6 million, an increase of \$28.9 million, or 7.1%, as compared to the fourth quarter of the prior year, with Organic Revenue (as defined below) increasing by 3.5%. Net income was \$57.7 million, a decrease of 0.7%, and diluted earnings per share were \$0.41, unchanged from the fourth quarter of the prior year. Excluding the impact of changes in acquisition earn-out payables, and the non-cash stock-based compensation adjustment in the fourth quarter of 2015, our diluted earnings per share - adjusted (as defined below) increased by in the fourth quarter of 2016 by 10.5%, as compared to the same period in 2015, to \$0.42.

Revenues for the twelve months ended December 31, 2016 under GAAP were \$1,766.6 million, an increase of \$106.0 million, or 6.4%, as compared to the same period of 2015, with Organic Revenue (as defined below) increasing by 3.0%. Net income was \$257.5 million, an increase of 5.7%, and diluted earnings per share for the twelve months ended December 31, 2016 were \$1.82, an increase of \$0.12, or 7.1%, as compared to the same period of 2015. Excluding the impact of changes in acquisition earn-out payables, our diluted earnings per share - adjusted (as defined below) increased in 2016 by 8.8%, as compared to the prior year, to \$1.86.

J. Powell Brown, President and Chief Executive Officer of the Company, noted, "We are pleased with the results of our businesses for the quarter and the year. These results would not have been possible without the efforts of our collective team."

Brown & Brown, Inc.
INTERNAL GROWTH SCHEDULE
Organic Revenue Growth⁽¹⁾
Three Months Ended December 31, 2016 and 2015
(in millions, unaudited)

	Three Months Ended		Change		Acquisition Revenues	Organic Revenue Growth⁽¹⁾	
	12/31/2016	12/31/2015	\$	%		\$	%
Retail ⁽²⁾	\$ 218.5	\$ 209.8	\$ 8.7	4.1%	\$ 4.1	\$ 4.6	2.2%
National Programs	109.8	104.2	5.6	5.3%	-	5.6	5.3%
Wholesale Brokerage	56.4	47.1	9.3	19.9%	8.0	1.3	2.9%
Services	38.4	34.1	4.3	12.6%	2.2	2.1	6.2%
Total Core Comm. and Fees	\$ 423.1	\$ 395.2	\$ 27.9	7.1%	\$ 14.2	\$ 13.7	3.5%

Brown & Brown, Inc.
INTERNAL GROWTH SCHEDULE
Organic Revenue Growth⁽¹⁾
Twelve Months Ended December 31, 2016 and 2015
(in millions, unaudited)

	Twelve Months Ended		Change		Acquisition Revenues	Organic Revenue Growth⁽¹⁾	
	12/31/2016	12/31/2015	\$	%		\$	%
Retail ⁽²⁾	\$ 881.1	\$ 834.2	\$ 46.9	5.6%	\$ 31.2	\$ 15.7	1.9%
National Programs	430.5	411.6	18.9	4.6%	1.7	17.2	4.2%
Wholesale Brokerage	229.7	200.8	28.8	14.4%	20.2	8.7	4.3%
Services	156.0	141.9	14.1	9.9%	8.7	5.4	3.8%
Total Core Comm. and Fees	\$ 1,697.3	\$ 1,588.5	\$ 108.8	6.8%	\$ 61.7	\$ 47.0	3.0%

1. "Organic Revenue" is defined as total commissions and fees less (i) the first twelve months of net 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 or books of business sold by the Company) with the associated revenue removed from the corresponding period of the prior year.

2. The Retail Segment includes commissions and fees, which will be reported in the "Other" column of the Segment Information in the Notes to the Consolidated Financial Statements on the Company's Form 10-K, which includes corporate and consolidation items.

Brown & Brown, Inc.
RECONCILIATION OF INTERNAL GROWTH SCHEDULE
TO TOTAL COMMISSIONS AND FEES
Included in the Consolidated Statements of Income
Three and Twelve Months Ended December 31, 2016 and 2015
(in millions, unaudited)

	Three Months Ended		Twelve Months Ended	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Total Core Commissions and Fees	\$ 423.1	\$ 395.2	\$ 1,697.3	\$ 1,588.5
Profit-Sharing Contingent Commissions	7.4	6.0	54.0	51.8
Guaranteed Supplemental Commissions	2.6	2.0	11.5	10.0
Divested Businesses	-	0.9	-	6.7
Total Commissions and Fees	\$ 433.1	\$ 404.1	\$ 1,762.8	\$ 1,657.0

In order to arrive at results that we believe are more comparable to the prior year, we exclude the change in estimated acquisition earn-out payables for all periods and a non-cash stock-based compensation adjustment in the fourth quarter of 2015. Our diluted earnings per share - adjusted (as defined below) were \$0.42 for the three months ended December 31, 2016, an increase of 10.5% over the fourth quarter of the prior year. For the twelve months ended December 31, 2016, diluted earnings per share - adjusted were \$1.86 compared to \$1.71 in the same period of the prior year, an increase of 8.8%.

Brown & Brown, Inc.
GAAP EARNINGS PER SHARE RECONCILIATION TO
EARNINGS PER SHARE - ADJUSTED
Three Months Ended December 31, 2016 and 2015
(unaudited)

	Three Months Ended		Change	
	12/31/2016	12/31/2015	\$	%
GAAP earnings per share - as reported	\$ 0.41	\$ 0.41	\$ -	-%
Non-cash stock-based compensation adjustment	-	(0.03)	0.03	
Change in estimated acquisition earn-out payables	0.01	-	0.01	
Earnings per share - adjusted	\$ 0.42	\$ 0.38	\$ 0.04	10.5%

Brown & Brown, Inc.
GAAP EARNINGS PER SHARE RECONCILIATION TO
EARNINGS PER SHARE - ADJUSTED
Twelve Months Ended December 31, 2016 and 2015
(unaudited)

	Twelve Months Ended		Change	
	12/31/2016	12/31/2015	\$	%
GAAP earnings per share - as reported	\$ 1.82	\$ 1.70	\$ 0.12	7.1%
Change in estimated acquisition earn-out payables	0.04	0.01	0.03	
Earnings per share - adjusted	\$ 1.86	\$ 1.71	\$ 0.15	8.8%

In order to provide a better understanding of our business, we evaluate EBITDAC (as defined below) performance. EBITDAC for the fourth quarter of 2016 was \$134.1 million, an increase of \$1.0 million or 0.8%, compared to the fourth quarter of the prior year. The EBITDAC Margin (as defined below) decreased from 32.9% in the fourth quarter of 2015 to 30.9% in the fourth quarter of 2016, as a result of the pre-tax credit adjustment of \$8.1 million for non-cash stock-based compensation recorded in the fourth quarter of 2015. Excluding this adjustment the EBITDAC Margin for the fourth quarter of 2016 was unchanged from the fourth quarter of 2015. For the twelve months ended December 31, 2016, EBITDAC increased by 4.8%, as compared to the twelve months of 2015.

Brown & Brown, Inc.
GAAP RECONCILIATION -
INCOME BEFORE INCOME TAXES TO EBITDAC ⁽³⁾
Three and Twelve Months Ended December 31, 2016 and 2015
(in millions, unaudited)

	Three Months Ended		Twelve Months Ended	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Income before income taxes	\$ 95.0	\$ 95.2	\$ 423.5	\$ 402.8
Amortization	21.7	22.0	86.7	87.4
Depreciation	5.1	5.3	21.0	20.9
Interest	9.9	9.8	39.5	39.2
Change in estimated acquisition earn-out payables	2.4	0.8	9.2	3.0
EBITDAC	\$ 134.1	\$ 133.1	\$ 579.9	\$ 553.3
EBITDAC Margin ⁽⁴⁾	30.9%	32.9%	32.8%	33.3%

3. "EBITDAC" is defined as income before interest, income taxes, depreciation, amortization and the change in estimated acquisition earn-out payables.

4. "EBITDAC Margin" is defined as EBITDAC divided by total revenues.

Brown & Brown, Inc.
EBITDAC RECONCILIATION TO
EBITDAC ⁽³⁾ - ADJUSTED
Three Months Ended December 31, 2016 and 2015
(in millions, unaudited)

	Three Months Ended		Change	
	12/31/2016	12/31/2015	\$	%
EBITDAC	\$ 134.1	\$ 133.1	\$ 1.0	0.8%
Non-cash stock-based compensation adjustment	-	(8.1)	8.1	
EBITDAC - Adjusted	\$ 134.1	\$ 125.0	\$ 9.1	7.3%

Brown & Brown, Inc.
EBITDAC MARGIN RECONCILIATION TO
EBITDAC MARGIN ⁽⁴⁾ - ADJUSTED
Three and Twelve Months Ended December 31, 2016 and 2015
(in millions, unaudited)

	Three Months Ended		Twelve Months Ended	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
EBITDAC Margin	30.9%	32.9%	32.8%	33.3%
Non-cash stock-based compensation adjustment	-	(2.0)	-	-
EBITDAC Margin - Adjusted	30.9%	30.9%	32.8%	33.3%

Brown & Brown, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data; unaudited)

	For the three months ended		For the twelve months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
REVENUES				
Commissions and fees	\$ 433.1	\$ 404.1	\$ 1,762.8	\$ 1,657.0
Investment income	0.3	0.3	1.4	1.0
Other income, net	0.2	0.3	2.4	2.6
Total revenues	433.6	404.7	1,766.6	1,660.6
EXPENSES				
Employee compensation and benefits	232.2	211.5	925.1	856.9
Other operating expenses	65.4	59.4	262.9	251.0
Loss (Gain) on disposal	1.9	0.7	(1.3)	(0.6)
Amortization	21.7	22.0	86.7	87.4
Depreciation	5.1	5.3	21.0	20.9
Interest	9.9	9.8	39.5	39.2
Change in estimated acquisition earn-out payables	2.4	0.8	9.2	3.0
Total expenses	338.6	309.5	1,343.1	1,257.8
Income before income taxes	95.0	95.2	423.5	402.8
Income taxes	37.3	37.1	166.0	159.2
Net income	\$ 57.7	\$ 58.1	\$ 257.5	\$ 243.6

Net income per share:				
Basic	\$	0.41	\$	0.41
Diluted	\$	0.41	\$	0.41
	\$	1.84	\$	1.72
	\$	1.82	\$	1.70
Weighted average number of shares outstanding:				
Basic		136,547		136,710
Diluted		138,405		139,113
				136,139
				137,804
Dividends declared per share	\$	0.14	\$	0.12
	\$		\$	0.50
	\$		\$	0.45

Brown & Brown, Inc.
CONSOLIDATED BALANCE SHEETS
(in millions, except share data, unaudited)

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 515.7	\$ 443.4
Restricted cash and investments	265.6	229.8
Short-term investments	15.0	13.7
Premiums, commissions and fees receivable	502.5	433.8
Reinsurance recoverable	78.1	32.0
Prepaid reinsurance premiums	308.7	309.6
Deferred income taxes	24.6	24.6
Other current assets	<u>50.6</u>	<u>50.4</u>
Total current assets	1,760.7	1,537.3
Fixed assets, net	75.8	81.8
Goodwill	2,675.4	2,586.7
Amortizable intangible assets, net	707.5	744.7
Investments	23.0	18.1
Other assets	<u>44.9</u>	<u>35.9</u>
Total assets	<u>\$ 5,287.3</u>	<u>\$ 5,004.5</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Premiums payable to insurance companies	\$ 647.6	\$ 574.7
Losses and loss adjustment reserve	78.1	32.0
Unearned premiums	308.7	309.6
Premium deposits and credits due customers	83.8	83.1
Accounts payable	69.6	63.9
Accrued expenses and other liabilities	202.0	192.2
Current portion of long-term debt	<u>55.5</u>	<u>73.1</u>
Total current liabilities	1,445.2	1,328.5
Long-term debt	1,018.4	1,071.6
Deferred income taxes, net	382.3	360.9
Other liabilities	81.3	93.6
Shareholders' equity:		
Common stock, par value \$0.10 per share; authorized 280,000 shares; issued 148,107 shares and outstanding 140,104 shares at 2016, issued 146,415 shares and outstanding 138,985 shares at 2015 - in thousands	14.8	14.6
Additional paid-in capital	468.4	426.6
Treasury stock, at cost 8,003 and 7,430 shares at 2016 and 2015, respectively - in thousands	(257.7)	(238.8)
Retained earnings	<u>2,134.6</u>	<u>1,947.4</u>
Total shareholders' equity	<u>2,360.1</u>	<u>2,149.8</u>
Total liabilities and shareholders' equity	<u>\$ 5,287.3</u>	<u>\$ 5,004.5</u>

Conference call, webcast and slide presentation

A conference call to discuss the results of the fourth quarter of 2016 will be held on Tuesday, January 24, 2017 at 8:00 AM (EST). The Company may refer to a slide presentation during its conference call. You can access the webcast and the slides from the "Investor Relations" section of the Company's website at www.bbinsurance.com.

About Brown & Brown

Brown & Brown, Inc., through its subsidiaries, offers a broad range of insurance products and services. Additionally, certain Brown & Brown

subsidiaries offer a variety of risk management, third-party administration, and other services. Serving business, public entity, individual, trade and professional association clients nationwide, the Company is ranked by *Business Insurance* magazine as the United States' sixth largest independent insurance intermediary. The Company's Web address is www.bbinsurance.com.

Forward-looking statements

This press release may contain certain statements relating to future results which are forward-looking statements, including those relating to the Company's anticipated financial results for the fourth quarter and full year of 2016. These statements are not historical facts, but instead represent only the Company's current belief regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company's control. It is possible that the Company's actual results, financial condition and achievements may differ, possibly materially, from the anticipated results, financial condition and achievements contemplated by these forward-looking statements. These risks and uncertainties include, but are not limited to, the Company's determination as it finalizes its financial results for the fourth quarter and full year of 2016 that its financial results differ from the current preliminary unaudited numbers set forth herein; fluctuations in the Company's stock's market price; fluctuations in operating results and cash flows; material adverse changes in economic conditions in the markets we serve and in the general economy; downward commercial property and casualty premium pressures; future regulatory actions and conditions in the states in which the Company conducts business; competition from others in the insurance agency, wholesale brokerage, insurance programs and service business; the integration of the Company's operations with those of businesses or assets the Company has acquired or may acquire in the future and the failure to realize the expected benefits of such integration; the potential occurrence of a disaster that affects certain areas including, but not limited to, the States of California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Massachusetts, Michigan, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia and/or Washington, where significant portions of the Company's business are conducted; 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, 2015, 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.

Non-GAAP supplemental financial information

This press release contains references to non-GAAP financial measures as defined in Regulation G of SEC rules, including Organic Revenue, Earnings Per Share - Adjusted, EBITDAC, EBITDAC - Adjusted, EBITDAC Margin, and EBITDAC Margin - Adjusted. A reconciliation of this supplemental non-GAAP financial information to the Company's GAAP information is contained in this earnings release. We present such non-GAAP supplemental financial information, as we believe such information is of interest to the investment community because 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 GAAP basis. This supplemental financial information should be considered in addition to, not in lieu of, the Company's consolidated financial statements.

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Source: Brown & Brown, Inc.