BRP

## Year In Review

**February 28, 2023**

As I reflect on the current state of BRP, I start with last year's theme: Transformation. By all measures, relative to the business we founded just over a decade ago and the one we took public in 2019, the BRP of today has been transformed.

We have grown revenue from approximately $5 million at our founding in 2011, to approximately $140 million in the year of our IPO, to more than $980 million today. We evolved from a local business to a regional firm, and now to a national platform, serving clients in all 50 states and globally. We have grown to nearly 4,000 colleagues from approximately 35 at our founding and approximately 500 at the time of our IPO. Our distinctive culture has attracted leading talent and served as a critical alignment point for Partnering (our nomenclature for M&A) with exceptional businesses that share our vision of building the insurance distribution and advisory firm of the future.

Since our founding, we have grown from a traditional retail brokerage business to one that is now more diverse, vertically integrated, innovative, and technologically advanced. We have established an enviable franchise that will be the foundation for substantial future expansion on our journey to becoming a top global insurance advisory firm.

The magnitude of the transformative growth in our business certainly was not a given. It is the result of thoughtful strategy and diligent execution delivered by exceptional colleagues empowered to thrive in the BRP culture. We have navigated a global pandemic, the highest levels of inflation in 40 years, and currently find ourselves in turbulent macro-economic waters. But our recipe for success, anchored by our cultural compass, the Azimuth, always pointing us to our "True North," has remained the same and will always be quite simple: prioritize profitable Organic Revenue Growth, attract and retain exceptional talent, invest deeply in our people, prudently allocate capital, relentlessly focus on all five of our stakeholders, and differentiate ourselves via innovation.

None of these achievements would have been possible without the amazingly talented team we have built in a short period of time. Since our IPO, we have added tremendous depth and breadth of expertise and capability to our talent bench, including leaders with experience from blue-chip organizations, and a board of directors with representation from some of the most respected Fortune 500 companies.

To all of you, thank you for your dedication to BRP and for your tireless efforts and commitment to our stakeholders, which include clients, colleagues, communities, insurance company partners, and shareholders. I am immensely proud of the team we have assembled, the magnitude of what we have collectively accomplished in a very short amount of time, and the position we have put our business in to thrive for many years to come. We are just getting started!

## A Year of Continued Success

2022 was another year of remarkable performance, as we grew revenue and Pro Forma Revenue 73% and 41%, respectively, generated Organic Revenue Growth of 23%, grew Adjusted EBITDA by 74%, grew Adjusted Diluted EPS by 29%, and grew Free Cash Flow by 5% amidst a 184% increase in our cash interest expenses largely as a result of higher interest rates. We completed three Partnerships during the year, including Westwood Insurance Agency, the largest Partnership in BRP's history, which meaningfully accelerated our embedded homeowners' capabilities.

All of our operating segments posted double-digit Organic Revenue Growth for the year and meaningfully contributed to our results.

While our 2022 results were tremendous, I am even more excited about the "under the hood" momentum we have built that positions us for continued outsized and profitable growth in 2023 and beyond.

## 2022 Highlights

- Revenue growth of 73% and an industry pacing Organic Revenue Growth rate of 23%
- Grew Adjusted EBITDA and Free Cash Flow by 74% and 5%, respectively
- Welcomed 1,787 talented new colleagues to the BRP family
- Completed three Partnerships contributing approximately $96m of pro forma annualized revenue, including Westwood Insurance Agency, the largest Partnership in our history
- Grew MGA net written premium by over 100%, aided by the broad launch of our homeowners business, and built meaningful infrastructure to support continued outsized growth via expansion of existing programs and the launch of new products
- Won numerous accolades highlighting our status as a destination employer: named by Fortune & Great Place to Work as a "Best Workplaces in Financial Services and Insurance™" for 2022 and re-certified through 2023; and recognized by Top Workplaces USA as a nationally recognized employer for making the world a better place.

## Our Financial Benchmarks

We are committed to allocating capital and managing the business to create durable and consistent cash flow streams that grow over time. While equity and debt are useful capital sources when used appropriately, cash flow generation is the ultimate path to operating flexibility, and we measure this in components of the business as well as on a per-share basis.

If we execute well, these numbers should result in an increase in market value and share price over the long run. Below are the key metrics we publish year over year. We are pleased with the track record we have been building as a public company, and we recognize the potential to do much more in 2023 and beyond.

| | 2022 | 2021 | 2020 | 2019 | 2022 YOY GROWTH (%) |
|---|---|---|---|---|---|
| Pro Forma Revenue ($mm) | $1,014.5 | $719.3 | $426.2 | $152.6 | 41% |
| Pro Forma Adjusted EBITDA ($mm) | $202.9 | $175.0 | $109.9 | $34.0 | 16% |
| Adjusted Net Income ($mm) | $119.0 | $80.6 | $33.4 | $17.3 | 48% |
| Adjusted Earnings Per Share | $1.03 | $0.80 | $0.46 | $0.28 | 29% |
| Free Cash Flow ($mm) | $57.1 | $54.3 | $18.0 | $9.0 | 5% |
| Organic Revenue Growth | 23% | 22% | 16% | 10% | |
| Total Revenue Growth | 73% | 135% | 75% | 73% | |
| Pro Forma Revenue Growth | 41% | 69% | 179% | 75% | |
| Annualized Revenue of New Partner Firms ($mm) | $96.3 | $206.2 | $236.2 | $46.9 | |
| Enterprise Value ($bn) | $4.1 | $4.9 | $3.1 | $1.0 | -16% |
| Price Per Share | $25.14 | $36.11 | $29.97 | $16.05 | -30% |

## A Unique Opportunity

BRP operates a meaningfully differentiated business, in one of the best industries on the planet, in what we think is the best country in the world to do business. The opportunity this presents us is immense, and why we are only at the beginning of the BRP story.

### *A highly differentiated business*

Nothing validates the differentiation of our business model and strategy more than the consistency of our Organic Revenue Growth results. Over a 12-year period dating to our inception in 2011, in what is thought of as a "GDP+ rate" industry, BRP has generated double-digit Organic Revenue Growth every year, including 2022, when we eclipsed $1bn in Pro Forma Revenue and generated 23% Organic Revenue Growth. That track record spans good times and bad, including numerous macro-economic headwinds over our short life as a public company.

Financially, we have enabled these results by investing heavily in the business and our colleagues. Watching so many of my colleagues at BRP grow into leaders along the way has been one of the most gratifying aspects of our growth journey. I am particularly excited for the opportunity and momentum that continues to build for our colleagues; for those with goals and aspirations of career growth and upward mobility, there is no better place in the industry to build a lasting, meaningful, and rewarding career. This is supported by my view that many of our most attractive investment opportunities are still within the business, where investments should drive operating leverage, Revenue Growth, and Cash Flow years into the future.

Strategically, we have focused on building a balanced business capable of thriving across the economic and insurance rate cycle. You will see this throughout our firm at all levels of the macro/micro spectrum – the symbiotic differentiation across our three segments, broad geographic diversification, an out-indexed exposure to the most resilient and high-growth industry sectors, and a growing balance in the mix and risk profile of our MGA products.

As a result, I firmly believe the business is positioned to grow consistently, generate differentiated returns, and be a destination for top talent for years to come.

### *Insurance: an industry with a remarkable combination of attractive investment attributes and an important purpose beyond profits*

Insurance is an essential component of a high-functioning economy and society. It provides a vital backstop for businesses and individuals. Insurance enables innovation and growth and allows individuals and families to pursue their passions. As the world continues to get more complex, the need for a trusted insurance advisor is becoming even more valuable. My colleagues and I at BRP take this role seriously and are committed to delivering the platform, capabilities, and expertise for individuals and businesses to best navigate this complexity.

The insurance distribution sector has structural elements that often afford durable growth and highly recurring cash flow streams. In the majority of cases, the products we distribute are mandatory due to regulatory or contractual requirements and must be renewed each year. This dynamic affords us the opportunity to grow in most economic environments.

In addition to these structural elements, a number of strategic organizational attributes place BRP in an advantaged position to thrive, attract new clients and talent, and capture market share. Our adoption and advancement of technology is a competitive advantage enabling us to elevate the role of insurance professionals while best positioning ourselves to strengthen our position as the destination employer in our industry. The breadth and depth of our business expertise and offerings provide a variety of solutions to a wide range of commercial and personal clients who are navigating economic turbulence alongside a rapidly evolving and complex risk landscape.

### *Growth and opportunity in the most attractive global marketplace*

While news headlines and political polarization can make it easy to lose perspective, the U.S. remains the best country in which to live and do business by a wide margin, and we are grateful for the opportunity that it provides us.

We all benefit from a robust marketplace and economy predicated on democratic principles of a constitutional republic that promotes freedom, security, commerce, and accountability. Our capitalist economic system fosters entrepreneurialism and innovation that is unmatched anywhere else. Put simply, it is the greatest system for wealth creation in the world, and we feel privileged to be building our firm in so many markets across the country.

## Capital Deployment & Value Creation

We take our capital allocation role seriously. During our time as a public company, we have found many internal and external opportunities to deploy capital at strong rates of return.

Externally, we have established a track record as the home for our industry's highest quality and fastest-growing independent firms. Since our IPO, we have Partnered with 35 firms, eight of which were among the Top 100 firms in the country at the time they decided to join us. We have deployed capital into Partnerships with fast-growing firms at ~3-5x revenue, generating what we believe will be tremendous returns for years to come. Relative to internal organic investments, Partnerships have provided immediate benefits via new capabilities, expertise, incremental Organic Revenue Growth, and Cash Flow. Prior to our IPO and during most of our time as a public company, we viewed Partnerships as somewhat existential to thrive in an increasingly competitive environment where scale matters. However, we have now reached "escape velocity" and can effectively compete against the most mature companies in our industry nationally while continuing to grow at double-digit rates from investments funded with internally generated Free Cash Flow.

From an organic standpoint, we have invested heavily in people and technology, contributing to our superior Organic Revenue Growth results to date. We believe these rates can continue well into the future. Internal investments tend to be meaningfully less capital intensive than Partnerships (~0-3x revenue), with shorter payback periods, and may offer substantially higher returns on invested capital when successful.

In the current environment, we plan to overwhelmingly direct our capital at internal Organic Revenue Growth opportunities, given our expectation that returns will be highest there, while continuing to evaluate M&A opportunities that bring unique capabilities, expertise, and geography that might otherwise be difficult to replicate solely through internal investment. Competition in the M&A environment has continued largely unabated, and while interest rates have increased, demand has not yet meaningfully diminished, resulting in still-buoyant private market valuations that we believe will generate lower returns for equity holders. With such attractive opportunities to invest inside BRP, only a few external prospective Partner firms can chin the bar at today's prices and costs of capital.

Moreover, we believe the best recipe for value creation over the next ten years will look meaningfully different from what many industry participants have relied on in the last decade. Generating returns via multiple arbitrage was straightforward when high leverage was largely available, and borrowing was cheap. Going forward, building lasting franchise value will depend on integration, Organic Revenue Growth, and prudent capital structures that enable continued investment in growth infrastructure. We feel incredibly well-positioned to thrive in this new environment.

## Insurance Capacity

We currently find ourselves in the most challenging insurance capacity environment in recent memory, driven by a sustained and heightened period of natural catastrophe loss activity and social and economic inflation. Poor underwriting profitability has led to some insurance company failures in the state of Florida and a more difficult reinsurance capacity environment for most participants. The importance of insurance distributors' (both agencies and MGAs) ability to deliver profitable underwriting results over time for their (re)insurance trading partners is returning to the forefront and will prove an essential ingredient to those intermediaries who are able to deliver stable and welcome capacity to their clients. We have often shared our perspective that at BRP, our ability to deliver superior underwriting results over time will provide BRP with a differentiated competitive advantage. Events such as Hurricane Ian and the challenging (re)insurance market continue to remind us of this dynamic. We look forward to leveraging our track-record of responsible trading with risk capital partners to deliver much needed capacity to our clients during this difficult market, enabling us to solve problems for clients, bring unique solutions, and ultimately take meaningful share from our competitors.

Additionally, higher interest rates, less liquidity, and increased loss costs have left capacity providers eager for partners who are capable of delivering consistently profitable business and programs. We feel very well positioned to benefit from this dynamic and how that positions us favorably to continue securing the capacity needed to maintain outsized growth at our MGA. To date, across the MGA of the Future's ~$660 million of premium, we have generated an aggregate incurred loss ratio of less than 50%. As an example, in the wake of Hurricane Ian, we secured capacity for a new suite of residential and commercial flood products launching over the course of 2023. That is juxtaposed against a broad reinsurance market which saw risk-adjusted aggregate capacity decline for many cedants.

In summary, prudent, profitable growth for both the MGA and our insurance company partners are critical factors for success, and this approach will continue to guide the way we operate and how we differentiate ourselves.

## Looking Ahead

Mixed signals from across the U.S. economy today are making it difficult for many businesses to plan and navigate. We expect the economy to continue to be challenged through 2023, while inflation is expected to recede in most areas due to higher financing rates and lower demand. Macro trends related to quantitative tightening are crowding out private capital and creating scarcity of investment capital. It is hard to imagine a strong, vibrant economy if the U.S. Treasury market is out of balance on supply and demand.

These conditions remind me of a quote by George Washington,

***"The harder the conflict, the greater the triumph."***

In 2023, it is our desire to be a reassuring beacon of opportunity for all of our stakeholders so they may triumph during this time of uncertainty. That is why we have chosen our theme for the year to be **Beacon of Opportunity**. In an uneven economic environment, BRP is working tirelessly for our clients to advise them on options, provide solutions, and ensure affordable access to the protection vital to their businesses and livelihoods. We remain confident in our ability to grow profitably even in this market, thanks to the resiliency of our business model, our differentiated approach to serving clients, technological innovations, and the grit and tenacity of our colleagues who are committed to all of our stakeholders.

In closing, I extend a big "thank you" to our colleagues, clients, insurance company partners, community members, and shareholders. We appreciate your trust and will continue to strive to earn it every day.

With gratitude and optimism,

Trevor Baldwin
Chief Executive Officer

BRP

# APPENDIX

## 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, Pro Forma Adjusted EBITDA Margin and adjusted net cash provided by operating activities (“free cash flow”) 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 (for Adjusted Net Income), diluted earnings (loss) per share (for Adjusted Diluted EPS) or net cash provided by (used in) operating activities (for free cash flow), 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), net income (loss) attributable to BRP Group, diluted earnings (loss) per share 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.

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 Partnership and integration expenses, severance, and certain non-recurring items, including those related to raising capital. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of income and 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 Margin is a key metric used by management and our board of directors to assess our financial performance. We believe that Adjusted EBITDA Margin is an appropriate measure of operating performance because it eliminates the impact of income and 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 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 to include commissions and fees 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, 2021 are excluded from Organic Revenue for 2021. However, after June 1, 2022, results from June 1, 2021 to December 31, 2021 for such Partners are compared to results from June 1, 2022 to December 31, 2022 for purposes of calculating Organic Revenue Growth in 2022. 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 adjusted for depreciation, amortization, change in fair value of contingent consideration and certain items of income and expense, including share-based compensation expense, transaction-related Partnership and integration expenses, 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. We believe that Adjusted Net Income is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance.

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 Partnership and integration expenses, 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 Margin is a key metric used by management and our board of directors to assess our financial performance. We believe that Pro Forma Adjusted EBITDA Margin 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.

We calculate free cash flow because we hold fiduciary cash designated for our Insurance Company Partners on behalf of our Clients and incur substantial earnout liabilities in conjunction with our Partnership strategy. Free cash flow is calculated as net cash provided by (used in) operating activities excluding the impact of: (i) the change in premiums, commissions and fees receivable, net; (ii) the change in accounts payable, accrued expenses and other current liabilities; and (iii) the payment of contingent earnout consideration in excess of purchase price accrual. We believe that free cash flow is an important financial measure for use in evaluating financial performance because it measures our ability to generate additional cash from our business operations.

## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except percentages)** | **2022** | **2021** | **2020** |
| Commissions and fees | $ 980,720 | $ 567,290 | $ 240,919 |
| | | | |
| Net loss | $ (76,748) | $ (58,120) | $ (29,885) |
| Adjustments to net loss: | | | |
| Amortization expense | 81,738 | 48,720 | 19,038 |
| Interest expense, net | 71,072 | 26,899 | 7,857 |
| Share-based compensation | 47,389 | 19,193 | 7,744 |
| Transaction-related Partnership and integration expenses | 34,588 | 19,182 | 13,851 |
| Change in fair value of contingent consideration | 32,307 | 45,196 | 20,516 |
| (Gain) loss on interest rate caps | (26,220) | 123 | — |
| Depreciation expense | 4,620 | 2,788 | 1,129 |
| Severance | 1,255 | 871 | 89 |
| Income tax provision | 715 | 19 | (5) |
| Capital related expenses | — | — | 1,087 |
| Other[1] | 25,774 | 8,038 | 2,535 |
| Adjusted EBITDA | $ 196,490 | $ 112,909 | $ 43,956 |
| Adjusted EBITDA Margin | 20 % | 20 % | 18 % |

(1) Other addbacks to Adjusted EBITDA include certain expenses that are considered to be non-recurring or non-operational, including certain recruiting costs, remediation efforts, professional fees, litigation costs and bonuses.

## ORGANIC REVENUE AND ORGANIC REVENUE GROWTH

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except percentages)** | **2022** | **2021** | **2020** |
| Commissions and fees | $ 980,720 | $ 567,290 | $ 240,919 |
| Partnership commissions and fees[1] | (280,660) | (272,272) | (81,250) |
| Organic Revenue | $ 700,060 | $ 295,018 | $ 159,669 |
| Organic Revenue Growth[2] | $ 132,610 | $ 54,004 | $ 21,780 |
| Organic Revenue Growth %[2] | 23 % | 22 % | 16 % |

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

(2) Organic Revenue for the year ended December 31, 2021 used to calculate Organic Revenue Growth for the year ended December 31, 2022 was $567.5 million, which is adjusted to reflect revenues from Partnerships that reached the twelve-month owned mark during the year ended December 31, 2022.

## ADJUSTED NET INCOME AND ADJUSTED DILUTED EPS

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except per share data)** | **2022** | **2021** | **2020** |
| Net loss attributable to BRP Group | $ (41,772) | $ (30,646) | $ (15,696) |
| Net loss attributable to noncontrolling interests | (34,976) | (27,474) | (14,189) |
| Amortization expense | 81,738 | 48,720 | 19,038 |
| Share-based compensation | 47,389 | 19,193 | 7,744 |
| Transaction-related Partnership and integration expenses | 34,588 | 19,182 | 13,851 |
| Change in fair value of contingent consideration | 32,307 | 45,196 | 20,516 |
| (Gain) loss on interest rate caps, net of cash settlements | (24,012) | 123 | — |
| Amortization of deferred financing costs | 5,120 | 3,506 | 1,002 |
| Depreciation | 4,620 | 2,788 | 1,129 |
| Severance | 1,255 | 871 | 89 |
| Capital related expenses | — | — | 1,087 |
| Other(1) | 25,774 | 8,038 | 2,535 |
| Adjusted pre-tax income | 132,031 | 89,497 | 37,106 |
| Adjusted income taxes(2) | 13,071 | 8,860 | 3,673 |
| Adjusted Net Income | $ 118,960 | $ 80,637 | $ 33,433 |
| | | | |
| Weighted-average shares of Class A common stock outstanding - diluted | 56,825 | 47,588 | 27,176 |
| Dilutive effect of non-vested restricted shares of Class A common stock | 3,526 | 1,982 | 571 |
| Exchange of Class B common stock(3) | 55,450 | 51,811 | 45,147 |
| Adjusted dilutive weighted-average shares outstanding | 115,801 | 101,381 | 72,894 |
| | | | |
| Adjusted Diluted EPS | $ 1.03 | $ 0.80 | $ 0.46 |
| | | | |
| Diluted net loss per share | $ (0.74) | $ (0.64) | $ (0.58) |
| Effect of exchange of Class B common stock and net loss attributable to noncontrolling interests per share | 0.08 | 0.07 | 0.17 |
| Other adjustments to loss per share | 1.80 | 1.46 | 0.92 |
| Adjusted income taxes per share | (0.11) | (0.09) | (0.05) |
| Adjusted Diluted EPS | $ 1.03 | $ 0.80 | $ 0.46 |

(1) Other addbacks to Adjusted Net Income include certain expenses that are considered to be non-recurring or non-operational, including certain recruiting costs, remediation efforts, professional fees, litigation costs and bonuses.

(2) Represents corporate income taxes at assumed effective tax rate of 9.9% applied to adjusted pre-tax income.

(3) Assumes the full exchange of Class B common stock for Class A common stock pursuant to the Third Amended and Restated Limited Liability Company Agreement of BRP, as amended.

## PRO FORMA REVENUE

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except percentages)** | **2022** | **2021** | **2020** |
| Commissions and fees | $ 980,720 | $ 567,290 | $ 240,919 |
| Revenue for Partnerships in the unowned period[1] | 33,768 | 152,030 | 185,330 |
| Pro Forma Revenue | $ 1,014,488 | $ 719,320 | $ 426,249 |
| Pro Forma Revenue Growth | $ 295,168 | $ 293,071 | $ 273,639 |
| Pro Forma Revenue Growth % | 41 % | 69 % | 179 % |

(1) The adjustments for the year ended December 31, 2022 reflect commissions and fees for Westwood Insurance Agency, Venture Captive Management, LLC and National Health Plans & Benefits Agency, LLC as if the Company had acquired the Partners on January 1, 2022. The adjustments for the year ended December 31, 2021 reflect commissions and fees for LeaseTrack Services LLC/Effective Coverage LLC, Riley Financial, Inc. (operating as “Medicare Help Now”), Tim Altman, Inc. (operating as “Only Medicare Solutions”), Seniors’ Insurance Services of Washington, Inc., Mid-Continent Companies, Ltd., RogersGray Inc., EBSME, LLC, FounderShield LLC, The Capital Group, LLC, River Oak Risk, LLC, White Hill Plaza, Inc., Jacobson, Goldfarb & Scott, Inc, Wood Guttman & Bogart Insurance Brokers, Construction Risk Partners, LLC, Brush Creek, LLC and Arcana Insurance Services, LP as if the Company had acquired the Partners on January 1, 2021. The adjustments for the year ended December 31, 2020 reflect commissions and fees for AgencyRM LLC, VibrantUSA Inc., Insurance Risk Partners, LLC, Southern Protective Group, LLC, Pendulum, LLC, Rosenthal Bros., Inc., Trinity Benefit Advisors, Inc./Russ Blakely & Associates, LLC, Fletcher Financial Group, Inc., Medicare Insurance Advisors, Inc., Insgroup, Inc., Armfield, Harrison & Thomas, Inc., Westward Insurance Services, Inc., Burnham Benefits Insurance Services, Inc. and Tanner, Ballew & Maloof, Inc. as if the Company had acquired the Partners on January 1, 2020. 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 loss, which we consider to be the most directly comparable GAAP financial measure:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except percentages)** | **2022** | **2021** | **2020** |
| Pro forma revenue | $ 1,014,488 | $ 719,320 | $ 426,249 |
| | | | |
| Net loss | (76,748) | (58,120) | (29,885) |
| Net income (loss) for Partnerships in the unowned period[1] | (2,069) | 29,078 | 25,205 |
| Pro forma net loss | (78,817) | (29,042) | (4,680) |
| Adjustments to pro forma net loss: | | | |
| Amortization expense | 88,537 | 68,805 | 43,965 |
| Interest expense, net | 72,789 | 39,852 | 22,290 |
| Share-based compensation | 47,389 | 19,193 | 7,744 |
| Transaction-related Partnership and integration expenses | 34,588 | 19,182 | 13,851 |
| Change in fair value of contingent consideration | 32,307 | 45,196 | 20,516 |
| (Gain) loss on interest rate caps | (26,220) | 123 | — |
| Depreciation expense | 4,620 | 2,788 | 2,474 |
| Severance | 1,255 | 871 | 89 |
| Income tax provision | 715 | 19 | (5) |
| Capital related expenses | — | — | 1,087 |
| Other | 25,774 | 8,038 | 2,535 |
| Pro Forma Adjusted EBITDA | $ 202,937 | $ 175,025 | $ 109,866 |
| Pro Forma Adjusted EBITDA Margin | 20 % | 24 % | 26 % |

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(1) The adjustments for the year ended December 31, 2022 reflect net income (loss) for Westwood Insurance Agency, Venture Captive Management, LLC and National Health Plans & Benefits Agency, LLC as if the Company had acquired the Partners on January 1, 2022. The adjustments for the year ended December 31, 2021 reflect net income (loss) for LeaseTrack Services LLC/Effective Coverage LLC, Riley Financial, Inc. (operating as “Medicare Help Now”), Tim Altman, Inc. (operating as “Only Medicare Solutions”), Seniors’ Insurance Services of Washington, Inc., Mid-Continent Companies, Ltd., RogersGray Inc., EBSME, LLC, FounderShield LLC, The Capital Group, LLC, River Oak Risk, LLC, White Hill Plaza, Inc., Jacobson, Goldfarb & Scott, Inc, Wood Guttman & Bogart Insurance Brokers, Construction Risk Partners, LLC, Brush Creek, LLC and Arcana Insurance Services, LP as if the Company had acquired the Partners on January 1, 2021. The adjustments for the year ended December 31, 2020 reflect net income (loss) for AgencyRM LLC, VibrantUSA Inc., Insurance Risk Partners, LLC, Southern Protective Group, LLC, Pendulum, LLC, Rosenthal Bros., Inc., Trinity Benefit Advisors, Inc./Russ Blakely & Associates, LLC, Fletcher Financial Group, Inc., Medicare Insurance Advisors, Inc., Insgroup, Inc., Armfield, Harrison & Thomas, Inc., Westward Insurance Services, Inc., Burnham Benefits Insurance Services, Inc. and Tanner, Ballew & Maloof, Inc. as if the Company had acquired the Partners on January 1, 2020. 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.

## ADJUSTED NET CASH PROVIDED BY OPERATING ACTIVITIES ("FREE CASH FLOW")

The following table reconciles free cash flow to net cash provided by (used in) operating activities, which we consider to be the most directly comparable GAAP financial measure:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in thousands)** | **2022** | **2021** | **2020** |
| Net cash provided by (used in) operating activities | $ (2,462) | $ 40,129 | $ 36,817 |
| Adjustments to net cash provided by (used in) operating activities: | | | |
| Payment of contingent earnout consideration in excess of purchase price accrual | 49,926 | 4,825 | 1,727 |
| Change in premiums, commissions and fees receivable, net | 183,006 | 64,501 | 6,828 |
| Change in accounts payable, accrued expenses and other current liabilities | (173,362) | (55,188) | (27,348) |
| Free cash flow | $ 57,108 | $ 54,267 | $ 18,024 |