



Brown & Brown, Inc. Announces Quarterly Revenues of \$475.6 Million, an Increase of 2.9%, and Earnings Per Share of \$0.53

October 16, 2017

DAYTONA BEACH, Fla., Oct. 16, 2017 (GLOBE NEWSWIRE) -- Brown & Brown, Inc. (NYSE:BRO) (the "Company") today announced its unaudited financial results for the third quarter of 2017.

Revenues for the third quarter of 2017 under U.S. generally accepted accounting principles ("GAAP") were \$475.6 million, increasing \$13.3 million, or 2.9%, compared to the third quarter of the prior year, with Commissions and fees increasing by 2.8% and Organic Revenue (as defined below) increasing by 3.4%. Net income was \$75.9 million, increasing \$4.5 million, or 6.3%, and diluted earnings per share were \$0.53, increasing by 6.0%, compared to the third quarter of the prior year.

Revenues for the nine months ended September 30, 2017 under GAAP were \$1,407.0 million, increasing \$74.0 million, or 5.6%, compared to the same period of 2016, with Commissions and fees increasing by 4.1% and Organic Revenue (as defined below) increasing by 2.8%. Net income was \$212.1 million, increasing by 6.2%, and diluted earnings per share for the nine months ended September 30, 2017 were \$1.49, an increase of \$0.08, or 5.7%, compared to the first nine months of 2016. For the first nine months of 2017, our Total revenues - adjusted (as defined below) increased by \$54.0 million, or 4.1%, and our Diluted earnings per share - adjusted (as defined below) were \$1.44, decreasing by 0.7%, compared to the first nine months of 2016.

J. Powell Brown, President and Chief Executive Officer of the Company noted, "We are pleased with the results for the quarter as each of our divisions delivered good organic revenue growth, and we provided nice growth in our earnings per share. As announced on October 12, 2017, our Board of Directors approved an 11.1% increase to our dividend, and I am pleased to note that this is our 24th consecutive year of dividend increases."

Brown & Brown, Inc.

RECONCILIATION OF TOTAL REVENUES TO

TOTAL REVENUES - ADJUSTED⁽¹⁾

Nine Months Ended September 30, 2017 and 2016

(in millions, unaudited)

	Three Months Ended		Change		Nine Months Ended		Change	
	9/30/2017	9/30/2016	\$	%	9/30/2017	9/30/2016	\$	%
Total revenues	\$ 475.6	\$ 462.3	\$ 13.3	2.9 %	\$ 1,407.0	\$ 1,333.0	\$ 74.0	5.6 %
Legal Settlement	—	—	—		(20.0)	—	(20.0)	
Total revenues - adjusted	\$ 475.6	\$ 462.3	\$ 13.3	2.9 %	\$ 1,387.0	\$ 1,333.0	\$ 54.0	4.1 %

(1) "Total revenues - adjusted," a non-GAAP measure, is defined as Total revenues, excluding the beneficial impact of the \$20.0 million legal settlement with AssuredPartners, Inc., which occurred in the first quarter of 2017 (the "Legal Settlement").

Brown & Brown, Inc.

RECONCILIATION OF COMMISSIONS AND FEES

TO ORGANIC REVENUE⁽²⁾

Three and Nine Months Ended September 30, 2017 and 2016

(in millions, unaudited)

	Three Months Ended		Nine Months Ended	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
Commissions and fees	\$ 474.6	\$ 461.8	\$ 1,383.9	\$ 1,329.7
Less profit-sharing contingent commissions	3.5	8.2	45.4	46.6
Less guaranteed supplemental commissions	2.5	3.1	8.2	8.9
Core commissions and fees	468.6	450.5	1,330.3	1,274.2
Less acquisition revenues	4.3	—	22.9	—

Less divested businesses	—	1.4	—	2.3
Organic revenue	\$ 464.3	\$ 449.1	\$ 1,307.4	\$ 1,271.9
Organic revenue growth	\$ 15.2		\$ 35.5	
Organic revenue growth %	3.4	%	2.8	%

(2) "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. We view Organic Revenue as an important indicator 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.

Diluted earnings per share for the three months ended September 30, 2017 were \$0.53, increasing by 6.0%, compared to the third quarter of the prior year. Diluted earnings per share for the nine months ended September 30, 2017 were \$1.49, an increase of \$0.08, or 5.7%, compared to the first nine months of 2016. In order to arrive at results that are more comparable to the prior periods, we calculate Diluted earnings per share - adjusted (as defined below), which were \$0.53 for the three months ended September 30, 2017, an increase of 1.9% over the third quarter of the prior year. For the nine months ended September 30, 2017, Diluted earnings per share - adjusted (as defined below) were \$1.44, a decrease of \$0.01, or 0.7%, compared to the first nine months of 2016. We believe that Diluted earnings per share - adjusted (as defined below) provides a meaningful representation of our operating performance and improves the comparability of our results between periods by eliminating the impact of Change in estimated acquisition earn-out payables and certain other non-recurring or infrequently occurring items that have a high degree of variability from period-to-period and that we believe are not indicative of the Company's ongoing performance.

Brown & Brown, Inc.

RECONCILIATION OF GAAP DILUTED EARNINGS PER SHARE TO

DILUTED EARNINGS PER SHARE - ADJUSTED⁽³⁾

Three and Nine Months Ended September 30, 2017 and 2016

(unaudited)

	Three Months Ended		Change		Nine Months Ended		Change	
	9/30/2017	9/30/2016	\$	%	9/30/2017	9/30/2016	\$	%
Diluted earnings per share - GAAP basis	\$ 0.53	\$ 0.50	\$ 0.03	6.0 %	\$ 1.49	\$ 1.41	\$ 0.08	5.7 %
Legal Settlement - net of associated legal costs	—	—	—		(0.08)	—	(0.08)	
Change in estimated acquisition earn-out payables	—	0.02	(0.02)		0.03	0.03	—	
Impact of accounting change ⁽⁴⁾	—	—	—		—	0.01	(0.01)	
Diluted earnings per share - adjusted	\$ 0.53	\$ 0.52	\$ 0.01	1.9 %	\$ 1.44	\$ 1.45	\$ (0.01)	(0.7)%

(3) "Diluted earnings per share - adjusted," a non-GAAP measure, is defined as Diluted earnings per share, excluding the Legal Settlement net of associated legal costs, the Change in estimated acquisition earn-out payables, and the impact of adopting ASU 2016-09.

(4) Presents prior year on the same basis as current year due to adoption of ASU 2016-09.

Income before income taxes for the third quarter was \$124.4 million, an increase of \$7.6 million or 6.5%, and the Income before income taxes margin increased from 25.3% to 26.2%. For the nine months ended September 30, 2017, Income before income taxes was \$343.4 million, an increase of \$14.9 million or 4.5%, and the Income before income taxes margin decreased from 24.6% to 24.4%. In order to provide a better understanding of our business, we evaluate EBITDAC (as defined below) performance. EBITDAC for the third quarter of 2017 was \$159.2 million, an increase of \$1.9 million or 1.2%, compared to the third quarter of the prior year. EBITDAC Margin (as defined below) decreased from 34.0% in the third quarter of 2016 to 33.5% in the third quarter of 2017. For the nine months ended September 30, 2017, EBITDAC was \$462.2 million, an increase of 3.7% compared to the first nine months of 2016. Our EBITDAC Margin - adjusted (as defined below) decreased from 33.4% for the nine months ended September 30, 2016 to 31.5% compared to the first nine months of 2017. We view EBITDAC, EBITDAC Margin and EBITDAC Margin - adjusted (as defined below) as important indicators when assessing and evaluating our performance because they allow us to determine comparable, but non-GAAP, measurements of our operating margins in a meaningful and consistent manner.

Brown & Brown, Inc.

RECONCILIATION OF

INCOME BEFORE INCOME TAXES TO EBITDAC⁽⁵⁾

Three and Nine Months Ended September 30, 2017 and 2016

(in millions, unaudited)

	Three Months Ended				Nine Months Ended			
	9/30/2017		9/30/2016		9/30/2017		9/30/2016	
Income before income taxes	\$ 124.4		\$ 116.8		\$ 343.4		\$ 328.5	
Income before income taxes margin ⁽⁶⁾	26.2	%	25.3	%	24.4	%	24.6	%
Amortization	21.4		21.8		64.4		65.0	
Depreciation	5.4		5.2		17.2		15.9	
Interest	9.3		9.9		28.9		29.6	
Change in estimated acquisition earn-out payables	(1.3)		3.6		8.3		6.8	
EBITDAC	\$ 159.2		\$ 157.3		\$ 462.2		\$ 445.8	
EBITDAC Margin⁽⁷⁾	33.5	%	34.0	%	32.9	%	33.4	%
Legal Settlement - net of associated legal costs	—		—		(18.8)		—	
EBITDAC - adjusted	\$ 159.2		\$ 157.3		\$ 443.4		\$ 445.8	
EBITDAC Margin - adjusted⁽⁸⁾	33.5	%	34.0	%	31.5	%	33.4	%

5. "EBITDAC," a non-GAAP measure, is defined as income before interest, income taxes, depreciation, amortization and the change in estimated acquisition earn-out payables.

6. "Income before income taxes margin" is defined as Income before income taxes divided by Total revenues.

7. "EBITDAC Margin," a non-GAAP measure, is defined as EBITDAC divided by Total revenues.

8. "EBITDAC Margin - adjusted," a non-GAAP measure, is defined as EBITDAC - adjusted divided by Total revenues-adjusted. A reconciliation of Total revenues to Total revenues - adjusted is set forth in a table above in this press release.

Brown & Brown, Inc.

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
REVENUES				
Commissions and fees	\$ 474.6	\$ 461.8	\$ 1,383.9	\$ 1,329.7
Investment income	0.5	0.1	1.1	1.1
Other income, net	0.5	0.4	22.0	2.2
Total revenues	475.6	462.3	1,407.0	1,333.0
EXPENSES				
Employee compensation and benefits	246.2	237.7	736.5	692.9
Other operating expenses	72.1	67.7	210.3	197.5
Gain on disposal	(1.9)	(0.4)	(2.0)	(3.2)
Amortization	21.4	21.8	64.4	65.0
Depreciation	5.4	5.2	17.2	15.9
Interest	9.3	9.9	28.9	29.6
Change in estimated acquisition earn-out payables	(1.3)	3.6	8.3	6.8
Total expenses	351.2	345.5	1,063.6	1,004.5
Income before income taxes	124.4	116.8	343.4	328.5
Income taxes	48.5	45.4	131.3	128.7
Net income	\$ 75.9	\$ 71.4	\$ 212.1	\$ 199.8
Net income per share:				
Basic	\$ 0.54	\$ 0.51	\$ 1.52	\$ 1.43

Diluted	\$ 0.53	\$ 0.50	\$ 1.49	\$ 1.41
Weighted average number of shares outstanding - in thousands:				
Basic	136,346	136,461	136,592	136,002
Diluted	138,893	138,182	139,011	137,584
Dividends declared per share	\$ 0.14	\$ 0.12	\$ 0.41	\$ 0.37

Brown & Brown, Inc.

CONSOLIDATED BALANCE SHEETS

(in millions, except per share data, unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 546.5	\$ 515.7
Restricted cash and investments	276.7	265.6
Short-term investments	29.2	15.0
Premiums, commissions and fees receivable	526.0	502.5
Reinsurance recoverable	2,160.3	78.1
Prepaid reinsurance premiums	332.2	308.7
Other current assets	45.5	50.6
Total current assets	3,916.4	1,736.2
Fixed assets, net	71.3	75.8
Goodwill	2,701.4	2,675.4
Amortizable intangible assets, net	656.1	707.5
Investments	14.1	23.0
Other assets	55.0	44.9
Total assets	\$ 7,414.3	\$ 5,262.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Premiums payable to insurance companies	\$ 653.3	\$ 647.6
Losses and loss adjustment reserve	2,160.3	78.1
Unearned premiums	332.2	308.7
Premium deposits and credits due customers	97.9	83.8
Accounts payable	63.6	69.6
Accrued expenses and other liabilities	204.3	202.0
Current portion of long-term debt	120.0	55.5
Total current liabilities	3,631.6	1,445.3
Long-term debt	860.7	1,018.4
Deferred income taxes, net	382.2	357.7
Other liabilities	56.1	81.3
Shareholders' equity:		
Common stock, par value \$0.10 per share; authorized 280,000 shares; issued 148,838 shares and outstanding 139,518 shares at 2017, issued 148,107 shares and outstanding 140,104 shares at 2016	14.9	14.8

Additional paid-in capital	493.9	468.4
Treasury stock, at cost 9,320 and 8,003 shares at 2017 and 2016, respectively - in thousands	(315.1) (257.7
Retained earnings	2,290.0	2,134.6
Total shareholders' equity	2,483.7	2,360.1
Total liabilities and shareholders' equity	\$ 7,414.3	\$ 5,262.8

Conference call, webcast and slide presentation

A conference call to discuss the results of the third quarter of 2017 will be held on Tuesday, October 17, 2017 at 8:00 AM (EDT). 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 third quarter of 2017. 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 third quarter of 2017 that its 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, 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 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, 2016, 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 the following non-GAAP financial measures as defined in Regulation G of SEC rules: Organic Revenue, Total Revenues - Adjusted, Diluted Earnings Per Share - Adjusted, EBITDAC, EBITDAC - Adjusted, EBITDAC Margin, and EBITDAC Margin - Adjusted.

Reconciliations of these supplemental non-GAAP financial information to the Company's GAAP information are contained in this earnings release. These measures are not in accordance with, or an alternative to the GAAP information provided in the Company's condensed consolidated financial statements. We present such non-GAAP supplemental financial information 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 GAAP basis. We believe these non-GAAP measures improve the comparability of results between periods by eliminating the impact of certain items that have a high degree of variability. We believe that Organic Revenue provides a meaningful representation of the Company's operating performance; the Company has historically viewed Organic Revenue growth as an important indicator when assessing and evaluating the performance of its four segments. As disclosed in our most recent proxy statement, we use Organic Revenue and EBITDAC Margin for incentive compensation determinations for executive officers and other key employees.

Our industry peers may provide similar supplemental non-GAAP information with respect to one or more of these measures, although they may not use the same or comparable terminology and may not make identical adjustments. This supplemental financial information should be considered in addition to, and not in lieu of, the Company's condensed consolidated financial statements.

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