

Diluted net income per share	\$ 0.33	\$ 0.26	\$ 0.07	26.9	%	\$ 0.73	\$ 0.58	\$ 0.15	25.9	%
Change in estimated acquisition earn-out payables	(0.01)	—	(0.01)			(0.01)	0.01	(0.02)		
Diluted Net Income Per Share - Adjusted	\$ 0.32	\$ 0.26	\$ 0.06	23.1	%	\$ 0.72	\$ 0.59	\$ 0.13	22.0	%

(2) "Diluted Net Income Per Share - Adjusted," a non-GAAP measure, is defined as diluted net income per share, excluding the change in estimated acquisition earn-out payables. We believe Diluted Net Income Per Share - Adjusted provides a meaningful representation of our operating performance and improves the comparability of our results between periods by excluding the impact of the 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.

Income before income taxes for the second quarter of 2019 was \$123.5 million, an increase of \$22.6 million, or 22.4%, and Income Before Income Taxes Margin⁽³⁾ increased from 21.3% to 21.5% as compared to the second quarter of the prior year.

In order to provide a better understanding of our business, we evaluate EBITDAC⁽⁴⁾ performance. We view EBITDAC and EBITDAC Margin⁽⁵⁾ as important indicators when assessing and evaluating our performance, as they present more comparable, but non-GAAP, measurements of our operating margins in a meaningful and consistent manner. EBITDAC for the second quarter of 2019 was \$168.6 million, an increase of \$30.9 million, or 22.4%, compared to the second quarter of the prior year. EBITDAC Margin increased from 29.1% to 29.3% in the second quarter of 2019, as compared to the second quarter of the prior year.

Income before income taxes for the six months ended June 30, 2019, was \$272.0 million, an increase of \$52.7 million or 24.0% and Income Before Income Taxes Margin increased from 22.5% to 22.8%, as compared to the same period of 2018. EBITDAC for the six months ended June 30, 2019 was \$365.7 million, an increase of \$71.3 million, or 24.2%, as compared to the same period of 2018. EBITDAC Margin increased from 30.2% to 30.6% for the six months ended June 30, 2019, as compared to the same period of 2018.

Reconciliation of Income Before Income Taxes to EBITDAC
Three and Six Months Ended June 30, 2019 and 2018
(in millions, unaudited)

	Three Months Ended		Six Months Ended		
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	
Income before income taxes	\$ 123.5	\$ 100.9	\$ 272.0	\$ 219.3	
Income Before Income Taxes Margin	21.5	% 21.3	% 22.8	% 22.5	%
Amortization	25.9	20.8	52.1	41.3	
Depreciation	5.7	5.6	11.7	11.2	
Interest	16.3	10.0	31.5	19.7	
Change in estimated acquisition earn-out payables	(2.8)	0.4	(1.6)	2.9	
EBITDAC	\$ 168.6	\$ 137.7	\$ 365.7	\$ 294.4	
EBITDAC Margin	29.3	% 29.1	% 30.6	% 30.2	%

(3) "Income Before Income Taxes Margin" is defined as income before income taxes divided by total revenues.

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

(5) "EBITDAC Margin," a non-GAAP measure, is defined as EBITDAC divided by total revenues.

Brown & Brown, Inc.
Consolidated Statements of Income
(in millions, except per share data; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUES				
Commissions and fees	\$ 572.9	\$ 472.0	\$ 1,190.4	\$ 972.4
Investment income	1.5	0.7	2.6	1.3
Other income, net	0.8	0.4	1.5	0.9
Total revenues	575.2	473.1	1,194.5	974.6
EXPENSES				
Employee compensation and benefits	309.6	252.0	642.5	522.9
Other operating expenses	98.0	83.7	186.8	160.0
Loss/(Gain) on disposal	(1.0)	(0.3)	(0.5)	(2.7)
Amortization	25.9	20.8	52.1	41.3
Depreciation	5.7	5.6	11.7	11.2
Interest	16.3	10.0	31.5	19.7
Change in estimated acquisition earn-out payables	(2.8)	0.4	(1.6)	2.9
Total expenses	451.7	372.2	922.5	755.3

Income before income taxes	123.5	100.9	272.0	219.3
Income taxes	30.9	27.0	65.5	54.6
Net income	\$ 92.6	\$ 73.9	\$ 206.5	\$ 164.7
Net income per share:				
Basic	\$ 0.33	\$ 0.27	\$ 0.73	\$ 0.60
Diluted	\$ 0.33	\$ 0.26	\$ 0.73	\$ 0.58
Weighted average number of shares outstanding - in thousands:				
Basic	272,563	270,081	272,621	270,126
Diluted	274,402	275,908	274,704	275,809
Dividends declared per share	\$ 0.080	\$ 0.075	\$ 0.160	\$ 0.150

Brown & Brown, Inc.
Consolidated Balance Sheets
(in millions, except per share data, unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 432.6	\$ 439.0
Restricted cash and investments	382.2	338.6
Short-term investments	10.5	12.9
Premiums, commissions and fees receivable	913.9	844.8
Reinsurance recoverable	77.3	65.4
Prepaid reinsurance premiums	343.6	337.9
Other current assets	131.4	128.7
Total current assets	2,291.5	2,167.3
Fixed assets, net	122.5	100.4
Operating lease assets	184.0	—
Goodwill	3,551.7	3,432.8
Amortizable intangible assets, net	899.6	898.8
Investments	24.9	17.4
Other assets	90.6	72.0
Total assets	\$ 7,164.8	\$ 6,688.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Premiums payable to insurance companies	\$ 979.4	\$ 857.6
Losses and loss adjustment reserve	77.4	65.2
Unearned premiums	343.6	337.9
Premium deposits and credits due customers	93.8	105.6
Accounts payable	98.9	87.3
Accrued expenses and other liabilities	259.1	279.4
Current portion of long-term debt	55.0	50.0
Total current liabilities	1,907.2	1,783.0
Long-term debt	1,426.8	1,457.0
Operating lease liabilities	169.5	—
Deferred income taxes, net	310.5	315.7
Other liabilities	170.2	132.4
Shareholders' equity:		

Common stock, par value \$0.10 per share; authorized 560,000 shares; issued 295,819 shares and outstanding 281,456 shares at 2019, issued 293,380 shares and outstanding 279,583 shares at 2018 - in thousands.	29.6	29.3
Additional paid-in capital	653.4	615.3
Treasury stock, at cost 14,363 shares at 2019 and 13,797 shares at 2018, respectively - in thousands.	(497.6	) (477.6
Retained earnings	2,995.2	2,833.6
Total shareholders' equity	3,180.6	3,000.6
Total liabilities and shareholders' equity	\$ 7,164.8	\$ 6,688.7

Brown & Brown, Inc.
Consolidated Statements of Cash Flows
(in millions, unaudited)

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 206.5	\$ 164.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	52.1	41.3
Depreciation	11.7	11.2
Non-cash stock-based compensation	24.1	15.0
Change in estimated acquisition earn-out payables	(1.6	) 2.9
Deferred income taxes	(5.3	) (16.4
Amortization of debt discount and disposal of deferred financing costs	1.0	0.8
Net (gain)/loss on sales of investments, fixed assets and customer accounts	(0.3	) (2.4
Payments on acquisition earn-outs in excess of original estimated payables	(0.3	) (3.4
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures:		
Premiums, commissions and fees receivable (increase)/decrease	(71.6	) (29.5
Reinsurance recoverables (increase)/decrease	(11.9	) 388.7
Prepaid reinsurance premiums (increase)/decrease	(5.7	) 10.3
Other assets (increase)/decrease	(22.1	) (15.7
Premiums payable to insurance companies increase/(decrease)	116.5	106.8
Premium deposits and credits due customers increase/(decrease)	(12.0	) 8.4
Losses and loss adjustment reserve increase/(decrease)	12.1	(388.6
Unearned premiums increase/(decrease)	5.7	(10.3
Accounts payable increase/(decrease)	23.8	31.3
Accrued expenses and other liabilities increase/(decrease)	(32.4	) (34.8
Other liabilities increase/(decrease)	15.4	(2.9
Net cash provided by operating activities	305.7	277.4
Cash flows from investing activities:		
Additions to fixed assets	(35.2	) (19.3
Payments for businesses acquired, net of cash acquired	(146.6	) (141.8
Proceeds from sales of fixed assets and customer accounts	2.1	2.9
Purchases of investments	(9.3	) (8.9
Proceeds from sales of investments	4.5	16.3
Net cash used in investing activities	(184.5	) (150.8
Cash flows from financing activities:		
Payments on acquisition earn-outs	(7.0	) (5.2
Proceeds from long-term debt	350.0	—
Payments on long-term debt	(22.5	) (110.0
Deferred debt issuance costs	(3.7) —
Payments on revolving credit facilities	(350.0) —
Issuances of common stock for employee stock benefit plans	0.9	0.7
Repurchase shares to fund tax withholdings for non-cash stock-based compensation	(6.8	) (7.6
Purchase of treasury stock	(20.0	) (11.3
Settlement of accelerated share repurchase program	20.0	11.3
Cash dividends paid	(44.9	) (41.4
Net cash used in financing activities	(84.0	) (163.5
Net increase/(decrease) in cash and cash equivalents inclusive of restricted cash	37.2	(36.9
Cash and cash equivalents inclusive of restricted cash at beginning of period	777.6	824.1
Cash and cash equivalents inclusive of restricted cash at end of period	\$ 814.8	\$ 787.2

Conference call, webcast and slide presentation

A conference call to discuss the results of the second quarter of 2019 will be held on Tuesday, July 23, 2019 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. (NYSE: BRO) is a leading insurance brokerage firm, providing risk management solutions to individuals and businesses. With Brown & Brown's 80 years of proven success and thousands of teammates, we offer knowledge you can trust and strive to deliver superior customer service. For more information, please visit 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 second quarter of 2019. 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 second quarter of 2019 that its financial results differ from the current preliminary unaudited numbers set forth herein; the Company's integration of the acquisition of the Hays Companies ("Hays"), including adequately addressing any matters analyzed in the due diligence process, and material adverse changes in the business and financial condition of Hays, the Company, 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; changes in macroeconomic conditions; 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 and state income tax reform; the impact of the 2018 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, 2018, 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, Diluted Net Income Per Share - Adjusted, EBITDAC and EBITDAC Margin.

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 excluding 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. We believe Diluted Net Income Per Share - Adjusted provides a meaningful representation of our operating performance and improves the comparability of our results between periods by excluding the impact of the 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. We view EBITDAC and EBITDAC Margin as important indicators when assessing and evaluating our performance, as they present more comparable measurements of our operating margins in a meaningful and consistent manner. 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.

R. Andrew Watts
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Source: Brown & Brown, Inc.