



Brown & Brown, Inc.

Second Quarter 2020 Results

July 27, 2020



Brown & Brown
INSURANCE®

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 those relating to our anticipated financial results for the second quarter of 2020, the potential effects of the COVID-19 pandemic (“COVID-19”) on our business, operations, financial performance and prospects, 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. Further, statements about the effects of COVID-19 on our business, operations, financial performance and prospects may constitute forward-looking statements and are subject to the risk that the actual impacts may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond our control, including the scope and duration of COVID-19, actions taken by governmental authorities in response to COVID-19, and the direct and indirect impact of COVID-19 on our customers, insurance carriers, third parties and us. 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, but are not limited to, the following: COVID-19 and the resulting governmental and societal responses, the severity and duration of COVID-19, and the resulting impact on the U.S. economy, the global economy, and the Company’s business, liquidity, customers, insurance carriers, and third parties; the Company’s determination as it finalizes its financial results for the second quarter of 2020 that its financial results differ from the current preliminary unaudited numbers set forth herein; the inability to retain or hire qualified employees, as well as the loss of any of our executive officers or other key employees; acquisition-related risks that could negatively affect the success of our growth strategy, including the possibility that we may not be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our operations and expand into new markets; a cybersecurity attack or any other interruption in information technology and/or data security and/or outsourcing relationships; the requirement for additional resources and time to adequately respond to dynamics resulting from rapid technological change; changes in data privacy and protection laws and regulations or any failure to comply with such laws and regulations; the loss of or significant change to any of our insurance company relationships, which could result in additional expense, loss of market share or material decrease in our profit-sharing contingent commissions, guaranteed supplemental commissions or incentive commissions; adverse economic conditions, natural disasters, or regulatory changes in states where we have a high concentration of our business; the inability to maintain our culture or a change in management, management philosophy or our business strategy; risks facing us in our Services Segment, including our third-party claims administration operations, that are distinct from those we face in our insurance intermediary operations; our failure to comply with any covenants contained in our debt agreements; the possibility that covenants in our debt agreements could prevent us from engaging in certain potentially beneficial activities; changes in estimates, judgments or assumptions used in the preparation of our financial statements; improper disclosure of confidential information; the limitations of our system of disclosure and internal controls and procedures in preventing errors or fraud, or in informing management of all material information in a timely manner; the potential adverse effect of certain actual or potential claims, regulatory actions or proceedings on our businesses, results of operations, financial condition or liquidity; changes in the U.S.-based credit markets that might adversely affect our business, results of operations and financial condition; the significant control certain existing shareholders have over the Company; risks related to our international operations, which may require more time and expense than our domestic options to achieve or maintain profitability; risks associated with the current interest rate environment, and to the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income; 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; changes in current U.S. or global economic conditions; effects related to pandemics, epidemics, or outbreaks of infectious diseases; conditions that result in reduced insurer capacity; quarterly and annual variations in our commissions that result from the timing of policy renewals and the net effect of new and lost business production; the possibility that one of the financial institutions we use fails or is taken over by the U.S. Federal Deposit Insurance Corporation (FDIC); uncertainty in our business practices and compensation arrangements due to potential changes in regulations; regulatory changes that could reduce our profitability or growth by increasing compliance costs, technology compliance, restricting the products or services we may sell, the markets we may enter, the methods by which we may sell our products and services, or the prices we may charge for our services and the form of compensation we may accept from our customers, carriers and third parties; intangible asset risk, including the possibility that our goodwill may become impaired in the future; a decrease in demand for liability insurance as a result of tort reform litigation; changes in our credit ratings; volatility in our stock price; other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission filings; and other factors that the Company may not have currently identified or quantified. All forward-looking statements made herein are made only as of the date of this presentation, 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.

In particular, our forward-looking statements are subject to risks and uncertainties related to COVID-19 and the resulting governmental and societal responses. Our forward-looking statements may also be subject to risks and uncertainties including those we may discuss in this presentation or in our SEC filings.



Information Regarding Non-GAAP Financial 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 Net Income Per Share – Adjusted, and Organic Revenue. We present these measures 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 generally accepted accounting principles ("GAAP") basis. This supplemental financial information 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 at the end of this presentation, as well as in our periodic filings with the SEC. Our method of calculating these non-GAAP financial measures may differ from the methods used by industry peers and, therefore, comparability may be limited.

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. Organic Revenue can be expressed as a dollar amount or a percentage rate when describing Organic Revenue growth. We view Organic Revenue and Organic Revenue growth as important indicators 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.

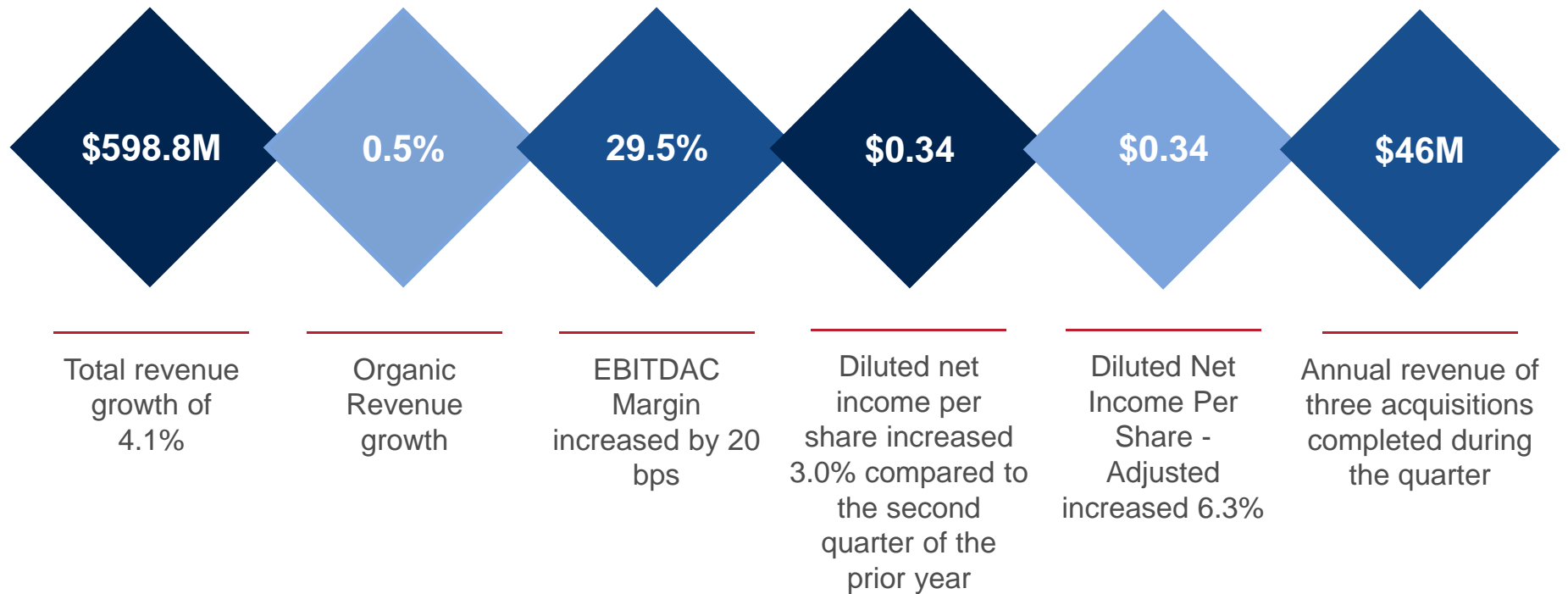
Earnings Measures – We believe these non-GAAP measures, as defined below, provide a meaningful representation of the operating performance of the Company and improve the comparability of results between periods by eliminating the impact of certain items that have a high degree of variability from period to period and that we believe are not indicative of the Company's ongoing performance.

- **Net Income – Adjusted** is defined as net income, excluding 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, excluding 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 Net Income Per Share – Adjusted** is defined as diluted net income per share, excluding the change in estimated acquisition earn-out payables.



Second Quarter 2020 Results

(Unaudited)



See important disclosures regarding Non-GAAP measures on page 2 and Non-GAAP reconciliations on pages 14-19



Market & Business Overview – 2Q20



Economy slowed significantly during the second quarter due to COVID-19, materially impacting exposure units



Premium rates for almost all lines increased at the same or slightly elevated levels as compared to the prior quarter



Placement of coverage for many customers became more difficult due to the underwriting criteria of many risk bearers

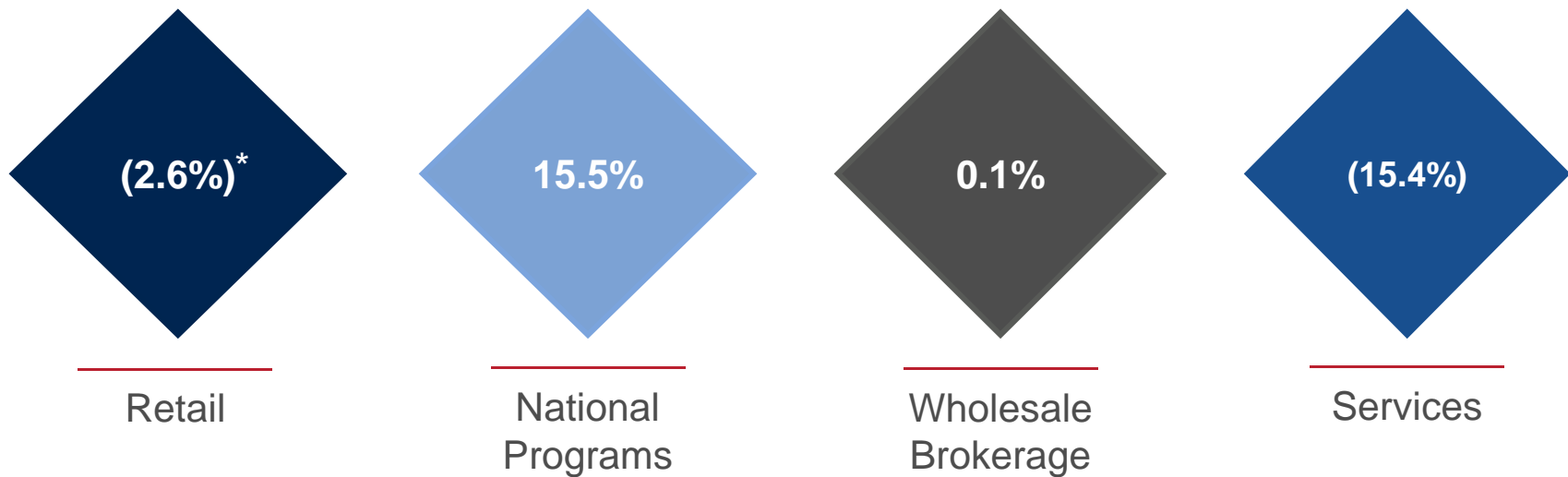


Opportunities still exist for acquisitions



Segment Organic Revenue Growth – 2Q20

(Unaudited)



* Includes an \$8 million negative adjustment to current year Organic Revenue related to COVID-19, which represents an impact of more than 250bps.

Consolidated Financial Highlights

(\$ Millions, Except Per Share Data; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$598.8	\$575.2	\$23.6	4.1%
<i>Organic Revenue</i>	\$547.8	\$545.0	\$2.8	0.5%
Income before income taxes	\$129.4	\$123.5	\$5.9	4.8%
<i>Income Before Income Taxes Margin</i> ⁽¹⁾	21.6%	21.5%		10bps
EBITDAC	\$176.7	\$168.6	\$8.1	4.8%
<i>EBITDAC Margin</i>	29.5%	29.3%		20bps
Net income	\$96.8	\$92.6	\$4.2	4.5%
Diluted net income per share	\$0.34	\$0.33	\$0.01	3.0%
Weighted average number of shares outstanding – diluted (in thousands)	274,362	274,402	(40)	(0.0%)
Dividends declared per share	\$0.085	\$0.080	\$0.005	6.3%

(1) “Income Before Income Taxes Margin” is defined as income before income taxes divided by total revenues.

Consolidated Financial Highlights

(Adjusted)

(\$ Millions, Except Per Share Data; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$598.8	\$575.2	\$23.6	4.1%
<i>Organic Revenue</i>	\$547.8	\$545.0	\$2.8	0.5%
Income Before Income Taxes - Adjusted	\$130.0	\$120.7	\$9.3	7.7%
<i>Income Before Income Taxes Margin - Adjusted</i>	21.7%	21.0%		70bps
EBITDAC	\$176.7	\$168.6	\$8.1	4.8%
<i>EBITDAC Margin</i>	29.5%	29.3%		20bps
Net Income - Adjusted	\$97.3	\$90.5	\$6.8	7.5%
Diluted Net Income Per Share - Adjusted	\$0.34	\$0.32	\$0.02	6.3%

See important disclosures regarding Non-GAAP measures on page 2 and Non-GAAP reconciliations on pages 14-19



Revenue Analysis

(\$ Millions; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$598.8	\$575.2	\$23.6	4.1%
Investment income	(0.3)	(1.5)	1.2	
Other income, net	(0.3)	(0.8)	0.5	
Commissions and fees	598.2	572.9	25.3	4.4%
Profit-sharing contingent commissions	(18.7)	(12.0)	(6.7)	
Guaranteed supplemental commissions	(4.3)	(12.7)	8.4	
Core commissions and fees	575.2	548.2	27.0	4.9%
Acquisitions	(27.4)	-	(27.4)	
Dispositions	-	(3.2)	3.2	
Organic Revenue	\$547.8	\$545.0	\$2.8	0.5%

See important disclosures regarding Non-GAAP measures on page 2 and Non-GAAP reconciliations on pages 14-19



Retail Segment

(\$ Millions; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$312.6	\$310.7	\$1.9	0.6%
<i>Organic Revenue</i>	\$290.0	\$297.6	(\$7.6)	(2.6%)
Income before income taxes	\$36.8	\$44.2	(\$7.4)	(16.7%)
<i>Income Before Income Taxes Margin</i>	11.8%	14.2%		(240bps)
EBITDAC	\$76.9	\$81.0	(\$4.1)	(5.1%)
<i>EBITDAC Margin</i>	24.6%	26.1%		(150bps)

Business & Market Commentary

Total revenue growth primarily driven by acquisition activity and to a lesser extent the increase in guaranteed supplemental commissions. Organic Revenue decline driven by lower new business and exposure units and an \$8M negative adjustment to current year Organic Revenue, all impacted by COVID-19.

Rates for most lines increased 2%-7%, with higher increases in commercial auto and commercial P&C. The decline in rates for workers' compensation slowed during the quarter.

Income before income taxes grew slower than total revenues due to higher amortization associated with acquisitions and increased change in estimated acquisition earn-out payables.

EBITDAC grew slower than total revenues due to the impact of a prior year acquisition, decreased Organic Revenue growth, higher non-cash stock compensation and intercompany IT charges, and a prior year gain on disposal, all which offset variable cost savings in response to COVID-19.

National Programs Segment

(\$ Millions; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$154.7	\$131.8	\$22.9	17.4%
<i>Organic Revenue</i>	\$135.7	\$117.5	\$18.2	15.5%
Income before income taxes	\$48.3	\$40.2	\$8.1	20.1%
<i>Income Before Income Taxes Margin</i>	31.2%	30.5%		70bps
EBITDAC	\$62.8	\$51.2	\$11.6	22.7%
<i>EBITDAC Margin</i>	40.6%	38.8%		180bps

Business & Market Commentary

Increase in total revenues driven substantially by strong Organic Revenue growth, recent acquisitions, and an increase in profit-sharing contingent commissions, with a partial offset from a one-time guaranteed supplemental commission recorded in the prior year.

Organic Revenue growth was strong for many programs, including lender placement, commercial and residential earthquake, and wind.

Income before income taxes increase was driven by strong total revenue growth, which was partially offset by increased acquisition earn-out payables and higher intercompany interest expense.

EBITDAC growth was driven by strong total revenue growth and leveraging our expense base as well as variable cost savings in response to COVID-19.

Wholesale Brokerage Segment

(\$ Millions; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$88.9	\$81.2	\$7.7	9.5%
<i>Organic Revenue</i>	\$79.2	\$79.1	\$0.1	0.1%
Income before income taxes	\$24.7	\$22.9	\$1.8	7.9%
<i>Income Before Income Taxes Margin</i>	27.8%	28.2%		(40bps)
EBITDAC	\$29.9	\$27.4	\$2.5	9.1%
<i>EBITDAC Margin</i>	33.6%	33.7%		(10bps)

Business & Market Commentary

Total revenue growth driven primarily by acquisitions and increased profit-sharing contingent commissions. Organic Revenue growth was impacted by lower new business and retention influenced by COVID-19.

Coastal property rates generally up 15%-25% depending upon loss experience. Other property rates are up 10%-15%. Professional lines rates were generally up 10%-20%, with cyber rates up 10%-15%.

Income before income taxes grew slower than Total revenues and EBITDAC, primarily due to higher intercompany interest expense and partially offset by lower amortization expense.

EBITDAC grew slightly slower than total revenues, primarily due to increased intercompany IT expenses and non-cash stock compensation, which were partially offset by a reduction in variable expenses.

Services Segment

(\$ Millions; Unaudited)	Second Quarter			
	2020	2019	\$ Change	% Change
Total revenues	\$42.9	\$50.8	(\$7.9)	(15.4%)
<i>Organic Revenue</i>	\$42.9	\$50.8	(\$7.9)	(15.4%)
Income before income taxes	\$6.4	\$9.3	(\$2.9)	(31.2%)
<i>Income Before Income Taxes Margin</i>	14.9%	18.3%		(340bps)
EBITDAC	\$9.2	\$12.3	(\$3.1)	(25.2%)
<i>EBITDAC Margin</i>	21.4%	24.2%		(280bps)

Business & Market Commentary

Total revenues and Organic Revenue declined primarily due to lower claims volume in our Social Security advocacy businesses, lower claims impacted by COVID-19, a prior year terminated customer contract in one of our claims processing businesses, and lower weather-driven claims.

Income before income taxes decreased substantially in line with EBITDAC, with a slight impact of lower intercompany interest expense and a change in acquisition earn-out payables.

EBITDAC declined faster than total revenues primarily due to lower Organic Revenue, higher intercompany IT expenses, with a partial offset from managing the variable expense base.

Closing Comments



Outlook and timing of recovery of the economy remains uncertain. Expect inconsistent and slow recovery for remainder of 2020 and possibly into 2022



Expect premium rate increases and challenges associated with placement of certain risks to continue into second half of 2020



Remaining actively engaged with many M&A opportunities




With continued outlook for economic uncertainty, customers are seeking innovative risk management solutions



Health and safety of our teammates, their families, and our customers remain our top priorities





Second Quarter 2020 Results Reconciliation of Non-GAAP Measures



GAAP to Adjusted Reconciliation

Second Quarter 2020

(\$ Millions, Except Per Share Data; Unaudited)

	As Reported 2020	Change in Earn-Out Payables	Adjusted 2020
Total revenues	\$598.8	-	\$598.8
Income before income taxes	\$129.4	\$0.6	\$130.0
<i>Income Before Income Taxes Margin</i>	<i>21.6%</i>		<i>21.7%</i>
EBITDAC	\$176.7	-	\$176.7
<i>EBITDAC Margin</i>	<i>29.5%</i>		<i>29.5%</i>
Net income	\$96.8	\$0.5	\$97.3
Diluted net income per share	\$0.34	\$0.00	\$0.34

See important disclosures regarding Non-GAAP measures on page 2.



GAAP to Adjusted Reconciliation

Second Quarter 2019

(\$ Millions, Except Per Share Data; Unaudited)

	As Reported 2019	Change in Earn-Out Payables	Adjusted 2019
Total revenues	\$575.2	-	\$575.2
Income before income taxes	\$123.5	(\$2.8)	\$120.7
<i>Income Before Income Taxes Margin</i>	<i>21.5%</i>		<i>21.0%</i>
EBITDAC	\$168.6	-	\$168.6
<i>EBITDAC Margin</i>	<i>29.3%</i>		<i>29.3%</i>
Net income	\$92.6	(\$2.1)	\$90.5
Diluted net income per share	\$0.33	(\$0.01)	\$0.32

See important disclosures regarding Non-GAAP measures on page 2.



Reconciliation of Income Before Income Taxes to EBITDAC

(\$ Millions; Unaudited)	Second Quarter	
	2020	2019
Income before income taxes	\$129.4	\$123.5
<i>Income Before Income Taxes Margin</i>	21.6%	21.5%
Amortization	26.7	25.9
Depreciation	6.2	5.7
Interest	13.8	16.3
Change in estimated acquisition earn-out payables	0.6	(2.8)
EBITDAC	\$176.7	\$168.6
<i>EBITDAC Margin</i>	29.5%	29.3%

See important disclosures regarding Non-GAAP measures on page 2.



Reconciliation of Income Before Income Taxes to EBITDAC

(\$ Millions; Unaudited)	Second Quarter							
	Retail		National Programs		Wholesale Brokerage		Services	
	2020	2019	2020	2019	2020	2019	2020	2019
Income before income taxes	\$36.8	\$44.2	\$48.3	\$40.2	\$24.7	\$22.9	\$6.4	\$9.3
<i>Income Before Income Taxes Margin</i>	11.8%	14.2%	31.2%	30.5%	27.8%	28.2%	14.9%	18.3%
Amortization	16.5	15.4	6.9	6.4	2.0	2.8	1.4	1.4
Depreciation	2.1	1.9	2.1	1.6	0.5	0.4	0.4	0.3
Interest	21.3	21.2	5.2	4.2	2.6	1.3	1.0	1.2
Change in estimated acquisition earn-out payables	0.2	(1.7)	0.3	(1.2)	0.1	0.0	0.0	0.1
EBITDAC	\$76.9	\$81.0	\$62.8	\$51.2	\$29.9	\$27.4	\$9.2	\$12.3
<i>EBITDAC Margin</i>	24.6%	26.1%	40.6%	38.8%	33.6%	33.7%	21.4%	24.2%

See important disclosures regarding Non-GAAP measures on page 2.



Reconciliation of Commissions and Fees to Organic Revenue

(\$ Millions; Unaudited)	Second Quarter									
	Retail ⁽¹⁾		National Programs		Wholesale Brokerage		Services		Total	
	2020 ⁽²⁾	2019	2020	2019	2020	2019	2020	2019	2020 ⁽²⁾	2019
Commissions and fees	\$312.0	\$309.8	\$154.6	\$131.4	\$88.7	\$80.9	\$42.9	\$50.8	\$598.2	\$572.9
Total change	2.2		23.2		7.8		(7.9)		25.3	
Total growth %	0.7%		17.7%		9.6%		(15.4%)		4.4%	
Contingent commissions	(6.9)	(6.7)	(9.3)	(4.1)	(2.5)	(1.2)	0.0	0.0	(18.7)	(12.0)
Guaranteed supplemental commissions	(3.4)	(2.5)	(0.3)	(9.6)	(0.6)	(0.6)	0.0	0.0	(4.3)	(12.7)
Core commissions and fees ⁽³⁾	\$301.7	\$300.6	\$145.0	\$117.7	\$85.6	\$79.1	\$42.9	\$50.8	\$575.2	\$548.2
Acquisitions	(11.7)		(9.3)		(6.4)		0.0		(27.4)	
Dispositions		(3.0)		(0.2)		0.0		0.0		(3.2)
Organic Revenue	\$290.0	\$297.6	\$135.7	\$117.5	\$79.2	\$79.1	\$42.9	\$50.8	\$547.8	\$545.0
Organic Revenue growth	(\$7.6)		\$18.2		\$0.1		(\$7.9)		\$2.8	
Organic Revenue growth %	(2.6%)		15.5%		0.1%		(15.4%)		0.5%	

- (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) Includes an \$8 million negative adjustment to current year Organic Revenue related to COVID-19.
- (3) 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")).

See important disclosures regarding Non-GAAP measures on page 2.





For additional information:

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***The Cheetah:** Since our beginning, we have known that doing the best for our customers requires constant persistence and vision. The cheetah, which represents vision, swiftness, strength, and agility, embodies our company culture and has served as a symbol for Brown & Brown since the 1980s.*