

Brown & Brown, Inc.

Second Quarter 2018 Results

July 23, 2018

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 ended June 30, 2018, 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 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; 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; 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 U.S. healthcare or National Flood Insurance Program legislation; the impact of federal income tax reform; 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, 2017, 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.

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.

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.



Important Disclosures Regarding Non-GAAP Measures

This presentation contains references to "non-GAAP financial measures" as defined in SEC Regulation G, including, Total Revenues – Adjusted and Excluding the New Revenue Standard, Net Income – Adjusted and Excluding the New Revenue Standard, EBITDAC, EBITDAC Margin, EBITDAC – Adjusted and Excluding the New Revenue Standard, EBITDAC Margin – Adjusted and Excluding the New Revenue Standard, Income Before Income Taxes – Adjusted and Excluding the New Revenue Standard, Income Before Income Taxes Margin – Adjusted and Excluding the New Revenue Standard, Diluted Net Income Per Share – Adjusted and Excluding the New Revenue Standard and Organic Revenue. We also present Total Revenues, Income Before Income Taxes, Income Before Income Taxes Margin, EBITDAC and EBITDAC Margin excluding the impact of the New Revenue Standard (defined below). 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 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"), 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, and less (v) the New Revenue Standard. 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.
- **Total Revenues – Adjusted and Excluding the New Revenue Standard** is defined as total revenues, excluding the New Revenue Standard.

New Revenue Standard, is defined to include Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" and Accounting Standards Codification Topic 340 – Other Assets and Deferred Cost, both of which were adopted by the Company effective on January 1, 2018. We adopted these standards by recognizing the cumulative effect as an adjustment to opening retained earnings at January 1, 2018, also referred to as the modified retrospective method of adoption. Under the modified retrospective method, we are not required to restate comparative financial information prior to the adoption of these standards and, therefore, such information for the three and six months ended June 30, 2017 continues to be reported under our previous accounting policies.



Important Disclosures Regarding Non-GAAP Measures

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.

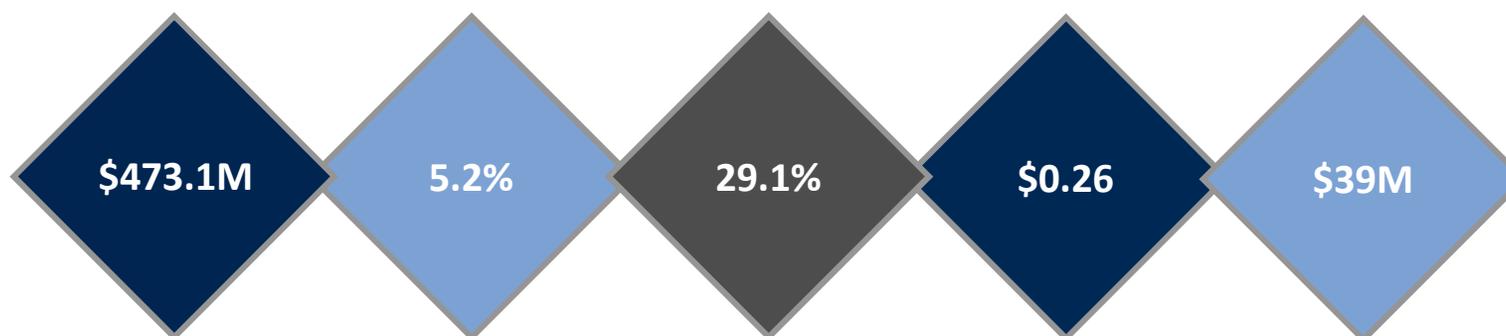
- **Net Income – Adjusted and Excluding the New Revenue Standard** is defined as Net Income, excluding (i) the after-tax change in estimated acquisition earn-out payables, and (ii) the New Revenue Standard.
- **EBITDAC** is defined as income before interest, income taxes, depreciation, amortization and the change in estimated acquisition earn-out payables.
- **EBITDAC Margin** is defined as EBITDAC divided by total revenues.
- **EBITDAC – Adjusted and Excluding the New Revenue Standard** is defined as EBITDAC, excluding the New Revenue Standard.
- **EBITDAC Margin – Adjusted and Excluding the New Revenue Standard** is defined as EBITDAC - Adjusted and Excluding the New Revenue Standard divided by Total Revenues-Adjusted and Excluding the New Revenue Standard.
- **Income Before Income Taxes – Adjusted and Excluding the New Revenue Standard** is defined as Income Before Income Taxes, excluding (i) the pre-tax change in estimated acquisition earn-out payables, and (ii) the New Revenue Standard.
- **Income Before Income Taxes Margin – Adjusted and Excluding the New Revenue Standard** is defined as Income Before Income Taxes Margin – Adjusted and Excluding the New Revenue Standard divided by Total Revenues – Adjusted and Excluding the New Revenue Standard.
- **Diluted Net Income Per Share – Adjusted and Excluding the New Revenue Standard** is defined as diluted net income per share, excluding (i) the change in estimated acquisition earn-out payables, and (ii) the New Revenue Standard.

We present for each of our segments on slides 11-14 Total Revenues, Income Before Income Taxes, Income Before Income Taxes Margin, EBITDAC and EBITDAC Margin excluding the impact of the New Revenue Standard. These terms carry the definitions above except they have only been adjusted to exclude the impact of the New Revenue Standard as reconciled to the closest comparable GAAP measures on slides 23-26.



Second Quarter 2018 Results

(Unaudited)



Revenue growth of 1.5%

Organic Revenue growth

EBITDAC Margin down 320 bps vs prior year; which includes 180 bps impact from the New Revenue Standard

Diluted net income per share increasing 13.0% over the prior year

Annualized revenue of 6 businesses acquired this quarter



Market & Business Overview – 2Q18

✓ Customers continue to grow, with increased hiring and making additional capital investments

✓ Most premium rates remain flat, with the exception of commercial auto and employee benefits, which are up

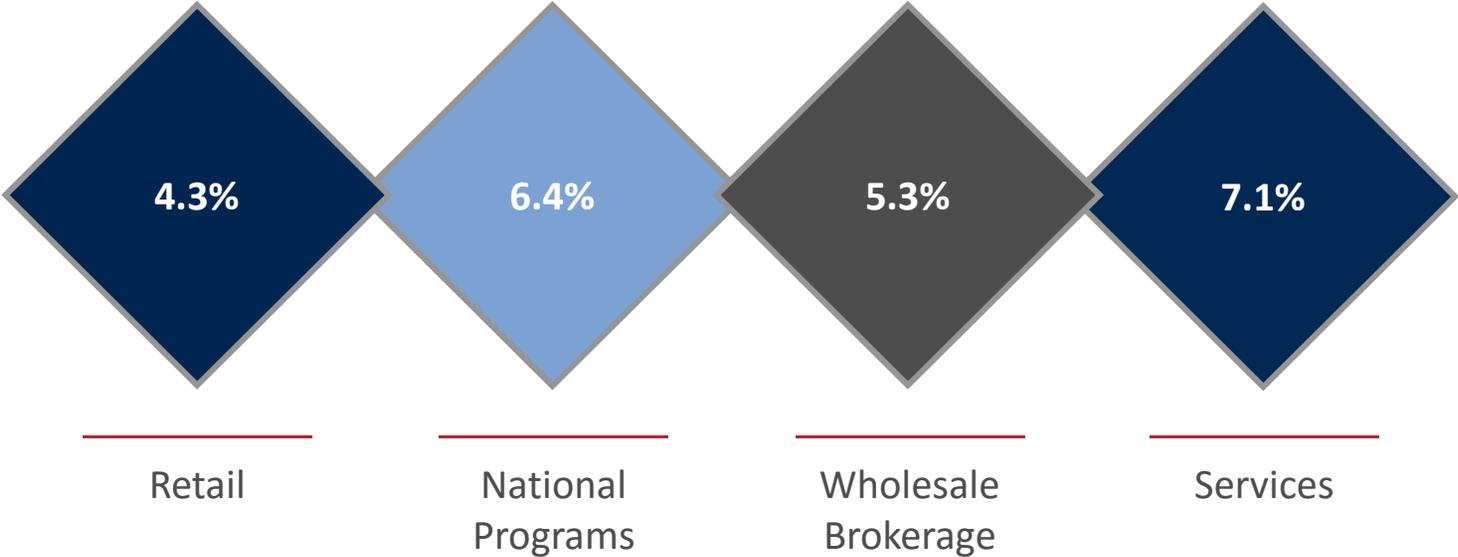
✓ Rates on CAT property are flat to slightly up depending on loss experience

✓ An abundance of capital remains in the market for both risk bearers and acquirers of businesses

✓ Investments in our new program, technology and teammates performing well and remain on plan

Segment Organic Revenue Performance

(Unaudited)



See important disclosures regarding Non-GAAP measures on pages 2-3 and Non-GAAP reconciliations on pages 17-26

Consolidated Financial Highlights

(\$ Millions, Except Per Share Data; Unaudited)	Second Quarter			
	2018	2017	\$ Change	% Change
Total revenues	\$473.1	\$466.3	\$6.8	1.5%
<i>Organic Revenue</i>	<i>\$472.7</i>	<i>\$449.3</i>	<i>\$23.4</i>	<i>5.2%</i>
Income before income taxes	\$100.9	\$108.0	(\$7.1)	(6.6%)
<i>Income Before Income Taxes Margin</i>	<i>21.3%</i>	<i>23.2%</i>		<i>(190bps)</i>
EBITDAC	\$137.7	\$150.6	(\$12.9)	(8.6%)
<i>EBITDAC Margin</i>	<i>29.1%</i>	<i>32.3%</i>		<i>(320bps)</i>
Net income	\$73.9	\$66.1	\$7.8	11.8%
Diluted net income per share	\$0.26	\$0.23	\$0.03	13.0%
Weighted average number of shares outstanding – diluted (in thousands)	275,908	278,202	(2,294)	(0.8%)
Dividends declared per share	\$0.075	\$0.068	\$0.007	10.3%



Consolidated Financial Highlights

Adjusted and Excluding the New Revenue Standard

(\$ Millions, Except Per Share Data; Unaudited)	Second Quarter			
	2018	2017	\$ Change	% Change
Total Revenues - Adjusted and Excluding the New Revenue Standard	\$500.3	\$466.3	\$34.0	7.3%
<i>Organic Revenue</i>	<i>\$472.7</i>	<i>\$449.3</i>	<i>\$23.4</i>	<i>5.2%</i>
Income Before Income Taxes - Adjusted and Excluding the New Revenue Standard	\$118.1	\$113.6	\$4.5	4.0%
<i>Income Before Income Taxes Margin - Adjusted and Excluding the New Revenue Standard</i>	<i>23.6%</i>	<i>24.4%</i>		<i>(80bps)</i>
EBITDAC - Adjusted and Excluding the New Revenue Standard	\$154.5	\$150.6	\$3.9	2.6%
<i>EBITDAC Margin - Adjusted and Excluding the New Revenue Standard</i>	<i>30.9%</i>	<i>32.3%</i>		<i>(140bps)</i>
Net Income - Adjusted and Excluding the New Revenue Standard	\$86.5	\$69.5	\$17.0	24.5%
Diluted Net Income Per Share - Adjusted and Excluding the New Revenue Standard	\$0.31	\$0.24	\$0.07	29.2%



Revenue Analysis

(\$ Millions; Unaudited)	Second Quarter			
<u>REVENUES</u>	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$473.1	\$466.3	\$6.8	1.5%
Investment income	(0.7)	(0.4)	(0.3)	
Other income, net	(0.4)	(1.2)	0.8	
Commissions and fees	472.0	464.7	7.3	1.6%
Profit-sharing contingent commissions	(14.0)	(11.9)	(2.1)	
Guaranteed supplemental commissions	(2.5)	(3.0)	0.5	
Core commissions and fees	455.5	449.8	5.7	1.3%
New Revenue Standard impact on core commissions and fees	28.4	-	28.4	
Acquisitions	(11.2)	-	(11.2)	
Dispositions	-	(0.5)	0.5	
Organic Revenue	\$472.7	\$449.3	\$23.4	5.2%



Analysis of EBITDAC Margin

Second Quarter (Unaudited)	
EBITDAC Margin - 2017	32.3%
New Revenue Standard	(1.8%)
Arrowhead Core Commercial	(0.6%)
Non-cash stock-based compensation	(0.2%)
Incremental IT investment	(0.1%)
Other	(0.5%)
EBITDAC Margin - 2018	29.1%



Retail Segment

(\$ Millions; Unaudited)	Second Quarter					
	2018	2017	\$ Change	% Change	Excluding the New Revenue Standard*	
					\$ Change	% Change
Total revenues	\$233.3	\$239.0	(\$5.7)	(2.4%)	\$18.7	7.8%
Organic Revenue	\$243.5	\$233.4	\$10.1	4.3%	\$10.1	4.3%
Income before income taxes	\$44.4	\$48.0	(\$3.6)	(7.5%)	\$8.4	17.5%
Income Before Income Taxes Margin	19.0%	20.1%		(110bps)		180bps
EBITDAC	\$64.0	\$72.9	(\$8.9)	(12.2%)	\$3.1	4.3%
EBITDAC Margin	27.4%	30.5%		(310bps)		(100bps)

Business and Market Commentary

Organic Revenue growth driven by all lines of business with improved performance across commercial lines and employee benefits. Exposure units continue to increase in most geographies

Coastal property rates are flat to up 6% - depending upon loss experience. Continued increases in auto and employee benefits rates with further decreases for workers' compensation

Income before income taxes impacted by investments in technology and an increase in non-cash stock-based compensation expense - partially offset by the New Revenue Standard, changes in acquisition earn-out payables, and lower intercompany interest charges

EBITDAC excluding the New Revenue Standard grew 4.3% impacted by the investment in technology and an increase in non-cash stock-based compensation expense



See important disclosures regarding Non-GAAP measures on pages 2-3 and Non-GAAP reconciliations on pages 17-26
* See reconciliation on page 23

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National Programs Segment

(\$ Millions; Unaudited)	Second Quarter					
	2018	2017	\$ Change	% Change	Excluding the New Revenue Standard*	
					\$ Change	% Change
Total revenues	\$118.4	\$113.7	\$4.7	4.1%	\$9.9	8.7%
Organic Revenue	\$111.7	\$105.0	\$6.7	6.4%	\$6.7	6.4%
Income before income taxes	\$24.3	\$23.4	\$0.9	3.8%	\$6.2	26.5%
Income Before Income Taxes Margin	20.5%	20.6%		(10bps)		330bps
EBITDAC	\$38.6	\$41.3	(\$2.7)	(6.5%)	\$2.6	6.3%
EBITDAC Margin	32.6%	36.3%		(370bps)		(80bps)

Business and Market Commentary

Organic Revenue growth driven by many programs, including our commercial and residential earthquake programs and our new Arrowhead Core Commercial program

Contingent revenues increased approximately \$2M quarter over quarter, primarily driven by our workers' compensation program, which was partially offset by other programs

Income before income taxes grew 3.8%, driven by leveraging revenues, lower intercompany interest expense, depreciation and amortization but substantially offset by the New Revenue Standard

EBITDAC excluding the New Revenue Standard increased by 6.3% including investment in new Arrowhead Core Commercial program



See important disclosures regarding Non-GAAP measures on pages 2-3 and Non-GAAP reconciliations on pages 17-26
* See reconciliation on page 24

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Wholesale Brokerage Segment

(\$ Millions; Unaudited)	Second Quarter					
	2018	2017	\$ Change	% Change	Excluding the New Revenue Standard*	
					\$ Change	% Change
Total revenues	\$75.6	\$72.0	\$3.6	5.0%	\$2.5	3.5%
Organic Revenue	\$73.1	\$69.4	\$3.7	5.3%	\$3.7	5.3%
Income before income taxes	\$20.5	\$20.1	\$0.4	2.0%	(\$0.9)	(4.5%)
Income Before Income Taxes Margin	27.1%	27.9%		(80bps)		(210bps)
EBITDAC	\$24.6	\$25.0	(\$0.4)	(1.6%)	(\$1.7)	(6.8%)
EBITDAC Margin	32.5%	34.7%		(220bps)		(340bps)

Business and Market Commentary

Realized solid Organic Revenue growth driven by increasing economic expansion across most industries and geographies

Rates for most lines of coverage generally flat with exception of commercial auto and CAT property which sustain losses

Income before income taxes grew 2.0%, impacted by an increase in non-cash stock-based compensation, IT costs, and foreign exchange expense

EBITDAC excluding the New Revenue Standard decrease by 6.8% driven by decreased contingent commissions, increased non-cash stock-based compensation, IT costs, and foreign exchange expense



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* See reconciliation on page 25

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Services Segment

(\$ Millions; Unaudited)	Second Quarter					
	2018	2017	\$ Change	% Change	Excluding the New Revenue Standard*	
					\$ Change	% Change
Total revenues	\$45.9	\$41.6	\$4.3	10.3%	\$2.9	7.0%
<i>Organic Revenue</i>	\$44.5	\$41.5	\$3.0	7.1%	\$3.0	7.1%
Income before income taxes	\$8.1	\$8.4	(\$0.3)	(3.6%)	\$0.6	7.1%
<i>Income Before Income Taxes Margin</i>	17.6%	20.2%		(260bps)		10bps
EBITDAC	\$10.2	\$10.8	(\$0.6)	(5.6%)	\$0.3	2.8%
<i>EBITDAC Margin</i>	22.2%	26.0%		(380bps)		(100bps)

Business and Market Commentary

Organic Revenue driven by continued new business realized across most business

Claims revenue decreased year over year due to fewer weather-related events

Income before income taxes declined 3.6% due to the New Revenue Standard, which offset the leveraging of revenues and lower intercompany interest charges

EBITDAC excluding the New Revenue Standard increased 2.8%, impacted by cost associated with onboarding new customers, increased non-cash stock-based compensation and IT costs



See important disclosures regarding Non-GAAP measures on pages 2-3 and Non-GAAP reconciliations on pages 17-26
* See reconciliation on page 26

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Estimated Impact of the New Revenue Standard

(\$ Millions, Unaudited)					
	<u>Q1 Actual</u>	<u>Q2 Actual</u>	<u>Q3 Estimate</u>	<u>Q4 Estimate</u>	<u>Full Year</u>
			<u>Range</u>	<u>Range</u>	<u>Range*</u>
Core commissions and fees	\$45.6	(\$28.4)	(\$4.5) - (\$2.5)	(\$8.5) - (\$6.5)	\$4.0 - \$8.0
Profit-sharing contingent commissions	(18.2)	1.2	8.0 - 10.0	8.0 - 10.0	0.0
Total revenues	27.4	(27.2)	4.5 - 8.5	(0.5) - 3.5	4.0 - 8.0
Employee compensation and benefits	10.2	(12.3)	(3.0) - (7.0)	(1.0) - (4.5)	(9.0) - (11.0)
Other operating expenses	2.7	2.0	1.5 - 3.5	1.5 - 3.5	9.0 - 11.0
Total expenses	12.9	(10.3)	(5.5) - 0.5	(3.0) - 2.5	(1.0) - 1.0
Income before income taxes	\$14.5	(\$16.8)	\$7.0 - \$9.0	\$1.0 - \$2.5	\$5.0 - \$9.0



See important disclosures regarding Non-GAAP measures on pages 2-3 and Non-GAAP reconciliations on pages 17-26
 * Full year estimate determined by combining the year to date actual with the mid-point estimates for the third and fourth quarter

Closing Comments



Economic outlook driving exposure units remains positive



Premium rates to remain competitive



Continued higher M&A activity, starting third quarter with five announced acquisitions



Continued delivery of core commercial program and delivery of technology initiatives are priorities for second half of 2018



Continued investment in all four divisions to drive growth and profitability





Brown & Brown, Inc.

Second Quarter 2018 Reconciliation of Non-GAAP Measures



GAAP to Adjusted Reconciliation

Second Quarter 2018

	Second Quarter			
	As Reported <u>2018</u>	Change in Earn-Out <u>Payables</u>	New Revenue <u>Standard</u>	Adjusted and Excludes the New Revenue Standard <u>2018</u>
Total Revenues	\$473.1	-	\$27.2	\$500.3
Income before income taxes	\$100.9	\$0.4	\$16.8	\$118.1
<i>Income Before Income Taxes Margin</i>	<i>21.3%</i>			<i>23.6%</i>
EBITDAC	\$137.7	-	\$16.8	\$154.5
<i>EBITDAC Margin</i>	<i>29.1%</i>			<i>30.9%</i>
Net income	\$73.9	\$0.3	\$12.3	\$86.5
Diluted net income per share	\$0.26	-	\$0.05	\$0.31



See important disclosures regarding Non-GAAP measures on pages 2-3.

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GAAP to Adjusted Reconciliation

Second Quarter 2017

(\$ Millions, Except Per Share Data; Unaudited)	Second Quarter		
	As Reported 2017	Change in Earn-Out Payables	Adjusted 2017
Total Revenues	\$466.3	-	\$466.3
Income before income taxes	\$108.0	\$5.6	\$113.6
<i>% of Total Revenues</i>	<i>23.2%</i>		<i>24.4%</i>
EBITDAC	\$150.6	-	\$150.6
<i>% of Total Revenues</i>	<i>32.3%</i>		<i>32.3%</i>
Net income	\$66.1	\$3.4	\$69.5
Diluted net income per share	\$0.23	\$0.01	\$0.24



Income Before Income Taxes to EBITDAC and EBITDAC Margin

(\$ Millions; Unaudited)	Second Quarter	
	<u>Total</u>	
	<u>2018</u>	<u>2017</u>
Income before income taxes	\$100.9	\$108.0
<i>Income Before Income Taxes Margin</i>	<i>21.3%</i>	<i>23.2%</i>
Amortization	20.8	21.4
Depreciation	5.6	5.7
Interest	10.0	9.9
Change in estimated acquisition earn-out payables	0.4	5.6
EBITDAC	\$137.7	\$150.6
<i>EBITDAC Margin</i>	<i>29.1%</i>	<i>32.3%</i>



See important disclosures regarding Non-GAAP measures on pages 2-3.

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Income Before Income Taxes to EBITDAC and EBITDAC Margin

	Second Quarter							
	Retail		Programs		Wholesale		Services	
	2018	2017	2018	2017	2018	2017	2018	2017
Income before income taxes	\$44.4	\$48.0	\$24.3	\$23.4	\$20.5	\$20.1	\$8.1	\$8.4
<i>Income Before Income Taxes Margin</i>	19.0%	20.1%	20.5%	20.6%	27.1%	27.9%	17.6%	20.2%
Amortization	10.5	10.5	6.3	6.8	2.8	2.8	1.1	1.1
Depreciation	1.2	1.3	1.4	1.6	0.4	0.5	0.4	0.4
Interest	7.1	8.1	6.4	8.9	1.4	1.6	0.6	0.9
Change in estimated acquisition earn-out payables	0.8	5.0	0.2	0.6	(0.5)	0.0	0.0	0.0
EBITDAC	\$64.0	\$72.9	\$38.6	\$41.3	\$24.6	\$25.0	\$10.2	\$10.8
<i>EBITDAC Margin</i>	27.4%	30.5%	32.6%	36.3%	32.5%	34.7%	22.2%	26.0%



Commissions and Fees to Organic Revenue

Second Quarter

(\$ Millions; Unaudited)	Second Quarter									
	Retail		Programs		Wholesale		Services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Commissions and fees	\$232.5	\$238.0	\$118.3	\$113.6	\$75.4	\$71.6	\$45.8	\$41.5	\$472.0	\$464.7
Total Change	(5.5)		4.7		3.8		4.3		7.3	
Total Growth %	(2.3%)		4.2%		5.3%		10.4%		1.6%	
Contingent Commissions	(6.5)	(1.4)	(5.5)	(8.6)	(2.0)	(1.9)	0.0	0.0	(14.0)	(11.9)
Guaranteed Supplemental Commissions	(2.2)	(2.7)	(0.0)	0.0	(0.3)	(0.3)	0.0	0.0	(2.5)	(3.0)
Core commissions and fees	\$223.8	\$233.9	\$112.8	\$105.0	\$73.1	\$69.4	\$45.8	\$41.5	\$455.5	\$449.8
New Revenue Standard	29.6		(0.1)		0.3		(1.2)		28.4	
Acquisition revenues	(9.9)		(1.0)		(0.3)		0.0		(11.2)	
Divested business		(0.5)		0.0		0.0		0.0		(0.5)
Organic Revenue	\$243.5	\$233.4	\$111.7	\$105.0	\$73.1	\$69.4	\$44.5	\$41.5	\$472.7	\$449.3
Organic Revenue growth	\$10.1		\$6.7		\$3.7		\$3.0		\$23.5	
Organic Revenue growth %	4.3%		6.4%		5.3%		7.1%		5.2%	
New Revenue Standard impact on contingent commissions	5.1		(5.2)		1.3		0.0		1.2	

- (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")).



GAAP to Adjusted Reconciliation

Second Quarter 2018 - Retail

(\$ Millions; Unaudited)	Second Quarter					
	As Reported <u>2018</u>	New Revenue <u>Standard</u>	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$233.3	(\$24.4)	\$257.7	\$239.0	\$18.7	7.8%
Income before income taxes	\$44.4	(\$12.0)	\$56.4	\$48.0	\$8.4	17.5%
<i>Income Before Income Taxes Margin</i>	19.0%	-	21.9%	20.1%		180bps
EBITDAC	\$64.0	(\$12.0)	\$76.0	\$72.9	\$3.1	4.3%
<i>EBITDAC Margin</i>	27.4%		29.5%	30.5%		(100bps)

* U.S GAAP basis prior to adopting ASC 606/340.



See important disclosures regarding Non-GAAP measures on pages 2-3.

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GAAP to Adjusted Reconciliation

Second Quarter 2018 - National Programs

(\$ Millions; Unaudited)	Second Quarter					
	As Reported <u>2018</u>	New Revenue <u>Standard</u>	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$118.4	(\$5.2)	\$123.6	\$113.7	\$9.9	8.7%
Income before income taxes	\$24.3	(\$5.3)	\$29.6	\$23.4	\$6.2	26.5%
<i>Income Before Income Taxes Margin</i>	20.5%		23.9%	20.6%		330bps
EBITDAC	\$38.6	(\$5.3)	\$43.9	\$41.3	\$2.6	6.3%
<i>EBITDAC Margin</i>	32.6%		35.5%	36.3%		(80bps)

* U.S GAAP basis prior to adopting ASC 606/340.



GAAP to Adjusted Reconciliation

Second Quarter 2018 - Wholesale Brokerage

	Second Quarter					
	As Reported <u>2018</u>	New Revenue Standard	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$75.6	\$1.1	\$74.5	\$72.0	\$2.5	3.5%
Income before income taxes	\$20.5	\$1.3	\$19.2	\$20.1	(\$0.9)	(4.5%)
<i>Income Before Income Taxes Margin</i>	<i>27.1%</i>		<i>25.8%</i>	<i>27.9%</i>		<i>(210bps)</i>
EBITDAC	\$24.6	\$1.3	\$23.3	\$25.0	(\$1.7)	(6.8%)
<i>EBITDAC Margin</i>	<i>32.5%</i>		<i>31.3%</i>	<i>34.7%</i>		<i>(340bps)</i>

* U.S GAAP basis prior to adopting ASC 606/340.



See important disclosures regarding Non-GAAP measures on pages 2-3.

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GAAP to Adjusted Reconciliation

Second Quarter 2018 - Services

(\$ Millions; Unaudited)	Second Quarter					
	As Reported <u>2018</u>	New Revenue <u>Standard</u>	Excluding the New Revenue Standard <u>2018*</u>	As Reported <u>2017*</u>	<u>\$ Change</u>	<u>% Change</u>
Total revenues	\$45.9	\$1.4	\$44.5	\$41.6	\$2.9	7.0%
Income before income taxes	\$8.1	(\$0.9)	\$9.0	\$8.4	\$0.6	7.1%
<i>Income Before Income Taxes Margin</i>	17.6%		20.3%	20.2%		10bps
EBITDAC	\$10.2	(\$0.9)	\$11.1	\$10.8	\$0.3	2.8%
<i>EBITDAC Margin</i>	22.2%		25.0%	26.0%		(100bps)

* U.S GAAP basis prior to adopting ASC 606/340.



See important disclosures regarding Non-GAAP measures on pages 2-3.

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For additional information:

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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 1988.