



BRP Group, Inc. Announces Second Quarter 2020 Results

August 13, 2020

- *Second Quarter 2020 Revenue Grew 55% Year-Over-Year to \$51.3 Million* -

- *Pro Forma Second Quarter 2020 Revenue, Including Revenue from Partnerships in Unowned Period, of \$55.8 Million* -

- *Second Quarter 2020 Organic Revenue Growth of 19%* -

TAMPA, Fla., Aug. 13, 2020 (GLOBE NEWSWIRE) -- BRP Group, Inc. ("BRP Group" or the "Company") (NASDAQ: BRP), a rapidly growing independent insurance distribution firm delivering tailored insurance solutions, today announced its results for the second quarter ended June 30, 2020.

SECOND QUARTER 2020 AND SUBSEQUENT EVENT HIGHLIGHTS

- Revenue increased 55% year-over-year to \$51.3 million
- Pro Forma Revenue⁽¹⁾ grew 60% year-over-year to \$55.8 million
- Organic Revenue Growth⁽²⁾ was 19% year-over-year
- "MGA of the Future" revenue grew 39% to \$13.1 million, compared to \$9.5 million in the prior-year period
- GAAP net loss of \$7.9 million and GAAP loss per share of \$0.18
- Adjusted Net Income⁽³⁾ of \$6.5 million, or \$0.10⁽³⁾ per fully diluted share
- "MGA of the Future" policies in force grew by 44,468 to 445,988 at June 30, 2020 from 401,520 at March 31, 2020. Comparatively, in the second quarter 2019, policies in force grew sequentially by 20,192
- Adjusted EBITDA⁽⁴⁾ grew 84% to \$8.4 million, compared to \$4.6 million in the prior-year period
- Pro Forma Adjusted EBITDA⁽⁵⁾ of \$9.6 million and Pro Forma Adjusted EBITDA Margin⁽⁵⁾ of 17% (Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin excludes all Partnerships closed after June 30, 2020)
- Closed five Partner acquisitions that generated total annualized revenue⁽⁶⁾ of over \$47 million for the 12-month period pre-acquisition; subsequent to June 30, 2020, closed two additional Partner acquisitions that generated additional total annualized revenue⁽⁶⁾ of over \$3 million for the 12-month period pre-acquisition
- Upsized senior revolving credit facility to \$400.0 million
- Completed follow-on offering of 13.225 million shares of Class A common stock that raised net proceeds of \$166.6 million

"We are very proud of our second quarter performance, which is a testament to the power and resiliency of our differentiated business model and hybrid growth strategy to thrive in the face of the unprecedented economic headwinds," said Trevor Baldwin, Chief Executive Officer of BRP Group. "The strength of the company we are building at BRP Group is clearly evidenced by our 19% organic growth. I want to offer a huge thank you to all of our Colleagues, who have executed tremendously for our clients during this challenging period, and without whom these results would not have been possible."

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2020, cash and cash equivalents were \$194.4 million and there was \$226.0 million of long-term debt outstanding. The Company has aggregate borrowing capacity of \$400.0 million under its revolving credit facility.

SIX MONTHS 2020 RESULTS

- Revenue increased 68% year-over-year to \$105.4 million
- Pro Forma Revenue⁽¹⁾ grew 73% year-over-year to \$133.9 million
- Organic Revenue Growth⁽²⁾ of 12% year-over-year

- “MGA of the Future” revenue grew 40% to \$24.2 million, compared to \$17.3 million in the prior-year period
- GAAP net loss of \$3.2 million and GAAP loss per share of \$0.11
- Adjusted Net Income⁽³⁾ of \$18.5 million, or \$0.29⁽³⁾ per fully diluted share
- Adjusted EBITDA⁽⁴⁾ grew 53% to \$22.4 million, compared to \$14.7 million in the prior-year period
- Pro Forma Adjusted EBITDA⁽⁵⁾ of \$36.0 million and Pro Forma Adjusted EBITDA Margin⁽⁵⁾ of 27% (Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin excludes all Partnerships closed after June 30, 2020)
- Closed nine Partner acquisitions that generated total annualized revenue⁽⁶⁾ of approximately \$78.0 million for the 12-month period pre-acquisition

WEBCAST AND CONFERENCE CALL INFORMATION

BRP Group will host a webcast and conference call to discuss second quarter 2020 results today at 5:00 PM ET. A live webcast and a slide presentation of the conference call will be available on BRP Group’s investor relations website at ir.baldwinriskpartners.com. The dial-in number for the conference call is (877) 451-6152 (toll-free) or (201) 389-0879 (international). Please dial the number 10 minutes prior to the scheduled start time.

A replay will be available following the end of the call through Thursday, August 27, 2020, by telephone at (844) 512-2921 (toll-free) or (412) 317-6671 (international), passcode 13706249. A webcast replay of the call will be available at ir.baldwinriskpartners.com for one year following the call.

ABOUT BRP GROUP, INC.

BRP Group, Inc. (NASDAQ: BRP) is a rapidly growing independent insurance distribution firm delivering tailored insurance and risk management insights and solutions that give our Clients the peace of mind to pursue their purpose, passion and dreams. We are innovating the industry by taking a holistic and tailored approach to risk management, insurance and employee benefits, and support our Clients, Colleagues, Insurance Company Partners and communities through the deployment of vanguard resources and capital to drive our growth. BRP represents over 500,000 Clients across the United States and internationally. For more information, please visit www.baldwinriskpartners.com.

FOOTNOTES

- (1) *Pro Forma Revenue is a non-GAAP measure. Reconciliation of Pro Forma Revenue to commissions and fees, the most directly comparable GAAP financial measure, is set forth in the reconciliation table accompanying this release.*
- (2) *Organic Revenue for the three and six months ended June 30, 2019 used to calculate Organic Revenue Growth for the three and six months ended June 30, 2020 was \$33.1 million and \$62.9 million, which is adjusted to reflect revenues from Partnerships that reached the twelve-month owned mark during the three and six months ended June 30, 2020. Organic Revenue is a non-GAAP measure. Reconciliation of Organic Revenue to commissions and fees, the most directly comparable GAAP financial measure, is set forth in the reconciliation table accompanying this release.*
- (3) *Adjusted Net Income and Adjusted Diluted EPS are non-GAAP measures. Reconciliation of Adjusted Net Income to net income attributable to BRP Group, Inc. and reconciliation of Adjusted Diluted EPS to diluted loss per share, the most directly comparable GAAP financial measures, are set forth in the reconciliation table accompanying this release.*
- (4) *Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures. Reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure, is set forth in the reconciliation table accompanying this release.*
- (5) *Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin are non-GAAP measures. Reconciliation of Pro Forma Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure, is set forth in the reconciliation table accompanying this release.*
- (6) *Annualized revenue represents the aggregate revenues of Partners acquired during the relevant period presented, for the most recent trailing twelve month period prior to acquisition by the Company, in each case, at the time the due diligence was concluded based on a quality of earnings review and not an audit.*

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This press release may contain various “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which represent BRP Group’s expectations or beliefs concerning future events. Forward-looking statements are statements other than historical facts and may include statements that address future operating, financial or business performance or BRP Group’s strategies or expectations. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “projects”, “potential”, “outlook” or “continue”, or the negative of these terms or other comparable terminology. Forward-looking statements are based on management’s current expectations and beliefs and involve significant risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by these statements.

Factors that could cause actual results or performance to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, those described under the caption “Risk Factors” in BRP Group’s Annual Report on Form 10-K for the year ended December 31,

2019, BRP Group's Quarterly Reports on Form 10-Q for the three months ended March 31, 2020 and for the three months ended June 30, 2020 and BRP Group's other filings with the SEC, which are available free of charge on the Securities and Exchange Commission's website at: www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All forward-looking statements and all subsequent written and oral forward-looking statements attributable to BRP Group or to persons acting on behalf of BRP Group are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made, and BRP Group does not undertake any obligation to update them in light of new information, future developments or otherwise, except as may be required under applicable law.

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BRP GROUP, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in thousands, except share and per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Commissions and fees	\$ 51,268	\$ 33,060	\$ 105,427	\$ 62,897
Operating expenses:				
Commissions, employee compensation and benefits	39,263	23,994	73,811	40,280
Other operating expenses	9,546	6,389	18,431	10,391
Amortization expense	4,450	2,835	8,046	3,711
Change in fair value of contingent consideration	4,581	(971)	6,242	(3,757)
Depreciation expense	240	149	405	276
Total operating expenses	58,080	32,396	106,935	50,901
Operating income (loss)	(6,812)	664	(1,508)	11,996
Interest expense, net	(1,047)	(3,623)	(1,632)	(5,213)
Income (loss) before income taxes	(7,859)	(2,959)	(3,140)	6,783
Income tax provision	—	—	12	—
Net income (loss)	(7,859)	(2,959)	(3,152)	6,783
Less: net income (loss) attributable to noncontrolling interests	(4,271)	(2,959)	(1,032)	6,783
Net loss attributable to BRP Group, Inc.	\$ (3,588)	\$ —	\$ (2,120)	\$ —
Comprehensive income (loss)	\$ (7,859)	\$ (2,959)	\$ (3,152)	\$ 6,783
Comprehensive income (loss) attributable to noncontrolling interests	(4,271)	(2,959)	(1,032)	6,783
Comprehensive loss attributable to BRP Group, Inc.	(3,588)	—	(2,120)	—
Basic and diluted net loss per share	\$ (0.18)		\$ (0.11)	
Basic and diluted weighted-average shares of Class A common stock outstanding	20,426,082		19,959,828	

BRP GROUP, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except share and per share data)	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 194,378	\$ 67,689
Restricted cash	10,058	3,382
Premiums, commissions and fees receivable, net	102,575	58,793
Prepaid expenses and other current assets	3,205	3,019
Due from related parties	121	43
Total current assets	<u>310,337</u>	<u>132,926</u>
Property and equipment, net	6,358	3,322
Other assets	7,994	5,600
Intangible assets, net	209,453	92,450
Goodwill	335,526	164,470
Total assets	<u>\$ 869,668</u>	<u>\$ 398,768</u>
Liabilities, Mezzanine Equity and Stockholders' Equity		
Current liabilities:		
Premiums payable to insurance companies	\$ 110,512	\$ 50,541
Producer commissions payable	13,223	7,470
Accrued expenses and other current liabilities	16,650	12,334
Current portion of contingent earnout liabilities	4,212	2,480
Total current liabilities	<u>144,597</u>	<u>72,825</u>
Revolving lines of credit	226,000	40,363
Contingent earnout liabilities, less current portion	74,323	46,289
Other liabilities	2,114	2,017
Total liabilities	<u>447,034</u>	<u>161,494</u>
Commitments and contingencies		
Mezzanine equity:		
Redeemable noncontrolling interest	71	23
Stockholders' equity:		
Class A common stock, par value \$0.01 per share, 300,000,000 shares authorized; 33,302,477 and 19,362,984 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	333	194
Class B common stock, par value \$0.0001 per share, 50,000,000 shares authorized; 45,458,763 and 43,257,738 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	4	4
Additional paid-in capital	235,520	82,425
Accumulated deficit	(10,770)	(8,650)
Notes receivable from stockholders	(573)	(688)
Total stockholders' equity attributable to BRP Group, Inc.	<u>224,514</u>	<u>73,285</u>
Noncontrolling interest	198,049	163,966
Total stockholders' equity	<u>422,563</u>	<u>237,251</u>
Total liabilities, mezzanine equity and stockholders' equity	<u>\$ 869,668</u>	<u>\$ 398,768</u>

BRP GROUP, INC.**Condensed Consolidated Statements of Cash Flows**

(Unaudited)

(in thousands)	For the Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (3,152)	\$ 6,783
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,451	3,987
Change in fair value of contingent consideration	6,242	(3,757)
Share-based compensation expense	3,117	31
Payment of contingent earnout consideration in excess of purchase price accrual	(1,316)	—
Amortization of deferred financing costs	195	731
Loss on extinguishment of debt	—	115

Issuance and vesting of Management Incentive Units	—	360
Participation unit compensation	—	61
Changes in operating assets and liabilities, net of effect of acquisitions:		
Premiums, commissions and fees receivable, net	(9,464)	8,309
Prepaid expenses and other current assets	(334)	(439)
Due from related parties	(78)	114
Accounts payable, accrued expenses and other current liabilities	39,983	(7,981)
Other liabilities	—	548
Net cash provided by operating activities	43,644	8,862
Cash flows from investing activities:		
Capital expenditures	(2,619)	(780)
Investment in business venture	—	(200)
Cash consideration paid for asset acquisitions, net of cash received	(695)	(375)
Cash consideration paid for business combinations, net of cash received	(224,112)	(76,186)
Net cash used in investing activities	(227,426)	(77,541)
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock, net of underwriting discounts	167,346	—
Repurchase/redemption of LLC Units and Class B common stock	(32,610)	—
Payment of common stock offering costs	(769)	—
Payment of contingent and guaranteed earnout consideration	(665)	(813)
Proceeds from revolving line of credit	185,637	55,795
Proceeds from related party debt	—	38,920
Payments on long-term debt	—	(205)
Payments of debt issuance costs and debt extinguishment costs	(1,918)	(15)
Proceeds from repayment of stockholder/member notes receivable	115	144
Repurchase of common units	—	(12,500)
Distributions	—	(6,292)
Other	11	1,479
Net cash provided by financing activities	317,147	76,513
Net increase in cash and cash equivalents and restricted cash	133,365	7,834
Cash and cash equivalents and restricted cash at beginning of period	71,071	7,995
Cash and cash equivalents and restricted cash at end of period	\$ 204,436	\$ 15,829

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA, Adjusted EBITDA Margin, Organic Revenue, Organic Revenue Growth, Adjusted Net Income, Adjusted Diluted Earnings Per Share (“EPS”), Pro Forma Revenue, Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin are not measures of financial performance under GAAP and should not be considered substitutes for GAAP measures, including commissions and fees (for Organic Revenue, Organic Revenue Growth and Pro Forma Revenue), net income (loss) (for Adjusted EBITDA, Adjusted EBITDA Margin, Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin), net income (loss) attributable to BRP Group, Inc. (for Adjusted Net Income) or diluted earnings (loss) per share (for Adjusted Diluted EPS), which we consider to be the most directly comparable GAAP measures. These non-GAAP financial measures have limitations as analytical tools, and when assessing our operating performance, you should not consider these non-GAAP financial measures in isolation or as substitutes for commissions and fees, net income (loss) or other consolidated income statement data prepared in accordance with GAAP. Other companies in our industry may define or calculate these non-GAAP financial measures differently than we do, and accordingly these measures may not be comparable to similarly titled measures used by other companies.

Adjusted EBITDA eliminates the effects of financing, depreciation, amortization and change in fair value of contingent consideration. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation, amortization, change in fair value of contingent consideration and certain items of income and expense, including share-based compensation expense, transaction-related expenses related to Partnerships including severance, and certain non-recurring costs, including those related to raising capital. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance, and that the presentation of this measure enhances an investor’s understanding of our financial performance.

Adjusted EBITDA Margin is Adjusted EBITDA divided by commissions and fees. Adjusted EBITDA is a key metric used by management and our board of directors to assess our financial performance. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance, and that the presentation of this measure enhances an investor’s understanding of our financial performance. We believe that Adjusted EBITDA Margin is helpful in measuring profitability of operations on a consolidated level.

Adjusted EBITDA and Adjusted EBITDA Margin have important limitations as analytical tools. For example, Adjusted EBITDA and Adjusted EBITDA Margin:

- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;

- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations;
- do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- do not reflect share-based compensation expense and other non-cash charges; and
- exclude certain tax payments that may represent a reduction in cash available to us.

We calculate Organic Revenue Growth based on commissions and fees for the relevant period by excluding the first twelve months of commissions and fees generated from new Partners. Organic Revenue Growth is the change in Organic Revenue period-to-period, with prior period results adjusted for Organic Revenues that were excluded in the prior period because the relevant Partners had not yet reached the twelve-month owned mark, but which have reached the twelve-month owned mark in the current period. For example, revenues from a Partner acquired on June 1, 2019 are excluded from Organic Revenue for 2019. However, after June 1, 2020, results from June 1, 2019 to December 31, 2019 for such Partners are compared to results from June 1, 2020 to December 31, 2020 for purposes of calculating Organic Revenue Growth in 2020. Organic Revenue Growth is a key metric used by management and our board of directors to assess our financial performance. We believe that Organic Revenue and Organic Revenue Growth are appropriate measures of operating performance as they allow investors to measure, analyze and compare growth in a meaningful and consistent manner.

Adjusted Net Income is presented for the purpose of calculating Adjusted Diluted EPS. We define Adjusted Net Income as net income (loss) attributable to BRP Group, Inc. adjusted for amortization, change in fair value of contingent consideration and certain items of income and expense, including share-based compensation expense, transaction-related expenses related to Partnerships including severance, and certain non-recurring costs that, in the opinion of management, significantly affect the period-over-period assessment of operating results, and the related tax effect of those adjustments.

Adjusted Diluted EPS measures our per share earnings excluding certain expenses as discussed above and assuming all shares of Class B common stock were exchanged for Class A common stock. Adjusted Diluted EPS is calculated as Adjusted Net Income divided by adjusted dilutive weighted-average shares outstanding. We believe Adjusted Diluted EPS is useful to investors because it enables them to better evaluate per share operating performance across reporting periods.

Pro Forma Revenue reflects GAAP revenue (commissions and fees), plus revenue from Partnerships in the unowned periods.

Pro Forma Adjusted EBITDA takes into account Adjusted EBITDA from Partnerships in the unowned periods and eliminates the effects of financing, depreciation and amortization. We define Pro Forma Adjusted EBITDA as pro forma net income (loss) before interest, taxes, depreciation, amortization, change in fair value of contingent consideration and certain items of income and expense, including share-based compensation expense, transaction-related expenses related to Partnerships including severance, and certain non-recurring costs, including those related to raising capital. We believe that Pro Forma Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance, and that the presentation of this measure enhances an investor's understanding of our financial performance.

Pro Forma Adjusted EBITDA Margin is Pro Forma Adjusted EBITDA divided by Pro Forma Revenue. Pro Forma Adjusted EBITDA is a key metric used by management and our board of directors to assess our financial performance. We believe that Pro Forma Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance, and that the presentation of this measure enhances an investor's understanding of our financial performance. We believe that Pro Forma Adjusted EBITDA Margin is helpful in measuring profitability of operations on a consolidated level.

Adjusted EBITDA and Adjusted EBITDA Margin

The following table reconciles Adjusted EBITDA and Adjusted EBITDA Margin to net income (loss), which we consider to be the most directly comparable GAAP financial measure to Adjusted EBITDA and Adjusted EBITDA Margin:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Commissions and fees	\$ 51,268	\$ 33,060	\$ 105,427	\$ 62,897
Net income (loss)	\$ (7,859)	\$ (2,959)	\$ (3,152)	\$ 6,783
Adjustments to net income (loss):				
Amortization expense	4,450	2,835	8,046	3,711
Change in fair value of contingent consideration	4,581	(971)	6,242	(3,757)
Share-based compensation	1,978	261	3,117	391
Interest expense, net	1,047	3,623	1,632	5,213
Depreciation expense	240	149	405	276
Transaction-related Partnership expenses	2,020	313	3,868	570
Severance related to Partnership activity	360	300	413	300
Capital related expenses	1,000	1,008	1,000	1,046

Income tax provision	—	—	12	—
Other	568	—	834	155
Adjusted EBITDA	<u>\$ 8,385</u>	<u>\$ 4,559</u>	<u>\$ 22,417</u>	<u>\$ 14,688</u>
Adjusted EBITDA Margin	16 %	14 %	21 %	23 %

Organic Revenue and Organic Revenue Growth

The following table reconciles Organic Revenue to commissions and fees, which we consider to be the most directly comparable GAAP financial measure to Organic Revenue:

(in thousands, except percentages)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Commissions and fees	\$ 51,268	\$ 33,060	\$ 105,427	\$ 62,897
Partnership commissions and fees ⁽¹⁾	(12,064)	(13,947)	(34,932)	(19,305)
Organic Revenue	<u>\$ 39,204</u>	<u>\$ 19,113</u>	<u>\$ 70,495</u>	<u>\$ 43,592</u>
Organic Revenue Growth ⁽²⁾	\$ 6,130	\$ 417	\$ 7,584	\$ 3,110
Organic Revenue Growth % ⁽²⁾	19 %	2 %	12 %	8 %

(1) Includes the first twelve months of such commissions and fees generated from newly acquired Partners.

(2) Organic Revenue for the three and six months ended June 30, 2019 used to calculate Organic Revenue Growth for the three and six months ended June 30, 2020 was \$33.1 million and \$62.9 million, respectively, which is adjusted to reflect revenues from Partnerships that reached the twelve-month owned mark during the three and six months ended June 30, 2020.

Adjusted Net Income and Adjusted Diluted EPS

The following table reconciles Adjusted Net Income to net income (loss) attributable to BRP Group, Inc. and reconciles Adjusted Diluted EPS to diluted loss per share attributable to BRP Group, Inc. Class A common stock:

(in thousands, except per share data)	For the Three Months Ended June 30, 2020	For the Six Months Ended June 30, 2020
Net income (loss) attributable to BRP Group, Inc.	\$ (3,588)	\$ (2,120)
Net income (loss) attributable to noncontrolling interests	(4,271)	(1,032)
Amortization expense	4,450	8,046
Change in fair value of contingent consideration	4,581	6,242
Share-based compensation	1,978	3,117
Transaction-related Partnership expenses	2,020	3,868
Capital related expenses	1,000	1,000
Amortization of deferred financing costs	119	195
Severance related to Partnership activity	360	413
Other	568	834
Adjusted pre-tax income	<u>7,217</u>	<u>20,563</u>
Adjusted income taxes ⁽¹⁾	<u>715</u>	<u>2,036</u>
Adjusted Net Income	<u>\$ 6,502</u>	<u>\$ 18,527</u>
Weighted-average shares of Class A common stock outstanding - diluted	20,426	19,960
Dilutive effect of unvested restricted shares of Class A common stock	365	344
Exchange of Class B shares ⁽²⁾	45,466	44,503
Adjusted dilutive weighted-average shares outstanding	<u>66,257</u>	<u>64,807</u>
Adjusted Diluted EPS	<u>\$ 0.10</u>	<u>\$ 0.29</u>
Diluted loss per share	\$ (0.18)	\$ (0.11)
Effect of exchange of Class B shares and net income attributable to noncontrolling interests per share	0.06	0.06
Other adjustments to net income per share	0.23	0.37
Adjusted income taxes per share	(0.01)	(0.03)
Adjusted Diluted EPS	<u>\$ 0.10</u>	<u>\$ 0.29</u>

- (1) Represents corporate income taxes at assumed effective tax rate of 9.9% applied to adjusted pre-tax income.
(2) Assumes the full exchange of Class B shares for Class A common stock pursuant to the Amended LLC Agreement.

Pro Forma Revenue

The following table reconciles Pro Forma Revenue to commissions and fees, which we consider to be the most directly comparable GAAP financial measure to Pro Forma Revenue:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Commissions and fees	\$ 51,268	\$ 33,060	\$ 105,427	\$ 62,897
Revenue for Partnerships in the unowned period ⁽¹⁾	4,553	1,905	28,478	14,339
Pro Forma Revenue	<u>\$ 55,821</u>	<u>\$ 34,965</u>	<u>\$ 133,905</u>	<u>\$ 77,236</u>

- (1) The adjustments for the three months ended June 30, 2020 reflect commissions and fees revenue for Southern Protective Group, LLC, Pendulum, LLC, Rosenthal Bros., Inc. and Trinity Benefit Advisors, Inc./Russ Blakely & Associates, LLC as if the Company had acquired the Partners on January 1, 2020. The adjustments for the six months ended June 30, 2020 reflect commissions and fees revenue for AgencyRM LLC, VibrantUSA Inc., Insurance Risk Partners, LLC, Southern Protective Group, LLC, Pendulum, LLC, Rosenthal Bros., Inc. and Trinity Benefit Advisors, Inc./Russ Blakely & Associates, LLC as if the Company had acquired the Partners on January 1, 2020. The adjustments for the three months ended June 30, 2019 reflect commissions and fees revenue for Foundation Insurance of Florida, LLC and Fiduciary Partners Retirement Group, Inc., as well as two asset acquisitions for the unowned period, as if the Company had acquired the Partners on January 1, 2019. The adjustments for the six months ended June 30, 2019 reflect commissions and fees revenue for Lykes Insurance, Inc., Millennial Specialty Insurance LLC, Foundation Insurance of Florida, LLC and Fiduciary Partners Retirement Group, Inc., as well as two asset acquisitions for the unowned period, as if the Company had acquired the Partners on January 1, 2019. This unaudited pro forma information should not be relied upon as being indicative of the historical results that would have been obtained if the acquisitions had occurred on that date, nor the results that may be obtained in the future.

Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin

The following table reconciles Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin to net income (loss), which we consider to be the most directly comparable GAAP financial measure to Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin:

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Pro Forma Revenue	\$ 55,821	\$ 34,965	\$ 133,905	\$ 77,236
Net income (loss)	\$ (7,859)	\$ (2,959)	\$ (3,152)	\$ 6,783
Net income (loss) for Partnerships in the unowned period ⁽¹⁾	(319)	(262)	9,296	(608)
Pro Forma Net Income (Loss)	(8,178)	(3,221)	6,144	6,175
Adjustments to pro forma net income (loss):				
Interest expense, net	1,570	4,618	3,075	9,226
Amortization expense	5,446	2,835	10,903	5,575
Change in fair value of contingent consideration	4,581	(971)	6,242	(3,757)
Share-based compensation	1,978	261	3,117	391
Transaction-related Partnership expenses	2,020	313	3,868	570
Depreciation expense	240	149	405	276
Severance related to Partnership activity	360	300	413	300
Capital related expenses	1,000	1,008	1,000	1,046
Income tax provision	—	—	12	—
Other	568	—	834	155
Pro Forma Adjusted EBITDA	<u>\$ 9,585</u>	<u>\$ 5,292</u>	<u>\$ 36,013</u>	<u>\$ 19,957</u>
Pro Forma Adjusted EBITDA Margin	17%	15%	27%	26%

- (1) The adjustments for the three months ended June 30, 2020 reflect commissions and fees revenue for Southern Protective Group, LLC, Pendulum, LLC, Rosenthal Bros., Inc. and Trinity Benefit Advisors, Inc./Russ Blakely & Associates, LLC as if the Company had acquired the Partners on January 1, 2020. The adjustments for the six months ended June 30, 2020 reflect commissions and fees revenue for AgencyRM LLC, VibrantUSA Inc., Insurance Risk Partners, LLC, Southern Protective Group, LLC, Pendulum, LLC, Rosenthal Bros., Inc. and Trinity Benefit

Advisors, Inc./Russ Blakely & Associates, LLC as if the Company had acquired the Partners on January 1, 2020. The adjustments for the three months ended June 30, 2019 reflect commissions and fees revenue for Foundation Insurance of Florida, LLC and Fiduciary Partners Retirement Group, Inc., as well as two asset acquisitions for the unowned period, as if the Company had acquired the Partners on January 1, 2019. The adjustments for the six months ended June 30, 2019 reflect commissions and fees revenue for Lykes Insurance, Inc., Millennial Specialty Insurance LLC, Foundation Insurance of Florida, LLC and Fiduciary Partners Retirement Group, Inc., as well as two asset acquisitions for the unowned period, as if the Company had acquired the Partners on January 1, 2019. This unaudited pro forma information should not be relied upon as being indicative of the historical results that would have been obtained if the acquisitions had occurred on that date, nor the results that may be obtained in the future.

COMMONLY USED DEFINED TERMS

The following terms have the following meanings throughout this press release unless the context indicates or requires otherwise:

Clients	Our insureds
Colleagues	Our employees
GAAP	Accounting principles generally accepted in the United States of America
Partners	Companies that we have acquired, or in the case of asset acquisitions, the producers
Partnerships	Strategic acquisitions made by the Company